**ANNUAL REPORT** 

# BANKING ON INCLUSIVITY

CREDIT INFORMATION BUREAU OF SRI LANKA (CRIB)



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# BANKING ON INCLUSIVITY

By building up a 'customer-friendly reservoir of credit information' CRIB has been paving ways through which people are held responsible for their credit discipline and also giving them the chance to stabilise their financial independence. While introducing new ways to collect data from non-financial institutions and also widening the scope of the data sources used, CRIB plays a major supporting role in making informed lending decisions and thus facilitates flow of credit to under-served segments of society. So as we make progress through innovation, and take on future challenges head on with an exceptional level of professionalism and efficiency, we're banking on financial inclusivity to make Sri Lanka a land of opportunity for all.

# **INTRODUCTION TO REPORT**

The 2018 annual report of the Credit Information Bureau of Sri Lanka (CRIB), is significantly different from our previous annual reports due to our decision to adopt the International Integrated Reporting Framework 2013 to report on the management of our business operations and financial and non financial capitals.

The CRIB is a statutory body established by act of statute, with a unique public private ownership structure, mandated to act as Sri Lanka's national credit information agency. The CRIB does not have subsidiaries, association or any other types of affiliations. Therefore, the adoption of the IR framework for our annual report is entirely voluntary, to support good governance. Our objective is to enhance transparency into our business operations as a publicly owned institution and to inform the public of Sri Lanka how we have managed our assets during the reporting time frame to create value for the country.

# EXTERNAL ASSURANCE FOR INTEGRATED REPORTING

We have not obtained external assurance for Integrated Reporting for this report.

However, the financial statements of the Company have been audited an external auditor Messrs Ernst and Yong.

#### HOW WE HAVE ATTEMPTED TO MEET INTEGRATED REPORTING PRINCIPLES

Strategic focus and future orientation, and connectivity of	Through the Chairman's and General Manager's statements we have attempted to explain how the CRIB has met its strategic objectives for the year, and future plans.
information	The Managing Risks chapter presents an overview of the risk profile of the CRIB and the Strategy and Resource Allocation chapter gives future growth plans of the CRIB. These two chapters together presents a forward looking picture of the CRIB for the short to medium term.
Stakeholder relationships	Our key stakeholder groups and how we engage with them is summarised below in the Stakeholder Engagements section. For additional information please refer the Social Capital Chapter of this report.
Materiality	The material topics selected for disclosure were decided by the General Manager and senior management, and was approved by the Board of Directors.
	Please refer the Materiality Assessment section below for more information on the process of how we selected material topics for coverage in this report.
Conciseness	Information has been presented to be as complete as possible in the most concise manner. We have also attempted to supplement narratives with informative diagrams and charts to concisely present additional information.
Reliability and completeness	We have attempted to present a complete picture of material topics by providing a balanced perspective by disclosing both positive and negative aspects where relevant.
	For reliability of information, the contents of this report have been approved by relevant senior managers.
	<ol> <li>In addition:</li> <li>The financial statements of the Company have been audited by the external auditors, for reliability.</li> </ol>

# MATERIALITY ASSESSMENT

The CRIB management took into consideration the following factors when identifying topics of material importance to be disclosed in this report.

- 1. Regulatory compliance
- 2. Disclosure expectations of our primary stakeholders (As a public private enterprise our primary stakeholders are the member financial institutions and the Central Bank of Sri Lanka)
- 3. Enhancing transparency for the public of Sri Lanka and the government, about our business activities and the management of our assets
- 4. Principles and disclosure requirements of the IR Framework

MATERIAL TOPIC	AN	INUAL REPORT CHAPTER	PAGE NUMBER/S
How well we have discharged our legal mandate	*	Chairman's Message Social Capital chapter	6 68
How the CRIB is	*	The CRIB Governance System	35
governed		section	24
	*	Board of Directors	82
	*	Statutory Disclosures chapter	
Quality of management and personnel	*	CRIB Staff	30
How we manage	*	Managing Risks chapter	40
information security	*	Intellectual Capital chapter	73
risks and data	$\star$	Ethics and Anti-Corruption	34
confidentiality		chapter	
Performance during	*	General Manager's Review	8
the year	*	Operations Review	49
	$\star$	Financial Statements	81
	*	External Environment	46
	*	Independent Auditors Report	84
Managing our assets	*	Financial Capital	57
	*	Human Capital	62
	$\star$	Intellectual Capital	73
	$\star$	Manufactured Capital	75
	*	Natural Capital	77
Growth strategy and	*	Message from the Chairman	7
future plans	*	General Manager's Review	9
	*	Strategy and resource allocation	48
Business model and information about the company	*	Who We Are	18

# STAKEHOLDER ENGAGEMENT

The CRIB, as the national credit information agency, deals with a large number of different interested parties and groups including foreign and international agencies.

However, we have identified our primary stakeholders as:

- 1. The groups that have the greatest influence on the CRIB through the CRIB Act.
- 2. The groups the CRIB is mandated to serve through the CRIB Act.
- 3. Other stakeholders that are essential for the CRIB's operations.

Based on the above definition, the primary stakeholders of the CRIB are:

- CRIB members: CRIB members (shareholders) are the Central Bank of Sri Lanka, the financial sector regulator and registered banks and finance and leasing companies.
- 2. The public of Sri Lanka: As defined by the CRIB Act, all Sri Lankan citizens and institutions registered in Sri Lanka have the legal right to receive CRIB services.
- Government agencies: CRIB collaborate with various Government agencies, including the Ministry of Finance, Central Bank, Ministry of National Policies and Economic Affairs and Ministry of Development Strategy and International Trade.
- 4. Our employees: Our employees are the core of CRIB operations.
- Technical and service partners: The CRIB requires specialised technical support services to provide efficient and effective service to the public and member institutions. Therefore, CRIB technical services providers are essential for the CRIB's operations.



STAKEHOLDER GROUP	HOW WE ENGAGED WITH EACH STAKEHOLDER GROUP
CRIB members	<ul> <li>The CRIB AGM was held in October 2018</li> <li>The CRIB Board met 12 times during the year</li> <li>The CRIB data collection system engages with members everyday for input data</li> <li>The CRIB conducted training programmes for members</li> <li>Scheduled one-on-one meeting with members</li> <li>CRIB seeks member responses on research activities or through distributed questionnaires</li> </ul>
Public	<ul> <li>The CRIB Annual Report is published online</li> <li>We issued regular media statements regarding the CRIB</li> <li>We participated in a number of television and radio shows for interactive discussions with the public</li> <li>CRIB maintains a dedicated help desk for public</li> <li>Provide information to public under "Right to Information Act"</li> </ul>
Government agencies	<ul> <li>Our Annual Report is submitted to the Ministry of Finance</li> <li>The CRIB participates in sectorial parliamentary committees</li> <li>The CRIB Interacts with Government institutions, as a Head of Task Force for "Getting Credit" under the World Bank Ease Doing Business Programme.</li> </ul>
Employees	<ul> <li>Performance reviews</li> <li>Departmental meetings</li> <li>Open door policy encourages direct employee/superior dialogue</li> <li>Year/end get together</li> </ul>
Technical and service partners	<ul> <li>We conducted regular meetings with technical partners</li> <li>CRIB attends various workshops, training programme conducted by the technology service providers</li> </ul>



The CRIB AGM for 2017 was held at Shangri-La Hotel, Colombo, in October 2018.

## **CHAIRMAN'S MESSAGE**



### Credit Reports Issued in 2018



"Going forward, the CRIB's Strategy 2020 will continue to align with the Vision 2025 of the government and the CRIB's statutory mandate to facilitate financial inclusivity and credit discipline in the country."

Mr. H. A. Karunaratne Chairman

6 Credit Information Bureau of Sri Lanka (CRIB) Annual Report 2018



It is my great pleasure, on behalf of the Board of Directors, to present the audited accounts and annual report of the Credit Information Bureau of Sri Lanka, the national credit information agency, to our shareholders and the public of Sri Lanka.

I am indeed pleased to announce an excellent performance by the CRIB in the financial year 2018 in terms of discharging its mandated duties towards the public and financial institutions of the country. During the year under review, the CRIB issued nearly 10 million credit reports, which is a growth of 9% reports from 2017.

It is noteworthy that this year-on-year growth in credit reports has been reached in spite of operational and technical constraints from existing credit information system that is now utilised to its optimum capacity. Therefore, the current year's growth in service volumes has been achieved purely through improvements to system efficiency and skilful management of limited resources.

I am also pleased by the financial performance of the CRIB, which has resulted in an 12% growth in the balance sheet and a profit after tax of Rs 939 Mn.

This incremental growth in CRIB services demonstrate the growing demand for credit reports in the country and the increasing importance of the CRIB, in the orderly functioning of the financial system of the country. Although a very small entity in terms of employees, the CRIB makes a disproportionately large contribution to the country. Currently, the CRIB databases hold credit information from over 80 financial institutions, including banks and finance companies, with collective balance outstanding of total credit Portfolio reported to CRIB of Rs. 9.6 trillion, which is an extremely large share of the country's economy. From a household perspective, the CRIB's databases have credit information of over 8 million citizens, comprising almost 40% of Sri Lanka's adult population and almost 100% of households. Therefore, the CRIB is now an integral component of the country's economy.

Beyond the CRIB's direct involvement in the provision of credit reports, the Bureau contributes directly to national economic policy decisions by providing credit market analysis to the Central Bank. The CRIB also collaborates with international bodies, such as the World Bank, towards meeting national economic agendas. Currently, the CRIB is a leading contributor to the World Bank's Getting Credit Task Force, which is working on improving Sri Lanka's ranking in the Ease of Doing Business Index. The CRIB is also working with other agencies to implement an enhanced Secured Transactions Register for the country.

#### **FUTURE PLANS**

I am pleased to announce that the long awaited IT system upgrade of the CRIB is now in progress, and will be commissioned by end 2019. This technologically superior credit Information management system will replace the existing IT system, which will uplift Sri Lanka's credit information bureau operations to international standards.

Therefore, the public and financial institutions will be able to benefit from a range of first world credit agency services that will help mitigate lending risks of lending institutions, thereby improving financial system stability.

The Board and management of the CRIB are also fully cognisant of the emerging global information security threats. Therefore, we have already taken measures to enhance Information security, infrastructure and relocate governance frame work of the CRIB, to safeguard public information.

Going forward the CRIB's Strategy 2020 will continue to align with the Vision 2025 of the government and the CRIB's statutory mandate to facilitate financial inclusivity and credit discipline in the country.

I would like to conclude by thanking the Board for their valuable insights in guiding and developing the CRIB. I am fully appreciative of the CRIB management and staff for their commitment, which has been the driving force behind the CRIB's growth. I would also like to thank member institutions service providers and other agencies of the CRIB for their contributions during the year.

Sincerely

Mr. H. A. Karunaratne Chairman

## **GENERAL MANAGER'S MESSAGE**



Five Year Progress (Issued Credit Reports)



"For the financial year 2018, we issued 10 million credit reports to individuals and institutions, which is an increase of 833,403 reports from 2017 and a growth of 9% year on year. As the CRIB IT systems are now stretched to capacity, this volume growth in output was attained purely through efficiency improvements to the existing system, by introducing some innovative technology solutions and coordinating our limited resources for optimum outputs."

Mr. Nandi Anthony General Manager

8 Credit Information Bureau of Sri Lanka (CRIB) Annual Report 2018



The financial year 2018 has been another exceptionally good year for the CRIB, with the number of credit reports issued, coming close to the 10 million mark. In addition, during the year many initiatives were successfully deployed to support continued improvements in CRIB services and service quality, for the benefit of the public and member institutions.

#### **OPERATIONAL IMPROVEMENTS**

During the year, we were able to continue increasing CRIB outputs, despite existing systemic constraints, while also maintaining the quality of our credit reports and ensuring a speedy and friendly services to all our customers.

For the financial year 2018, we issued 10 million credit reports to individuals and institutions, which is an increase of 833,403 reports from 2017 and a growth of 9% year on year. As the CRIB IT systems are now stretched to capacity, this volume growth in output was attained purely through efficiency improvements to the existing system, by introducing some innovative

technology solutions and coordinating our limited resources for optimum outputs. The system, which was slowing down due to capacity limits, was stabilised with new hardware components, and a new URL was introduced at times of high-user concurrence to enable smooth transactions. We also continued to expand our services and launched the Corporate iReport, which now makes it possible for businesses to access their credit histories online.

I think it is noteworthy that these system improvements and increased outputs were achieved with no additional staff costs and with no price increases to the customer. We have maintained our cost to income ratio at the 2017 level, while growing our outputs. In addition, I would like to stress that to date, we have not received any customer complaints regarding delays, or non provision, of credit reports, which is the best indicator of the effectiveness of our operations administration and technology management. We have, despite a plethora of backend system problems, managed to maintain data quality of input data from our member institutions to retain high levels of data accuracy, and ensured speedy issuance of credit reports to customers, averaging at the rate of 40,026 reports per day.

I am also pleased to announce that the CRIB Annual Report 2017 won a compliance award at the Annual Report Awards of the Institute of Chartered Accountants of Sri Lanka, which indicates our high standard of governance and corporate disclosure. As our shareholders are aware, the CRIB is primarily a technical operation run by a small group of 26 skilled staff, providing services for the entire country. The CRIB is also highly sensitive to data security concerns due to the vast volumes of confidential data that is passing through our databases every day. Therefore, an exceptional level of employee commitment and integrity is essential to ensure good governance practices and quality of our services. As we deploy our growth strategy from the new financial year, the CRIB's scope of work will continue to expand and it is necessary to retain and attract the correct personnel to support this growth. With this in mind, we conducted a salary survey, through an external consultant, to identify wage gaps and staff benefit gaps against the market. The survey results and recommendations have been submitted to the Remuneration Committee and will be taken up for discussion in the new financial year. Meanwhile, we also initiated a fully automated performance appraisal system for staff, which has contributed towards greater staff involvement in personnel development and growth.

#### **STRATEGIC PROGRESS**

The top strategic priority for 2018 was to sign a vendor agreement for a new credit information system for the CRIB. This agreement was signed during the year and the new system will come into operation in the new financial year. The new system will expand data storage capacity, enable higher volume transactions and will also accommodate new, modern credit services. As a precursor to introducing the new credit bureau system, Board approval was obtained to conduct a full system audit of all internal systems and processes of the CRIB, by a reputed external auditor. This will contribute towards enhanced security for CRIB systems and databases against cyber attacks and will strengthen firewalls against unauthorised access to confidential public data. We were also able to obtain approvals to recruit key personnel to support our future growth, including a full time Head of Information Security Risk and Compliance, Project Manager and a IT consultant, on contract basis. These new recruits, who will report to work in 2019, will provide essential new skills to maintain our larger and more complex systems, and to design new products.

#### FINANCIAL PERFORMANCE

The growth in output volumes during the year contributed towards robust financial growth with revenues reaching Rs 1 billion which is a year on year increase of 9.5%. The profit before tax hit Rs 1.3 billion for the second consecutive year. Our income was boosted further by a 8% year on year investment income growth following rationalisation of the portfolio. Under the new investment policy we

adopted a strategy of shorter tenures and moved to higher yielding tools, to leverage the interest rate climate in the country. The CRIB investment portfolio mainly comprises short tenure FDs, and gilt edged securities in the form of bonds and repos.

In 2018, for the first time since inception, the Bureau income came into the tax net, with operational profits taxed under income tax, at the rate of 28%. Therefore, I am pleased to announce that during the 2018 financial year, the CRIB contributed the significant sum of Rs. 359 million to state coffers. Despite this large outflow, the CRIB reported an after tax profit of Rs. 945 million and declared a dividend of Rs. 600 million for the second year in succession. Our shareholders also benefited from the earning per share Rs. 3,780/-.

#### STAKEHOLDER ENGAGEMENT

Enhancing the CRIB's public image was an area of focus for the year and we conducted many public engagements to raise awareness and eliminate misconceptions about the CRIB. Throughout the year we participated in TV and radio talk shows and published news paper articles. We also conducted many member awareness programmes. As part of a dynamic global industry, we maintain close tabs on global trends in credit reporting. During the year, 4 senior Bureau members participated in the world consumer credit reporting conference to be exposed to the latest developments in global credit agency services. The Bureau personnel also attended the Oracle World Conference and we have now taken steps to introduce Oracle back end analytics to the CRIB system, to facilitate timely production of research reports requested by the Central Bank and other users.

Our membership expanded during the year, with the Bank of China joining the CRIB, which increased our membership base to 81.

#### **OUTLOOK AND PLANS**

While the macro environment indicates a number of challenges for the country with two elections on the way, slow economic growth and investment uncertainty, I am confident of a positive outlook for the CRIB. With the new, state-of-the-art IT system coming into operation, the CRIB will have the required backend technical support start rapid deployment of our growth strategy. Therefore, I am looking forward to introducing a Credit Score system to the country in 2019. We will also engage the public more, to enhance the CRIB's public visibility and to position the CRIB as an integral component of the country's economy.

Looking forward to an exciting new year, I thank the Board of Directors for their advice during the year and I thank my team for their unwavering commitment to reach our goals. I also thank the member institutions of the CRIB and our customers for their cooperation and patronage. I am confident the CRIB team will meet your requirements even better in the new financial year.

Sincerely

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Mr. Nandi Anthony General Manager

# **KEY PERFORMANCE INDICATORS**





# **FINANCIAL HIGHLIGHTS**

Year Ended 31 December	2014	2015	2016	2017	2018
Operating Results - ( Rs.' 000 )					
Income	847,877	872,923	884,623	983,819	1,077,447
Expenses	(179,739)	(199,634)	(260,411)	(263,669)	(294,117
Operating Profit/(Loss)	668,138	673,289	624,212	720,150	783,330
Other Income	166,566	191,077	366,506	483,208	521,381
Net Profit Before Extra Ordinary Items	834,704	864,366	990,718	1,203,358	1,304,711
Extra Ordinary Items	001,101	001,000	000,110	1,200,000	.,
Net Profit After Extra Ordinary Items	834,704	864,366	990,718	1,203,358	1,304,711
Taxation	(46,590)	(56,473)	(102,357)	(135,183)	(359,622)
Net Profit After Extra Ordinary Items & Taxation	788,114	807,893	888,361	1,068,175	945,089
	700,114			1,000,170	0-10,000
Shareholders Funds - (Rs.' 000)					
Share Capital	25,000	25,000	25,000	25,000	25,000
Reserve	1,117,357	1,118,593	1,932,252	2,466,796	2,403,272
Accumulated Fund	1,524,488	2,191,009	2,013,295	2,181,021	2,525,182
	2,666,845	3,334,602	3,970,547	4,672,817	4,936,843
Liabilities - (Rs. ' 000)					
Creditors & Other Payables	32,680	25,774	84,995	88,258	369,596
Deferred Liabilities	9,819	4,351	7,456	8,259	9,917
	92,451	96,517	392,546		
Assets - (Rs. ' 000)					
Non-Current Assets	48,889	29,816	43,932	42,756	28,922
Investments	2,455,562	3,117,183	3,762,304	4,470,013	5,073,983
Inventories	342	282	405	497	567
Trade & Other Receivables	182,618	188,901	224,964	219,666	199,174
Cash & Bank Balances	21,932	28,544	31,425	36,403	24,743
	2,709,343	3,364,726	4,063,030	4,769,335	5,327,389
Ratios					
Return on Average Shareholders' Funds (%)	30%	24%	22%	23%	19%
Income Growth (%)	50%	3%	1%	11%	10%
Return on Average Assets (%)	29%	24%	22%	22%	18%
Rate of Dividends (%)	600%	650%	2000%	2400%	2,800
Gross Dividends (Rs. ' 000)	150,000	162,500	500,000	600,000	700,000
Share Information			c		
Earning Per Share (Rs.)	3,152	3,232	3,553	4,273	3,780
Net Assets Per Share (Rs.)	10,667	13,338	15,882	18,691	19,792

CRIB iReport YOUR CREDIT FOOTPRINT

## **HISTORICAL MILESTONES**

## 1990

The Credit Information Bureau of Sri Lanka Act No. 18 of 1990 set the foundation for the first Credit Bureau in South Asia.

The database for irregular loans over Rs. 1 Mn was created and the first credit report was issued in December 1990.

## 1991

24 registered finance companies joined the Bureau as shareholders.

## 1992

The Board first decided to levy a charge on credit reports - Rs. 35/- and Rs. 20/- per report, transmitted through fax and post respectively.

## 1995

1st Amendment to the CRIB Act No. 8 of 1995 was passed in Parliament. 1997

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Credit card
defaulters'
database
started.
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2000 10th anniversary of the commencement

of operations.

## 2004

CRIB with CBSL and the World Bank jointly hold the first South Asian Credit Bureau Conference in Colombo.

# 2006

Automation project initiated with technical partner, Messrs Dun and Bradstreet Information Services.

## 2005

Commencement of CRIB modernisation project.

## 2017

CRIB Live Data centre was relocated to a Tier 3 standard hosted facility, more secure and implemented on the state-of-the-art technology

Relaunched member rating programme.



## 2009

2nd Amendment to the CRIB Act No. 42 of 2008 was enacted.

# 2010

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Commenced collection of information on dishonoured cheques from commercial banks.

Issuing self inquiry reports (iReports) for the general public.

20th anniversary of the CRIB

## 2011 The

establishment of the Disaster Recovery Centre was completed.

Establishment of Secured Transactions Register (STR).

# 2012

Signing of Declaration of Secrecy, by users of the Bureau services, made compulsory.

Data submission was fully automated with in-house developed system.

Inaugural cricket tournament, the Governor's Trophy, for all member institutions. 2013 Online version of iReport launched.

Initiative with IFC to reform the secured transactions legal framework.

# 2014

Initiation of the 2nd phase of the development programme.

# 2015

25th anniversary of the CRIB

# 2016

CRIB moved to its new office premises, the Whiteaways building at Sir Baron Jayathilake Mawatha, Fort.

Introduction of Credit Information Report for micro lending.

# 2018

A new CRIB era is in the offing with the signing to partnership with a new technology vendor to drive the CRIB next generation development roadmap.



# **ABOUT US**

#### **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 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 for secured transactions to register the security interests 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.
- ★ Facilitate more informed credit decisions to minimise 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.



#### **OUR STRENGTH**

In comparison with many other national institutions, the CRIB is a small organisation. However, for over two decades the CRIB has silently contributed towards strengthening the fundamentals of a safe and sound banking and financial industry, and those functions related to improving the credit and financial culture of the country.

Our objective is to ensure that our obligations to CRIB member institutions and the general public, are met, as specified by the CRIB Act.



#### LEGAL FORM AND MANDATE OF THE CRIB

The CRIB was established through the Credit Information Bureau of Sri Lanka Act No. 18 of 1990, as a body corporate. Subsequent amendments to the CRIB Act were made through Act No. 08 of 1995 and Act No. 42 of 2008. In 2018, the CRIB again came under the purview of the Ministry of Finance of Sri Lanka, after being assigned to the Ministry of National Policies and Economic Affair for a brief period. "

AN ACT TO PROVIDE FOR THE **ESTABLISHMENT OF THE CREDIT INFORMATION BUREAU OF SRI** LANKA FOR THE COLLECTION OF **CREDIT INFORMATION RELATING** TO BORROWERS FROM LENDING **INSTITUTIONS, CONSUMERS OF CREDIT GRANTING INSTITUTIONS** AND FOR THE PROVISION OF THAT INFORMATION ON REQUEST TO THE SHAREHOLDERS OF THE BUREAU AND AUTHORITIES AND INSTITUTIONS ENTITLED TO RECEIVE INFORMATION WITH **A VIEW TO FACILITATING THE DISTRIBUTION OF CREDIT TO ALL** SECTORS OF THE ECONOMY AND TO THE INFORMAL SECTOR, IN PARTICULAR; AND FOR MATTERS **CONNECTED THEREWITH OR** INCIDENTAL THERETO. "

Preamble-CRIB Act

#### **VALUE CREATION MODEL**

The CRIB's economic value creation activity is primarily the collection of credit information of individuals and institutions from registered financial services providers (member institutions), and issuing credit reports to member institutions and the general public. This process is facilitated through digital data collection systems connected to all registered lending institutions, that are operated and maintained by the CRIB. The CRIB is responsible for the safety and confidentiality of this private data.

In addition to this core function, the CRIB also provides other support services which are;

- Coordinating with member institutions for data corrections and dispute resolutions regarding credit information in credit reports
- ★ Conducting training programs for CRIB users at member institutions
- Conducting awareness programmes regarding CRIB services for the general public



#### **OWNERSHIP OF THE CRIB**

The CRIB is owned by 'member financial institutions' and the financial sector regulator, the Central Bank of Sri Lanka. Member financial institutions comprise all lending institutions (public and private), registered with the Central Bank of Sri Lanka.



CRIB share Ownership as at December 31st, 2018:

- The Monetary Board of Central Bank of Sri Lanka: 19.30 %
- ★ Bank of Ceylon: 18.64 %
- ★ People's Bank: 18.96 %
- ★ National Savings Bank: 12.18 %
- National Development Bank PLC: 6.20%
- ★ Other Institutions: 24.72 %

The CRIB has a unique public-private ownership structure. The shares of the CRIB have been allocated to its member institutions. These member institutions comprise the Monetary Board of Sri Lanka and all lending institutions (public and private), registered with the Central Bank of Sri Lanka.

Within the domestic lending sector, CRIB shares are distributed among different financial institutions including specialised banks, commercial banks, finance companies, leasing companies and other nominated lending institutions. These institutions are listed below.

#### **COMMERCIAL BANKS**

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

## SPECIALISED BANKS

- 1. HDFC Bank of Sri Lanka
- 2. National Savings Bank
- 3. Regional Development Bank
- 4. Sanasa Development Bank PLC
- 5. Sri Lanka Savings Bank LTD
- 6. State Mortgage & Investments Bank

## FINANCE COMPANIES

- 1. Abans Finance PLC
- 2. Alliance Finance Company PLC
- 3. AMW Capital Leasing & Finance PLC
- 4. Arpico Finance PLC
- 5. Asia Asset Finance PLC
- 6. Associate Motor Finance Company PLC
- 7. Bimputh Finance PLC
- 8. Central Finance Company PLC
- 9. Citizens Development Business Finance PLC

#### **FINANCE COMPANIES**

- 10. Colombo Trust Finance PLC
- 11. Commercial Credit & Finance PLC
- 12. Commercial Leasing & Finance PLC
- 13. ETI Finance Limited
- 14. Fintrex Finance Limited
- 15. HNB Finance Limited
- 16. Ideal Finance Limited
- 17. Kanrich Finance Limited
- 18. Lanka Credit and Business Finance Limited
- 19. L B Finance PLC
- 20. LOLC Finance PLC
- 21. LOLC Development Finance PLC
- 22. Mercantile Investments & Finance PLC
- 23. Merchant Bank of Sri Lanka & Finance PLC
- 24. Multi Finance PLC
- 25. Nation Lanka Finance PLC
- 26. Orient Finance PLC
- 27. People's Leasing & Finance PLC
- 28. People's Merchant Finance PLC
- 29. Prime Finance PLC
- 30. Richard Peiris Finance Limited
- 31. Sarvodaya Development Finance Company Ltd.
- 32. Senkadagala Finance PLC
- 33. Serandib Finance Limited
- 34. Singer Finance (Lanka) PLC
- 35. Sinhaputra Finance PLC
- 36. Siyapatha Finance PLC
- 37. Softlogic Finance PLC
- 38. Swarnamahal Financial Services PLC
- 39. The Finance Company PLC
- 40. TKS Finance Limited
- 41. Trade Finance & Investments PLC
- 42. U B Finance Limited
- 43. Vallibel Finance PLC

#### LEASING ESTABLISHMENTS

- 1. Assetline Leasing Company Limited
- 2. Co-operative Company Limited
- 3. SMB Leasing PLC
- 4. Unisons Capital Leasing Limited

## OTHER LENDING INSTITUTIONS

- 1. Mercantile Merchant Bank Limited
- 2. Sri Lanka Export Credit Insurance
  - Corporation



## **CRIB PRODUCTS**

The CRIB provides credit information products to shareholder lending institutions and to members of the public, on request. These products include:

## **CONNECTIONS WITH FOREIGN AGENCIES**

The CRIB engages with external multilateral agencies and other governing bodies relating to the credit reporting industry. These include:

- The International Finance Corporation (IFC): Regular communications are maintained with the IFC, in diverse areas, for the development of the CRIB and the domestic lending industry.
- ★ Asia-Pacific Consumer Credit Information Services (APCCIS): The CRIB received full membership of the APCCIS in 2015.

APCCIS is the interactive and knowledge sharing platform for credit bureaus in the Asia Pacific region. It is a non-profit, advocacy group established to promote collaboration between credit reporting agencies. The mission of APCCIS is to educate and update the public about the use of consumer credit information for lending decisions. APCCIS is owned and managed by the Business Information Industry Association (BIIA). The BIIA is a global trade organisation that deals with the information content industry.

★ The World Bank Ease of Doing Business Index: The CRIB is a key contributor to the Doing Business (DB) survey conducted by the World Bank annually. The CRIB provides regular updates for the Getting Credit Index, which has a major impact on the overall country ranking on the Ease of Doing Business in Sri Lanka.

- World Consumer Credit Reporting Conference (WCCRC): This is the largest gathering of the credit reporting industry in the world and meets every two years to discuss and share knowledge and experience. The CRIB has participated in all conferences to date. The conferences help CRIB staff enhance their knowledge of the industry and to establish international networks with key stakeholders and professionals in the industry.
- Asia Credit Reporting Network (ACRN)

   CRIB has been attending key events of ACRN and is now finally due to sign an MOU in September 2019 to become a fully member of ACRN

### MEMBERSHIP IN LOCAL ASSOCIATIONS

The Employers Federation of Ceylon (EFC): The CRIB is a member of the EFC which is the employer trade union in Sri Lanka.

HELPING TO CREATE A DISCIPLINED AND CREDITWORTHY SOCIETY

# **BOARD OF DIRECTORS**



## Standing Left to Right:

Director

Director

Mr. K. S. Bandaranayake Mr. R. Gunawardana Mr. K. B. S. Bandara Director

Mr. A. A. M. Thassim Director

Mr. H. A. Karunaratne Chairman

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## Standing Left to Right:

Mr. C. N. S. N. Anthony Director/General Manager

Director

Mr. K. Thilakaratne Mr. D. Seneviratne Director

Seated:

Mr. D. P.N. Rodrigo Director

#### Mr. H. A. Karunaratne Chairman

Mr. H. A. Karunaratne is a Deputy Governor of the Central Bank of Sri Lanka and has extensive experience in the financial services sector in Sri Lanka and overseas. During his 33year career, some of the key positions held by him have been as; Assistant Governor and Secretary to the Monetary Board, Secretary to the Monetary Board Advisory Audit Committee, Director, International Operations Department, Director, Financial Intelligence Unit of Sri Lanka, Additional Director, Domestic Operations Department and Chief Dealer of the Central Bank of Sri Lanka,

Mr. Karunaratne served as a Vice President, Fixed Income Department, Refco Singapore Pte Ltd. and Vice President, Prime Risk Monitoring, Man Financial Pte Ltd., Singapore, during which time he obtained the license from the Monetary Authority of Singapore to trade futures options and other derivative products.

Mr. Karunaratne was a Member of the Foreign Reserves Management Committee, Monetary Policy Committee and Market Operations Committee of the Central Bank of Sri Lanka from May 2009, to October 2015. Presently, he is the Chairman of the Financial System Stability Committee, the National Payments Council, the EPF Investment Oversight Committee, the Internal Investment Oversight Committee of the Central Bank and the Chairman of the Institute of Bankers of Sri Lanka. He holds a BSc Business Administration degree from the University of Sri Jayewardenepura, Sri Lanka and an MA in Economics from the Ohio University, USA. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

Mr. Karunaratne is a regular speaker at various local and international forums on reserves and portfolio management.

#### Mr. Nandi Anthony

Director/General Manager Credit Information Bureau of Sri Lanka

Mr. Anthony has a career spanning over 25 years in the financial sector, with a proven track record of extensive senior management experience at a leading foreign commercial bank, investment and merchant banks and as Head of Finance in leading stock broking and investment management houses in the country.

Mr. Anthony is a Fellow of the Chartered Institute of Management Accountants (FCMA), UK and has a Master of Business Administration (MBA) from the University of Sri Jayewardenepura, Sri Lanka. He is also an ACI Certified financial markets dealer and licensed stock broker.

Mr. Anthony has gained vast experience and training, both locally and internationally in Treasury Management, Risk Management, Balance Sheet Management, Corporate Finance, Capital Markets, Stock Broking, Investment and Portfolio Management.

His previous corporate positions include the postings as Chief Financial Officer (CFO) at Harris Ceylon (Pvt) Ltd., Director/Head of Assets & Liability Management at Standard Chartered Bank, Sri Lanka, Head of Treasury and Fixed Income Securities, Asia Capital Limited, and Head of Corporate Finance and Capital Markets at People's Merchant Bank of Sri Lanka.

#### Mr. A. A. M. Thassim

Director, Credit Information Bureau of Sri Lanka

Mr. A.A.M. Thassim has been in the service of the Central Bank of Sri Lanka (CBSL) for over 25 years and is currently the Director of Bank Supervision Department, which is responsible for the regulation and supervision of the banking sector of the country. Prior to this appointment he served a short period as the Director of Communications and also served as the Director of International Operations and was responsible for the management of foreign reserves of the country and managing the exchange rate. Mr. Thassim has also gained experience and knowledge in the field of payment systems and was a Director of LankaClear (Pvt) Ltd., which is presently the national clearing house and was involved in the implementation of the Cheque Imaging and Truncation System. Currently, he is a member of the Board of Directors of the Credit Information Bureau of Sri Lanka.

Mr. Thassim is an Associate member of the Chartered Institute of Management Accountants UK, and possesses a Masters in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He has also gained a Diploma in Computer Systems Design from NIBM and has completed an executive programme on Leaders in Development, from the John F. Kennedy School of Government, Harvard University, USA and Gold Reserves Management, from the Hass School of Business, University of California, Berkeley, USA.

#### Mr. Senarath Bandara

Director, Credit Information Bureau of Sri Lanka

Mr. Senarath Bandara is the General Manager of the Bank of Ceylon. He has wide experience serving in several key areas of banking including sales and channel management, international banking operations, treasury management, corporate lending, development banking and electronic banking, in senior capacities. He also served as the Chief Executive Officer of the Bank of Ceylon (UK) Ltd., London during 2011-2012. Prior to joining the Bank, he served as an Assistant Lecturer at the University of Kelaniya, Sri Lanka and served at the Mahaweli Authority. He has also been a resource person at the Institute of Bankers of Sri Lanka. in the field of credit and investment management. He currently serves in the Governing Board of the Institute of Bankers of Sri Lanka and is a director of BOC Travels (Pvt) Ltd., BOC Property Development & Management (Pvt) Ltd., Lanka Clear (Private) Ltd., Ceybank Asset Management Ltd., Hotels Colombo (1963) Ltd., Koladeniya Hydropower (Prrt) Ltd., Lanka Financial Services Bureau Ltd., Merchant Bank of Sri Lanka & Finance PLC and Bank of Ceylon (UK) Ltd. He is the Chairman of BOC Management & Support Services (Pvt) Ltd. and Ceybank Holiday Homes (Pvt) Ltd. He is also the Chairman of the Asia Pacific Rural and Agricultural Credit Association (APRACA).

Mr. Bandara is a Physical Science graduate from the University of Kelaniya and holds an MBA with A merit pass from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He has successfully completed the Advanced Management Programme conducted by the Harvard Business School, USA. He is a Fellow Member of the Institute of Bankers of Sri Lanka and obtained a Postgraduate Diploma in Bank Management from the same institute.

#### Mr. Rasitha Gunawardana

Director, Credit Information Bureau of Sri Lanka

Mr. Gunawardana counts over 30 years of service at People's Bank. He joined the Bank as a Senior Finance Officer in 1987.

He has gained extensive experience in finance, performance management, corporate and commercial credit, treasury operations, credit control and risk management.

Prior to joining People's Bank, he had worked in both private and public sectors in industries covering travel and hotels, plantation management and construction.

He is an Associate Member of the Chartered Institute of Management Accountants (UK).

Mr. Rasitha Gunawardana is a distinguished old boy of Ananda College Colombo.

#### Mr. D. P. N. Rodrigo

Director, Credit Information Bureau of Sri Lanka

Mr. Rodrigo is a senior banker with extensive experience in retail banking, finance, institutional banking and risk management in leading local and foreign commercial banks operating in Sri Lanka. He was elected Chairman for a two year period by the Asian Banker's Policy Advocacy Committee, a forum for advancing the cause of banking and finance in the region and promoting regional co-operation.

He served as a lecturer and examiner of strategic management for the University of Wales affiliated MBA programme in Sri Lanka and was a guest lecturer at the Postgraduate Institute of Management and the director certification programme at the Sri Lanka Institute of Directors. He has presented technical papers in various forums locally and overseas, on strategy, business transformation and risk management. He is a former President of the ACCA Sri Lanka Division.

Mr. Rodrigo is a fellow of the chartered institute of management Accounts of London and the chartered Association of Certified Accounts (London) and holds an MBA from Cranfield University, UK.

#### Mr. K. S. Bandaranayake

Director, Credit Information Bureau of Sri Lanka

Mr. Bandaranayake, Senior Deputy General Manager – Operations of People's Leasing & Finance PLC, is a Fellow of the Institute of Chartered Accountants of Sri Lanka, the Institute of Certified Management Accountants of Sri Lanka and the Institute of Certified Management Accountants of Australia. He is a finalist of the Chartered Institute of Management Accountants (UK) and also possesses five years' experience at Ernst & Young Chartered Accountants. He has over 25 years of post-qualifying experience at a very senior level in the finance sector.

He is the current Chairman of the Leasing Association of Sri Lanka and is a former CEO of People's Merchant Finance PLC.

#### Mr. Dimantha Seneviratne

Director, Credit Information Bureau of Sri Lanka

Mr Dimantha Seneviratne is the Group Chief Executive Officer/Director, of the National Development Bank PLC. He counts more than 28 years of experience in the banking industry. Prior to joining NDB in January 2017, he functioned as the Director/Chief Executive Officer of the Pan Asia Banking Corporation PLC (PABC) for three years, where he was instrumental in turning around PABC and transforming it into a high-performing midsized player in the industry.

Prior to that, he spent 15 years with the HSBC Group, where he held key senior management positions, including several senior overseas postings covering Thailand, Bangladesh and Saudi Arabia. His last posting with the HSBC Group was as the Chief Risk Officer, Thailand (2011–2013). Prior to that he was the Chief Risk Officer Sri Lanka/Maldives (2008–2011) and also functioned as the Chief Risk Officer of HSBC Bangladesh in 2010. At HSBC, he was responsible for credit growth, strategy and governance in those respective geographies, as a member of the country leadership team. He has gained extensive exposure in corporate banking, retail banking and wealth management, credit risk management, operations and market risk, internal control, investment banking and finance.

Mr Seneviratne commenced his banking career with Sampath Bank and has also served in the Overseas Trust Bank, Colombo branch, and the Saudi British Bank, prior to joining HSBC. Mr. Seneviratne holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and a BSc, from the same university. He is a Fellow Member (FIB) of the Institute of Bankers, Sri Lanka and a Post Graduate Diploma Holder in computer system design, from the NIBM. He successfully completed the High Potential Leadership Programme at the Harvard Business School, Boston, USA, in 2016.

A past president of The Association of Professional Bankers (APB) Sri Lanka, he has held various positions in the Executive Council of APB for over a decade, including the posts of Secretary General (2008-2009) and Senior Vice President (2009-2010).

He currently functions as a Director of Lanka Clear (Pvt) Ltd., the Credit Information Bureau of Sri Lanka and Sri Lanka Banks' Association (Guarantee) Ltd.

#### Mr. Krishan Thilakaratne

Director, Credit Information Bureau of Sri Lanka

Mr. Krishan Thilakaratne is the Director/ Chief Executive Officer of Commercial Leasing and Finance PLC and is a member of the Senior Management Team of LOLC PLC.

He is a Director at Seylan Bank PLC. He also serves on the Board of Prasac Micro Finance Cambodia and Commercial Insurance Brokers (Pvt) Ltd., Sri Lanka. Mr. Thilakaratne is the immediate past Chairman of the Finance Houses Association of Sri Lanka (FHASL), the apex body for Non-Bank Financial Institutions (NBFIs) in Sri Lanka. Mr. Thilakaratne is a Member of the Associateship of Institute of Bankers of Sri Lanka (AIB). He has followed a strategic leadership training programme in micro finance at the Harvard Business School, USA and counts 25 years of experience in management, credit, channel management, marketing, factoring, portfolio management and Islamic finance.

## **BOARD OF DIRECTORS (RETIRED)**



Mr. C. J. P. Siriwardena Chairman

Credit Information Bureau of Sri Lanka Deputy Governor of the Central Bank of Sri Lanka (Retired w. e. f. October 2018)



Mr. D. M. Gunasekera Director

Credit Information Bureau of Sri Lanka General Manager of Bank of Ceylon (Retired w. e. f. February - 2018)



Mr. A. R. Fernando Director

Credit Information Bureau of Sri Lanka Director of Central Finance Company PLC (Retired w. e. f. April - 2018)



Mr. Nalin Wijekoon Director

Credit Information Bureau of Sri Lanka Director/CEO of Softlogic Finance PLC (Retired w. e. f. January - 2018)



Mr. N. Vasantha Kumar Director

Credit Information Bureau of Sri Lanka General Manager of People's Bank (Retired w. e. f. May - 2019)



Mr. Suranga Naullage Director

Credit Information Bureau of Sri Lanka Director of National Savings Bank (Retired w. e. f. June - 2019)

## **OUR TEAM**



#### Standing Left to Right:

- (1) Mr. H. V. S. M. DE SILVA Senior Accounts Officer
- (2) Mr. E. A. S. U. PREMAKUMARA Executive - Operations
- (3) Mrs. T. G. S. KAVINDIKA Receptionist Cum Typist

(4) Mr. S. S. JANSEN Accounts Executive

- (5) Mr. D. D. VITHANAARACHCHI Executive - Administration
- (6) Ms. A. P. HAMID Executive Secretary

#### Seated Left to Right:

- (7) Mr. D. M. S. I. DISSANAYAKE Manager - Operations
- (8) Mrs. R. M. S. RATNAYAKE Chief Manager - Operations
- (9) Mr. K. D. S. WANIGASOORIYA Assistant Manager - Customer Services



#### Standing Left to Right:

- (10) Mr. M. D. S. N. GUNARATHNE Executive - Operations
- (11) Mr. M. M. M. IKRAM Office Assistant
- (12) Mrs. W. A. L. H. D. WELIWITA Executive - Operations
- (13) Mr. A. B. DASSANAYAKE Senior Officer - Business System Development
- (14) Mr. B. K. WIJENAYAKE Executive - Operations
- (15) Mrs. N. N. BOPAKADAGE Receptionist

#### Seated Left to Right:

- (16) Ms. D. I. A. JAYASINGHE Chief Manager - Accounts & Administration
- (17) Mr. A. N. PIYASIRI Chief Manager - ICT Infrastructure
- (18) Mrs. Y. L. D. K. GUNATILAKE Assistant Manager - Operations



## Standing Left to Right:

- (19) Mr. J. S. WEERESINGHE Senior Executive - System Administration
- (20) Ms. V. THIVYA Relationship Officer - Customer Services
- (21) Mr. K. K. D. W. GUNAWARDHANA Senior Relationship Officer -Customer Services

- (22) Mr. K. A. S. P. FERNANDO Project Manager
- (23) Mr. U. L. WEERASINGHE Senior Executive - Business System Development
- (24) Mr. K. Vageesan Relationship Officer - Customer Services

#### Seated Left to Right:

- (25) Mrs. K. A. S. N. FERNANDO Head of Information Security Risk & Compliance
- (26) Mr. K. A. JANAKA LAKMAL Deputy General Manager
- (27) Mrs. P. T. PERERA Legal Advisor to The Board of Directors
- (27) Mrs. S. D. S. GAMAGE Legal Officer - (Not pictured)

OPENING UP ECONOMIC OPPORTUNITIES FOR UNDER-SERVED SEGMENTS

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# **ETHICS AND ANTI - CORRUPTION**

The provisions of the CRIB Act empowers the CRIB to effect corruption prevention in Bureau operations through multiple ways.



In addition to direct anti-corruption provisions in the CRIB Act the Act also empowers any individual or corporate entity to request his/her/its own credit report or iReport from the Bureau. This enables an individual or corporate entity to rectify and resolve any discrepancy in the report.

Any discrepancy in a credit report (iReport) should be brought to the notice of the relevant institution, whilst forwarding a dispute resolution request to the CRIB.
# **GOVERNANCE AND INTERNAL CONTROLS**

The basis of the CRIB's governance system is set 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 CRIB is vested in the Board of Directors. The Board of Directors of the CRIB are committed to ensuring effective oversight of the Bureau operations and to ensure that all such business affairs of the Bureau are conducted according to the highest standards of good governance, embracing established best practices.

## **STATUS OF COMPLIANCE**

In addition to the CRIB Act, the CRIB complies with a number of national regulations in its daily operations.

REGULATION	COMPLIANT	PARTIALLY COMPLIANT/NON COMPLIANT
Credit Information Bureau of Sri Lanka Act No.18 of 1990 (as amended)	Yes	
Secured Transactions Act No.49 of 2009	Yes	
Shop and Office Employees (Regulation of Employment & Remuneration) Act No.19 of 1954 (as amended)	Yes	
Employees' Provident Fund Act No.15 of 1958 (as amended)	Yes	
Employees' Trust Fund Act No.46 of 1980 (as amended)		
Payment of Gratuity Act, No.12 of 1983	Yes	
Inland Revenue Act No. 24 of 2017	Yes	
Foreign Exchange Act, No.12 of 2017		
Stamp Duty (Special Provisions) Act No.12 of 2006 (as amended)	Yes	
Electronic Transactions Act No.19 of 2006	Yes	
Right to Information Act, No.12 of 2016	Yes	

# Governance and internal Controls

## **GOVERNANCE STRUCTURE**

The CRIB Act stipulates the overall governance structure of the CRIB and specifies the composition of the Board and the Board's powers, duties and functions.

The administration and management of the affairs of the CRIB is vested with the Board, and the Board is authorised to decide on necessary rules for internal management and governance.



## **BOARD OF DIRECTORS**

As directed by statute, the Board of Directors of the 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 specialised banks, nominated by the Monetary Board, is also appointed to the Board.

The General Manager of CRIB being the ex-officio member to the Board, completes the Board of Directors of the CRIB. Every Director (except the Chairmen 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, skills and experience to effectively manage and direct the Bureau in order to maintain the highest standards of good governance and attain the organisational goals. They are persons with vision, leadership qualities, proven competence and integrity. The individual profiles of the members of the Board are given on page 26 of this Report.

## **ROLE OF THE BOARD**

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 reserves in a healthy manner
- ★ Declaring dividends
- ★ Reporting to shareholders

# Topics reserved for approval by the Board include:

- ★ CRIB's strategy
- Major changes to the management structure
- \* Annual budgets
- ★ Investments made by the CRIB
- Staff appointments and remuneration/ welfare packages
- Other matters specifically reserved for approval of the Board under law and regulation.

## **BOARD BALANCE & INDEPENDENCE**

The Chairman is an independent, non-executive appointment. The roles of Chairman and General Manager are distinct and separate, with a clear division of responsibilities.

## MANAGING CONFLICTS OF INTEREST

If a Director of CRIB has a conflict of interest in a matter to be considered by the Board, such matters are disclosed and discussed at the Board meetings. Directors with substantial interests abstain from voting on any Board resolution and their votes are not counted in the quorum for the relevant agenda item at the Board meeting.

## MEETINGS OF THE BOARD (FROM 1ST JAN 2018 TO 31ST DEC 2018)

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

	BOARD MEETINGS					
NAME OF MEMBER	NO. OF MEETINGS HELD DURING TENURE OF OFFICE	NO. OF MEETINGS ATTENDED	PERCENTAGE OF ATTENDANCE			
Mr. H. A. Karunaratne	2	2	100%			
Mr. C. J. P. Siriwardena	10	10	100%			
Mr. A. A. M. Thassim	12	11	92%			
Mr. D. P. N. Rodrigo	12	10	83%			
Mr. N. Vasantha Kumar	12	8	67%			
Mr. K. B. S. Bandaranayake	12	6	50%			
Mr. D. Seneviratne	12	7	58%			
Mr. Senarath Bandara	11	6	55%			
Mr. Suranga Naullage	4	3	75%			
Mr. A. Fernando	4	3	75%			
Mr. Krishan Thilakarathna	5	4	80%			
Mr. N. Wijekoon	1	1	100%			
Mr. R. S. Wijeweera	5	1	20%			

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

## **ROLE OF BOARD COMMITTEES**

Board Committees are appointed by the Board of Directors in accordance with the generally accepted standards and best practices of Corporate Governance. The CRIB has three (03) Board Committees to date.

## **AUDIT COMMITTEE**

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 Report of the Audit Committee is annexed with this report on page 43.

NAME OF MEMBER	AUDIT COMMITTEE MEETINGS			
	NO. OF MEETINGS HELD DURING TENURE OF OFFICE	NO. OF MEETINGS ATTENDED	PERCENTAGE OF ATTENDANCE	
Mr. A. A. M. Thassim	1	1	100%	
Mr Sanjeewa Bandaranayake	1	1	100%	
Mr. Dimantha Seneviratne	1	0	0%	

## **REMUNERATION COMMITTEE**

The Terms of Reference of the Remuneration Committee includes the regulation of the organisational structure, salary scales, salary increments, bonus distribution and staff promotions. The Report of the Remuneration Committee is annexed with this report on page 45.

NAME OF MEMBER	REMUNERATION COMMITTEE			
	NO. OF MEETINGS	NO. OF	PERCENTAGE	
	HELD DURING	MEETINGS	OF	
	TENURE OF OFFICE	ATTENDED	ATTENDANCE	
Mr. N. Vasantha Kumar	1	1	100%	
Mr K. Sanjeewa Bandaranayake	1	1	100%	
Mr. D. P. N. Rodrigo	1	1	100%	

## **MANAGEMENT COMMITTEES**

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

MANAGEMENT COMMITTEE	RESPONSIBILITY	AREA OF FOCUS
Corporate Management Committee (CMC)	★ 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.	<ul> <li>Strategic Planning</li> <li>Risk Management</li> <li>Human Resources</li> <li>Communications Policy</li> <li>Financial Reporting</li> </ul>
Operational Review Committee (ORC)	<ul> <li>Review operations of the Credit Information Management System (CRIMS), the Secured Transaction Registry (STR) and general administration of the Bureau</li> <li>Make appropriate recommendations to the GM and the Board</li> </ul>	<ul> <li>Set annual operational targets and goals</li> <li>Perform periodic progress reviews of targets.</li> </ul>

MANAGEMENT COMMITTEE	RESPONSIBILITY	AREA OF FOCUS
ICT Review Committee (ICTRC)	<ul> <li>Provide monthly review reports on IT operations to the ORC for inclusion in the monthly Progress of Operations Report submitted to the Board.</li> <li>Monitor security policies and practices on an on-going basis.</li> <li>Overlook all non-ICT related technical aspects of CRIB operations and assist the ORC in handling such operations.</li> </ul>	<ul> <li>Set ICT-based technology strategy</li> <li>Review performance of all ICT operations of the CRIB.</li> </ul>
Investment Committee (IC) The committee meets as and when funds are available for investment, prior to maturity	<ul> <li>Formulate and oversee the investment policies and management of investments.</li> </ul>	<ul> <li>Prudent and effective investments of CRIB funds</li> </ul>

## MEASURES TAKEN TO DEVELOP AND ENHANCE THE BOARD'S KNOWLEDGE

The CRIB Board comprises representation from the financial sector regulator and industry leaders and does not require this provision.

## **REMUNERATION POLICIES FOR BOARD AND SENIOR EXECUTIVES**

- ★ Board members and Board committee members are remunerated per sitting at Board meetings
- \* The Remuneration Committee decides on remuneration for all employees

## **PROCESS FOR DETERMINING REMUNERATION**

The Remuneration Committee decides on remuneration of all employees. Salary scales have been set and approved by the Board for different employee grades.

## **INTERNAL CONTROLS**

The Board has taken necessary steps to ensure the integrity of the Bureau's accounting and financial reporting systems, so that internal control systems remain robust and effective via the review and monitoring of such systems on a periodic basis.

## THESE INTERNAL CONTROLS INCLUDE

- 1. Internal audits on financials are conducted as requested by the Bureau
- 2. External annual audits on the financials are conducted annually by Ernst & Young
- 3. IT system security audits are conducted every six months by trencher
- 4. In addition to the above, regular risk reviews are conducted by the Board and Board sub committees

## **RISK MANAGEMENT**

## **RISK CULTURE**

As the country's single credit information agency and the custodian of a growing data base of confidential public data, the CRIB Board, shareholders and the senior management are highly conscious of the importance of effective risk management. Therefore, the Bureau has continued to foster an internal culture geared towards sound internal controls and risk management, reflecting its accountability to the public of Sri Lanka.

The risk culture is diffused throughout the organisation by insisting, through regular training and legally binding contracts, that all employees are instilled with a sense of responsibility and accountability regarding risks undertaken in discharging their duties on a daily basis.

Every Director of the Bureau and all officers and servants of the Bureau, sign a declaration pledging to observe strict secrecy respecting all matters connected with the affairs of the Bureau. Credit information is released by the Bureau only under 6 permissible reasons, as described in the Ethics and Anti Corruption chapter of this report. Therefore, the CRIB's organisation culture is constantly highly conscious of the external risk environment, to maintain essential credibility among member institutions and the general public.

## **RISK APPETITE**

Risk appetite is the level of risk the CRIB is prepared to accept in perusing its objectives and have been defined with Board approval based on strategic targets and financial objectives. In the event the risk appetite threshold has been breached or it is approaching the levels not desirable, risk mitigating measures and business controls are implemented. Risk appetite, therefore, translates into operational measures such as new or enhanced limits or qualitative checks.

#### **CRIB RISK MANAGEMENT FRAMEWORK**

The CRIB risk management framework comprises several layers of risk identification and assessment. The ultimate authority in risk management related decisions is the CRIB Board of Directors. As part of its duties the Board regularly reviews the operating environment for potential risks that could impede the CRIB from discharging its obligations under the CRIB Act. The CRIB Audit Committee and the CRIB Management Committee are directly involved in supporting the Board in identifying and managing risks.

Risks are identified, regularly monitored and control processes are introduced to ensure risk management is effective. Risk reviews are also conducted against the strategic objectives of the CRIB.



### **RISK CLASSIFICATION**

The CRIB identifies emerging risks their potential impacts and regularly monitors these risks for changes and potential of occurrence. Given the CRIB's strong financial discipline, the growing demand for CRIB products did not face a significant financial risk as at end 2018. However potential risks identified are mainly with regard to IT systems and data security, some operational aspects and human resources Over the years, the CRIB has also enhanced its reputational and social credibility, which has helped reduce reputational related risks of the CRIB-although this remains a risk in the context of data security and public trust.

## SIGNIFICANT RISKS AND HOW WE DO MANAGE THEM

The potential risks faced by the CRIB can be classified broadly under regulatory, financial, operational and social risks. The strategies formulated for minimising these risks are described below.

REGULATORY RISK	RISK LEVEL (L,M,H)	RISK MANAGEMENT STRATEGY
Lapses in regulatory compliance: Non-compliance poses a risk of loss of credibility and reputation that could in turn impact operations of the CRIB.	L	<ul> <li>A full time risk management and compliance officer was hired in 2018 to address this risk.</li> <li>In addition, regulatory compliance is continually monitored by the Compliance Officers of member institutions, Head of Finance and the Board of Directors of CRIB.</li> </ul>
Operational Risks		Risk Management Strategy
Unauthorised access to data: Unauthorised access to CRIB data bases could lead to loss of data, misuse of data and lack of credibility in the CRIB.	L	<ul> <li>Online users of credit information (except users of CRIB member organisations) are required to be present themselves at the Bureau with valid proof of identity, to register for online access.</li> <li>All data interchange and web service channels are encrypted using industry standards encryption mechanisms.</li> <li>ICT infrastructure is secured with industry standard logical safeguards. Periodic reviews for any potential vulnerabilities and service exploitations are conducted by the external IS auditors.</li> <li>Physical access to the CRIB operations area is strictly controlled with biometric devices installed at every entry point and movements around the data centre and lobby area, are video monitored and recorded.</li> <li>A Visitor Register is maintained at the reception and visitors are allowed inside the operational area only under supervision of a CRIB employee.</li> <li>All correspondence with each member institution is coordinated and communicated only through a Compliance Officer appointed by the Chief Executive of the institution.</li> </ul>
Breach of secrecy:	L	<ul> <li>All officers in financial institutions who are authorised to access credit information are required to sign a "Declaration of Secrecy"</li> <li>Stipulated guidelines/procedures, are followed strictly, when disclosing the credit information to those it relates to.</li> <li>Access credentials are only issued to a pre-defined number of users at each institution.</li> </ul>
<b>Data related risks:</b> Any deficiency in quality or accuracy of data impacts the value of information and service integrity of the CRIB.	М	<ul> <li>CRIB has no control over input data for CRIB credit reports, as such data is provided by member financial institutions. To minimise data risks: a system based validation mechanism comprising on rules and logical conditions is deployed to mitigate data submission errors.</li> <li>All member institutions have been instructed with proper guidelines and procedures to maintain submission accuracy of data to the bureau.</li> </ul>

# Risk Management Contd.

REGULATORY RISK	RISK LEVEL (L,M,H)	RISK MANAGEMENT STRATEGY
Non-submission/delays of data: Non-submission of data or delays in submission by member institutions can make information obsolete and may become less relevant to business decisions.	М	<ul> <li>Grace period for submission delay is two months. Non-compliance will lead to suspension of membership as per the CRIB Act Sec. 26A.</li> <li>In addition to the regular monthly updates, the Bureau allows members for interim submission of data on case basis.</li> </ul>
IT related risks: IT system capacity Data security Efficiency of online access Certain in IT systems incompatibility System support	Н	<ul> <li>While this was a high risk area for the year under review the implementation of the new IT system will reduce this risk in the new financial year.</li> <li>Periodic vulnerability assessment and security audits are conducted by the contracted IT experts.</li> <li>External auditors' reports are submitted to the Board Appointed Audit Committee and the Board is updated on a regular basis with an action plan and risk mitigation measures.</li> <li>IT and application system providers are engaged for resolution of system level risks.</li> </ul>
Financial Risks		Risk Management Strategy
Interest Rate Risk:	М	★ The investment portfolio was rationalised during the year to address potential risks.
Credit Risk:	L	<ul> <li>Since the customers of the CRIB are banks, finance companies and leasing companies there is minimum threat of credit risk.</li> </ul>
Social Risks		Risk Management Strategy
<b>Reputational Risk:</b> This refers to the CRIB's credibility and integrity. These risks have profound impacts on the bureau's service quality and statutory reputation.	Μ	<ul> <li>The CRIB conducted a number of awareness and public relations exercises during the year to gain industry visibility, enhance credibility and build trust</li> <li>Protect customer confidentiality – please refer breach of secrecy and unauthorised access to data in page 14</li> <li>Maintain integrity of CRIB reports</li> </ul>

## AUDIT COMMITTEE REPORT

The Board Audit Committee functioned under the Charter & Terms of Reference adopted by the Board of Directors of Credit Information Bureau of the Sri Lanka (Bureau). 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 to assess compliance with regulatory requirements.

## COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Board of Directors has established the Audit Committee in accordance with best practices on audit committee. Audit Committee of the Bureau comprises three (03) Independent, Non-Executive Directors appointed by the Board. Members of the Audit Committee as the financial year ended 31st December 2018 are as follows:

- Mr. Sanjeewa Bandaranayake (Chairman)
- Mr. A. A. M. Thassim (Committee Member)
- Mr. Dimantha Senevirathna (Committee Member)

Presently the Audit Committee of the Bureau is chaired by Mr. Sanjeewa Bandaranayake, a Fellow of the Institute of Chartered Accountants of Sri Lanka and of the Institute of Certified Management Accountants of Sri Lanka and Australia and the Society of Certified Management Accountants of Sri Lanka.

Mr. A. A. M Thassim is a Director of Bank Supervision Division of the Central Bank of Sri Lanka and Mr. Dimantha Senevirathna serves as the Chief Executive Officer of NDB Bank.

The wide range of experience mainly on banking and financial industry brought to the Committee from positions held by the present members are given on pages 38 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 review of internal and external audit reports and any operational deficiencies and shortcomings are highlighted in such reports.

## MEETINGS

The proceedings of the Audit Committee meetings are recorded with the adequate details and reported to the Board of Directors, where all key issues, concerns, actions taken and outcome achieved or pending are discussed at Board meeting.

The General Manager may attend meetings on the invitation of the committee.

Attendance of the members is given on page 38 of this Annual Report.

## DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee principally focuses on assisting the Board in fulfilling its duties by providing an independent and objective review of the Bureau's accounting and financial reporting processes and audit of the Financial Statements.

## FINANCIAL REPORTING

The Audit Committee assess the effectiveness of financial reporting,

- The Committee as a part of its responsibility oversees the Bureau's financial reporting process and on behalf of the Board of Directors reviews and discusses 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 control, systems and procedures to provide reasonable assurance that all transactions are accurately and completely recorded.
- Reviews Financial Statements prior to their submission to the Board/ publication.

## INTERNAL CONTROLS, RISK MANAGEMENT AND GOING CONCERN

The Bureau also obtained the services of an independent professional accounting firm to carry out internal audit of the Bureau and to review reports. The effectiveness of the internal control procedures in place to identify and manage all significant risks are being reviewed by the Committee and assesses the Bureau's ability to continue as a going concern in the foreseeable future.

## **REGULATORY COMPLIANCE**

The Committee closely monitors compliance relating to CRIB Act No 18 of 1990 as amended by Act No 08 of 1995 and Act No 42 of 2008, Secured Transactions Registry Act No 49 of 2009 and other statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

# Audit Committee Report Contd.

## **INTERNAL AUDIT**

The Audit committee ensures that the Internal Audit Function is independent of the activities and it is performed with impartiality proficiency and due professional care. In such context, the Committee;

- Mandates internal auditors at regular intervals to review and report on the effectiveness of existing controls and procedures adopted by the Bureau.
- Review the findings and recommendations of the internal auditors enabling the management to response on issues raised and to assess the effectiveness of such findings and responses.
- Monitor how management implements the recommendations suggested by the internal auditor.
- Reviews, assesses and approves the internal audit plan and the internal audit programme.

## **EXTERNAL AUDIT**

External audit is carried out by Messrs Ernst & Young, Chartered Accountants. The committees,

- Monitor independence, objectivity and effectiveness of the external audit in accordance with applicable standards of best practice.
- Assist Board of Directors to implement the processes of engaging external auditor for audit services and agree on their remuneration schemes.
- Reviews to ensure that auditor comply with appropriate guidelines and apply relevant accounting standards.

- Discuss the audit plan, scope and methodology proposed to be adopted in conducting the audit proceeding to commence the annual audit with external auditor.
- Follow up on the corrective action plan presented by the management on issues raised in the Management Letter

## **AUDIT COMMITTEE CHARTER**

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

## **PROFESSIONAL ADVICE**

The Committee has an authority to seek external professional advice on matters within its purview where necessary

# RE-APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee in keeping with the Bureau's policy recommended the Board that Messrs Ernst & Young; Chartered Accountants to be re-appointed as External Auditor for the financial year ended 31st December 2019.



Sanjeewa Bandranayake Chairman - Board Audit Committee

30th August 2019

# **REMUNERATION COMMITTEE REPORT**

## 1. COMPOSITION AND CHARTER OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

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

- Mr. Rasitha Gunwardana Chairman (Non-Executive)
- Mr. Sanjeewa Bandaranayake Non-Executive
- \* Mr. D. P. N. Rodrigo Non-Executive

The Committee was established by the Board in 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.
- Evaluate the performance of the General Manager and Key Management Personnel against preagreed goals/targets and recommend rewards/promotions to the Board of Directors.
- Recommending annual bonuses, incentive payments, allowances to the Board, based on individual performances, responsibility, expertise and contribution.

- Make recommendations to the Board of Directors from time to time of new staff/expertise required, in order to enhance the quality of services.
- Recommend/ give directions to the Board on disciplinary matters if any, relating to key management personnel.

The Committee recognises rewards as one of the key drivers influencing employee output, which in turn have a direct impact on the service levels of the organisation.

## 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	VARIABLE
COMPONENTS	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.

Rasitha Gunawardana Chairman – Remuneration Committee

30th August 2019

## **EXTERNAL ENVIRONMENT**

## **DOMESTIC MARKET**

Based on the provisional estimates of the Department of Census and Statistics (DCS), the Central Bank of Sri Lanka (CBSL) announced that the Sri Lankan economy recorded a modest growth of 3.2% during 2018, compared to the revised growth of 3.4% in 2017. The growth in 2018 was largely supported by services activities that expanded by 4.7% and the recovery in agriculture activities, which recorded a growth of 4.8%.

As stated by the CBSL Annual Report, it was observed that tight liquidity conditions amidst continued high demand for credit caused lending rates of commercial banks to remain high in 2018. Accordingly, the average lending rate that is based on all outstanding loans and advances extended by commercial banks, increased to 14.4% by end of 2018, compared to 13.88% recorded by end 2017. Consequently, credit to the private sector grew at a slower pace at 15.9% during 2018, in comparison to 14.7% by end 2017. The CBSL noted that credit to the services sector fuelled this growth, recording an expansion of by 17.8% compared to 8.3% in 2017. Accordingly, personal loans and advances grew at 20.3% on account of the expansion in credit through pawning advances, credit cards and credit disbursed for consumer durables during the year (CBSL Annual Report 2018).

Reflecting the above market situation, the Bureau observed a lower rate of growth in credit reports issued to the market in 2018, at 9.25 %, compared to the growth rate of 14.16% in 2017. The banking sector accounted for 15.07% this distribution, whereas 5.29% finance and leasing companies accounted for the rest.

## **INTERNATIONAL SECTOR**

The General Data Protection Regulations formulated by the European Union (EU) and effective in the European Economic Area (EEA) was first adopted on 14 April 2016, and became enforceable beginning May 2018. The GDPR aims primarily to give control to citizens and residents over their personal data. Celebrating its first anniversary the GDPR in EU has impacted the entire world by introducing a new dimension to 'privacy' and compelling a broader understanding of the use of 'Personal Data'. The EU continues to improve awareness, compliance and enforcement across the EEA and newly issued guidelines pertaining to a code of conduct, have been released by the European Data Protection Board recently. In January 2019, the French Data Protection Authority fined Google Europe Euro 50 million for breach of law, citing lack of transparency in data processing and not obtaining due consent from data subjects.

Given the wide influence of the European Union across the globe, countries in other regions are also looking into broader data protection laws. A draft bill published by India in July 2018 was in the public domain for review and consultation and is expected to be presented to the new parliament in July 2019. Privacy Data Protection Commissions in Singapore and Hong Kong have also recently reviewed existing practices to enhance efficiency of its DP frameworks.

In Sri Lanka, a much-awaited local Data Protection bill is expected to be published by the Ministry of Communication and Digital Infrastructure soon. Meanwhile, the National Cyber Security law was presented by the Ministry and a draft bill is now available for public consultation and review by the industry. Under the new law, Critical Information Infrastructure (CII) of the country will be identified by a new regulatory authority to effectively manage and meet cyber security threats, to all forms of critical information systems in the country.

The growing phenomenon of data protection is connected to privacy concerns of the public in terms of collection of large amounts of personal data in providing diverse data centric services and products, social media networks using public information, etc. Given the widespread application of data protection laws and the use of public data by credit information agencies, the current trend will have a ripple effect on credit bureau operations in times to come.

## LEGISLATION FOR CREDIT REPORTING

The main objective of legislation to enable credit reporting, is to balance the ability of institutions to exchange credit information in the normal course of business, while simultaneously protecting individual rights to privacy. Worldwide, two approaches to the regulation of credit reporting can be identified:

- Use of broad data protection laws and consumer privacy and secrecy provisions
- 2. Use of specific credit bureau or credit reporting laws

However, there is a growing tendency of many emerging economies moving towards a centralised administration of credit information. This situation is gathering momentum due to many reasons, particularly to maintain state control over data that is shared among various data processors and to allow competition, encouraged through market liberalisation, to leverage the use of raw data to develop innovative market products.

In this context, the Reserve Bank of India had shortlisted six tech companies to setup a wide-based digital Public Credit Registry (PCR) in India. Currently there are four private credit bureaus operating in India, requiring data providers to submit data to all four credit bureaus simultaneously. In a similar manner, China is to establish an authoritative, unified and accessible credit record of all market players based on a unified assigned code.

# STRATEGY AND RESOURCE ALLOCATION

The CRIB 2020 Strategy has been aligned with the Government of Sri Lanka's Vision 2025 and with the CRIB's statutory mandate of "facilitating the distribution of credit to all sectors of the economy and to the informal sector, in particular."

The growth strategy of the CRIB is to move away from pure credit reporting and to upgrade product range through the introduction of new value added products such as SMS alerts, credit scores, the provision of non financial institutional data, benchmarking, business information tools, portfolio analysis and others.

The CRIB is taking concrete steps towards enhancing inclusivity of CRIB services, as directed by the CRIB Act, by expanding its service coverage to include unbanked segments of the Sri Lankan economy, particularly the informal sector and underserved communities. In this regard, some discussions are ongoing to include micro finance services providers, pawning services providers and utility services providers into the CRIB customer base.

## RESOURCE ALLOCATION TO SUPPORT GROWTH STRATEGY

In order to meet the strategic business objectives the CRIB is currently in the process of upgrading its IT systems to enhance data and transactional capabilities to accommodate a wide range of data sources in future and to develop a range of new products and services.

The CRIB will invest in excess of Rs. 500 Mn in technology development over the next 10 years. This includes purchasing and implementing a state-ofthe-art credit information management system and other support hardware and software.

Developing our human resource base is essential to support our planned expansion. CRIB in this direction is in the process of enhancing its skill base with new expertise to support the bureau's development roadmap. We will also continue to allocate funds for training and development and international credit industry exposure for our personnel.

# **OPERATIONS REVIEW**

## **DATA SUBMISSION**

Over 12.4 million credit facilities have been submitted by lending institutions as at 31st December 2018 with 99.23% validity, compared to 10.5 Mn records submitted as at 31st December 2017 with 99.01% validity, which demonstrates the effort and commitment of operational and technical staff of both member institutions and the Bureau.

## Data submission progress 2012-2018

	TOTAL NO OF RECORDS SUBMITTED (MLN)	CHANGE %	VALIDITY LEVEL
2012	5.69		
2013	6.83	20.0%	_
2014	7.71	12.9%	_
2015	8.80	14.2%	More than 99%
2016	9.92	12.7%	_
2017	10.58	6.7%	_
2018	12.37	16.9%	



## **TOTAL CREDIT PORTFOLIO**

Reflecting the continous demand for credit, total credit portfolio has been increased during the five years period starting from 2014 to 2018.

Total balance outstanding as at 31st December 2018 has been recorded as 9.6 Bn with 19.2 % increase compared to 8.1 Bn at the end of 2017. Out of these figures, Balance outstanding of the credit facilities less than 90 days in arrears and 90 days or over in arrears, have increased 17.7% and 42.8 % respectively compared to the position as at 31st December 2017. As per the statistics, 7.3 % of the total balance outstanding is reported with 90 days or over in arrears as at 31st December 2018 compared to the 6.1 % as at 31st December 2017. Finance companies, commercial banks, specialised banks and Leasing companies have contributed 3.49%, 2.99%, 0.68% and 0.12% respectively, for the 7.3% of balance outstanding of credit facilities with 90 days or over in arrears.

## **INDUSTRY POSITION**

## Balance Outstanding (Rs. Bn) (2013-2018)

YEAR	BALANCE C	UTSTANDING	G (RS. BLN)	% CHANGE		BLN) % CHANGE	
	LESS	90 DAYS	TOTAL	LESS	90 DAYS	TOTAL	
	THAN 90	OR		THAN 90	OR		
	DAYS IN	OVER IN		DAYS IN	OVER IN		
	ARREARS	ARREARS		ARREARS	ARREARS		
2013	3,305.09	303.61	3,608.70				
2014	3,932.15	341.10	4,273.25	19.0%	12.3%	18.4%	
2015	5,123.78	372.93	5,496.71	30.3%	9.3%	28.6%	
2016	6,613.32	415.62	7,028.94	29.1%	11.4%	27.9%	
2017	7,590.48	491.28	8,081.76	14.8%	18.2%	15.0%	
2018	8,930.90	701.39	9,632.29	17.7%	42.8%	19.2%	



## **SEGMENT WISE DISTRIBUTION (2017 VS 2018)**

Balance Outstanding (Rs. Bn)

INSTITUTION CATEGORY	CREDIT FACILITIES WITH 90 DAYS OR OVER IN ARREARS		TOTAL BALANCE OUTSTANDING	
	2017	2018	2017	2018
Commercial Banks	197.86	287.99	6,090.37	7,408.19
Finance Companies	218.04	336.29	1,266.23	1,498.83
Leasing Companies	18.47	11.81	134.51	63.12
Specialised Banks	56.91	65.30	590.65	662.15
Total Balance Outstanding	491.28	701.39	8,081.76	9,632.29

INSTITUTION CATEGORY	CREDIT FACILITIES WITH 90 DAYS OR OVER IN ARREARS		TOTAL BAL OUTSTANI	
	2017	2018	2017	2018
Commercial Banks %	2.4%	3.0%	75.3%	76.1%
Finance Companies %	2.7%	3.5%	15.7%	15.6%
Leasing Companies %	0.2%	0.1%	1.7%	0.6%
Specialised Banks %	0.7%	0.7%	7.3%	6.9%
Total Balance Outstanding	6.08%	7.2%	100.00%	100.00%

Total No. of active credit facilities as at 31st December 2018 has been recorded as 9.8 Mn with a 3.7 % increase compared to 9.4 Mn at the end of 2017. Out of these figures, number of credit facilities with less than 90 days in arrears and 90 days or over in arrears, have increased by 0.8% and 32.8% respectively, compared to the position as at 31st December 2017. As per the statistics, 11.4% of the total balance outstanding is reported with 90 days or over in arrears as at 31st December 2018 compared to the 8.9% as at 31st December 2017. Out of 11.4% of the credit facilities with 90 days or over in arrears, Finance companies, commercial banks, specialised banks and leasing companies have contributed 6.9%, 2.4%, 1.8% and 0.2% respectively.

## **INDUSTRY POSITION (2013-2018)**

NO. OF ACTIVE CREDIT FACILITIES ('000)					% CHANGE	
YEAR	LESS THAN 90 DAYS IN ARREARS	90 DAYS OR OVER IN ARREARS	TOTAL	LESS THAN 90 DAYS IN ARREARS	90 DAYS OR OVER IN ARREARS	TOTAL
2013	5,150.66	522.41	5,673.07			
2014	5,776.22	645.02	6,421.24	12.1%	23.5%	13.2%
2015	6,773.16	652.69	7,425.85	17.3%	1.2%	15.6%
2016	7,850.59	745.86	8,596.45	15.9%	14.3%	15.8%
2017	8,611.59	842.59	9,454.19	9.7%	13.0%	10.0%
2018	8,682.20	1,118.82	9,801.02	0.8%	32.8%	3.7%

#### Credit Facility Analysis



## SEGMENT WISE DISTRIBUTION (2017 VS 2018)

No of Active Credit Facilities ('000)

INSTITUTION CATEGORY	CREDIT FACILITIES WITH 90 DAYS OR OVER IN ARREARS 2017 2018		тот	AL
			2017	2018
Commercial Bank	207.25	235.33	4,449.62	4,809.64
Finance Companies	437.52	680.03	3,146.36	3,554.96
Leasing Companies	44.14	25.20	636.55	178.81
Specialised Banks	153.67 178.26		1,221.65	1,257.61
Total	842.59	1,118.82	9,454.17	9,801.01

INSTITUTION CATEGORY	WITH 90 D	CREDIT FACILITIES WITH 90 DAYS OR OVER IN ARREARS %		L %
	2017	2018	2017	2018
Commercial Bank Category %	2.2%	2.4%	47.1%	49.1%
Finance Companies %	4.6%	6.9%	33.3%	36.3%
Leasing Companies %	0.5%	0.3%	6.7%	1.8%
Specialised Bank Category %	1.6%	1.8%	12.9%	12.8%
Total No of Credit Facilities	8.9%	11.4%	100.00%	100.00%

## **CREDIT FACILITY TYPE WISE DISTRIBUTION (2017 VS 2018)**

## No of credit facilities ('000)

CREDIT FACILITY TYPE	201	7	201	8
Loan	5,086.11	53.8%	5,459.24	55.7%
Leasing	1,574.91	16.7%	1,687.96	17.2%
Overdraft	636.59	6.7%	650.11	6.6%
Bank Guarantee	57.04	0.6%	69.25	0.7%
Hire Purchase	90.11	1.0%	71.53	0.7%
Credit Card	1,491.50	15.8%	1,685.98	17.2%
Letter of Credit	34.19	0.4%	38.02	0.4%
Micro Loans	467.39	4.9%	121.66	1.2%
Other	16.36	0.2%	17.27	0.2%

The country recorded growth in the number of almost all types of lending as at 31st December 2018 against 31st December 2017 except hire purchases and micro loans. Loans, the largest share of lending as at 31st December 2018 in terms of number of credit facilities, has increased from 5.08 Mn to 5.45 Mn.





## **CREDIT FACILITY TYPE WISE DISTRIBUTION (2017 VS 2018)**

Balance Outstanding (Rs. Bn)

CREDIT FACILITY TYPE	2017	2017		2017 2018		
Loan	4,938.06	61.1%	6,033.40	62.6%		
Leasing	1,069.30	13.2%	1,226.12	12.7%		
Overdraft	777.49	9.6%	902.74	9.4%		
Bank Guarantee	707.51	8.8%	873.06	9.1%		
Hire Purchase	62.52	0.8%	67.10	0.7%		
Credit Card	116.07	1.4%	137.16	1.4%		
Letter of Credit	168.01	2.1%	162.40	1.7%		
Micro Loans	41.29	0.5%	4.66	0.0%		
Other	201.52	2.5%	225.65	2.3%		

The balance outstanding of almost all types of lending as at 31st December 2018 has recorded an increase, whilst micro loans and hire purchases have decreased.

## **ISSUANCE OF CREDIT REPORTS (2013-2018)**

## Consumer and Corporate Comprehensive Credit Reports

CRIB experienced year-on-year growth in credit report usage and a 10.45% increase was recorded during 2018 compared to 2017. Demand for consumer credit reports were recorded as 8.1 Mn against 2017. Corporate credit report usage was 0.35 Mn compared to 0.31 Mn in 2017.

YEAR	CONSUMER	CORPORATE	TOTAL	YEAR ON YEAR GROWTH
2012	2,229,424	95,188	2,324,612	
2013	2,989,639	127,677	3,117,316	34.1%
2014	4,581,690	174,728	4,756,418	52.6%
2015	6,680,301	221,259	6,901,560	45.1%
2016	7,591,030	284,332	7,875,362	14.1%
2017	8,120,146	312,117	8,432,263	7.1%
2018	8,963,415	349,775	9,313,190	10.4%

Lending institutions are authorised to obtain credit report only for the permissible purposes defined by the CRIB Act. As per the statistics, the primary reasons for requesting credit report indicated as "monitoring and reviewing of existing borrower" and "evaluating borrower for a new facility." Increasing demand for the report obtained for monitoring purpose demonstrated the continuous effort made by the CRIB in conducting awareness programmes.

Credit Portfolio (LKR Billion) - 2017





Credit Reports Ordered 2012-2018



## **ISSUANCE OF CREDIT REPORTS (2017 VS 2018)**

Reason wise usage

REASON	2017	2,018
Evaluating borrower for a new credit facility	39.6%	37.3%
Monitoring and reviewing of an existing borrower	34.1%	37.6%
Review as a guarantor for a new credit facility	18.9%	18.8%
Review as a partner/proprietor for a new credit facility	5.5%	4.5%
Review as a director for a new credit facility	0.8%	0.7%
Opening Current Account	1.1%	1.0%

## Credit Report for Micro Lending

Credit reports for micro lending, which was developed targeting individual borrowers was started in 2016. However, usage of micro credit reports decreased in 2018 to 613,310 reports from 663,869 in 2017 though there is an increasing demand for credit reports.

## **MICRO CREDIT REPORTS (2016-2018)**

YEAR	CONSUMER	CORPORATE	TOTAL
2016	73,605	-	73,605
2017	663,869	-	663,869
2018	613,310	-	613,310

## Self Inquiry Reports (iReports)

Self inquiry reports (iReport) were launched in 2010, by providing an opportunity for individuals to access his/her own credit information. As a result of public awareness programmes conducted both in the print and electronic media, demand for self inquiry reports increased by 18.4% in 2018 compared to 2017. In addition, 1,312 iReports have been obtained by users registered with online service compared to 979 in 2017.

## **IREPORT USAGE (2012-2018)**

YEAR	TOTAL NO. OF SELF INQUIRY REPORT	ONLINE IREPORT (%)	YEAR ON YEAR GROWTH (%)
2012	6,217		
2013	7,464	1.9%	20.1%
2014	9,858	6.2%	32.1%
2015	13,858	7.6%	40.6%
2016	14,010	6.8%	1.1%
2017	15,360	6.4%	9.6%
2018	18,183	7.2%	18.4%

SECURED TRANSACTIONS REGISTRY SYSTEM OPERATIONS



Total No. of self inquiry reports

# Operations Review Contd.

The total number of registrations in STR Systems was 1,687 compared to 1,832 registrations in 2017. The number of information searches done at STRS also has declined from 895 to 711 in 2018, compared to the previous year.

YEAR	NO OF REGISTRATIONS	NO OF STR REPORTS SEARCHED
2012	1,543	298
2013	1,682	393
2014	1,217	563
2015	1,846	742
2016	2,281	933
2017	1,832	895
2018	1,687	711



OUR MISSION-WIDER FINANCIAL INCLUSIVITY

63 63

255 636

%

\$

\$

\$ 52 147

64 369

%



The financial capital chapter of the CRIB explains the material changes to our finances during the 12 months under review from January 1 to December 31, 2018. This section of the annual report should be read together with our financial statements and notes to the financial statements for a better understanding of our financial status. Further, our financial risk management process is described in the Managing Risks chapter of this annual report. Our financial reporting policies have not changed from the previous financial year and we have not had to restate any information from our previous Annual Report.

Rs. 1.3 Bn Profit Before Tax

## **FINANCIAL CAPITAL**



# Financial Capital Contd.

## **OUR VALUE DISTRIBUTION IN 2018**

The CRIB's sustainability has a direct impact on the overall financial stability of the country. The CRIB is fully self-financed and it does not receive any Government assistance. We continued to record profits in 2018. The CRIB has continuously transferred financial benefits to members, employees and other stakeholders by increasing its reserves for over 25 years.

We have made a profit before tax of Rs. 1.3 Bn this year and the economic value created by the CRIB has increased by 9% to amount to Rs. 1.5 Bn.

## **CHANGES TO EQUITY**

The stated capital of the CRIB remained unchanged at Rs. 25 Mn in 2018. However, the total equity of the CRIB increased by 6% against 2017 to Rs. 4,947 Mn. This growth was achieved from an 15% growth in retained earnings which increased to Rs. 2,518 and the reserves of the CRIB decrease by 3% to Rs. 64 Mn due to reduction on Available for sale reserve based on Treasury bond valuation.

### REVENUE

The CRIB's primary sources of revenue are income from the sale of credit reports to consumers and member institutions and investment income. Both these revenue sources recorded satisfactory growth in 2018.



The Credit Information Bureau experience another prosperous year in 2018 by achieving a Rs. 1 Bn revenue, which is the highest-ever turnover recorded by the Bureau. The total revenue increased from Rs. 938 Mn in 2017, to Rs. 1,077 Mn in 2018, which is a growth of 10%. This revenue is attributable to the continued growth in credit reports issued to member institutions, despite challenging market conditions.

## **OPERATIONAL INCOME**

The total number of reports issued during the year 2018 increased by 8% compared to 2017, by reaching 10 Mn reports.

Insurance of 10 Mn credit reports while recording 1 Bn operational income had been a significant achievement for the bureau without placing any burden to our users during the year.



### **INVESTMENT INCOME**

Operating income further benefited from higher investment returns during the year. Interest income of the CRIB increased by 8% to Rs. 521 Mn. This impressive growth is due to the visionary leadership, which foresaw emerging market trends and were optimised with appropriate strategies at the right time.

The CRIB investment portfolio is managed by the Investment Committee under supervision of the CRIB board. Investments are primarily in fixed deposits and treasury bonds.

## **EXPENSES**

During the year, operating expenses increased by 12% compared to 2017. Operational expenses can be categorised as administration and establishment expenses (33% of total expenses), employee related expenses (30% of total expenses) and other expenses (36% of total expenses). During the year, administration & establishment costs increase by 6% and other expenses increased by only 5%. Employee related expenses increased by 28%. The increase in employee expenses was mainly due to the salary increase effected in 2018. The staff cost increased faster than the growth rate of the top line, which had a slight unfavourable impact on the profit of the Bureau. However, in order to achieve long-term sustainable growth, this was an investment the Bureau had to make, at the expense of short-term profits.



## **COST TO INCOME RATIO**

In spite of operational expenses increasing by 12%, the Bureau was able to maintain the cost to income ratio at the same level as the previous year, at 27%







## PROFITABILITY

Despite the 12% growth in operating expenses the Bureau achieved a profit before tax growth of 8% to Rs. 1.3 Bn.

However, following the amendment to the income tax Act Number 24 of 2017, the CRIB came into the Income Tax net for the first time with regard to operating profits. Taxation on operational profit, which amounted to Rs. 365 Mn for the year had a significant impact on the profitability of the Bureau.

## **NET PROFIT**

The Bureau recorded a net profit of Rs. 938 Mn during the year under review. The significant year-on-year decrease in net profit by 12% for the financial year 2018 is due to the increased tax payment. The taxation impact on profit is 170% compared with the previous year.

## **EARNINGS PER SHARE (EPS)**

The EPS of the Bureau decreased by Rs. 520, compared with the previous year. This status does not indicate inefficiency of financial performance of the Bureau, but is mainly due to the tax impact on profitability.

## **NET ASSETS PER SHARE**

As a result of continuous profitability growth, the total net asset value crossed the Rs. 5 Bn mark and recorded the highest net asset value per share at Rs. 19,787 by the end of 2018. Therefore, the financial strength of the Bureau has been enhanced, while augmenting shareholders' wealth.

## **DIVIDEND PER SHARE**

A dividend of Rs 2,800/- per share has declared on the profit of the year. However, the Bureau have been consistently balance between healthy dividends and retention to support investing activities to enhance long term shareholder value.





#### **Profit Before Tax**









As an organisation in the knowledge industry, the CRIB maintains a small personnel base that is highly trained to service the entire country. In 2018 the CRIB team issued close to 10 million credit reports with zero errors.

**10 Million** Credit Reports for 2018

# **HUMAN CAPITAL**

## **STATUS OF COMPLIANCE**

The CRIB is fully compliant with all applicable labour laws and regulations under the Shop and Office Act. All statutory employee dues have been paid on time. The CRIB did not experience any fines or penalties for delays or non payment of statutory payments.

## CHANGES TO THE CRIB HUMAN CAPITAL BASE

There were no changes to the CRIB's human capital base in 2018. However, we increased our investment in our people by allocating Rs. 5.7 Mn for training. This was to make sure the CRIB is equipped to provide an advanced range of services for the country in the coming years.

In line with the CRIB's growth strategy two new recruitments were initiated in 2018, that came into effect in 2019. These include a Head of Information Security Risk and Compliance on a permanent basis to support the CRIB's expansion plans through the development of new products and services. In addition Project Manager was recruited on contract basis.

	2017	2018	% CHANGE
Total number of	Permanent - 24	Permanent - 24	0%
employees	Contract- 2	Contract - 2	0%
New recruitments	0	0	0%
Training and development investments Rs	1.8 Mn	5.7 Mn	217%



The CRIB employees enjoy competitive wages that have been approved by the Board of Directors and are based on wage categories and market rates. Therefore, wages are fixed and are based on market trends and do not change on the basis of gender, ethnicity or any other demographic.

The CRIB has a baseline package of benefits that are applicable to all staff members, which include medical insurance, reimbursement of professional subscriptions and reimbursement of interest subsidy base on the purpose of the loan.

All permanent employees are enrolled in to the statutory Employee Provident Fund and the Employee Trust Fund. The CRIB gratuity policy rates for employees with over five years' service, are above the statutory rate of half-month pay per year of service.

## **DIVERSITY AND EQUAL OPPORTUNITY**

As an equal opportunity employer, the CRIB encourages workplace diversity, regardless of gender or ethnicity. We embrace diversity and will not tolerate discrimination or harassment against any person, on any grounds. Our HR Policy incorporates equal opportunities to prevent discrimination based on race, religion, age, nationality, social origin and gender orientation.

Number of Permanent Staff Based on Gender



Number of Permanent Staff Based on Age

Under 30 Years 31-50 Years Over 51 3

- 20

## **EMPLOYEE PROFILE**

By end 2018, the total CRIB cadre comprised only 26 employees, including two contract employees and nine management grade employees. Out of the management cadre, five are male, while out of the nine executive grade employees, two are women. Out of the 10 non-executive grade employees, two are women.

TOTAL PERMANENT EMPLOYEES	24
Male	16
Female	08
TOTAL CONTRACT EMPLOYEES	02
Male	01
Female	01

## HUMAN RESOURCE ADMINISTRATION

The CRIB is guided by the CRIB Administration Manual. The Manual spells out the expected standard of behaviour from all employees.

Main areas covered by the Administration Manual:

- ★ Remuneration system This is based on the Remuneration Sub Committee's recommendations, which are approved by the Board.
- The disciplinary code and inquiry procedure for disciplinary action, including appeals on disciplinary verdicts.
- ★ The CRIB Communication Policy





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# Human Capital Contd.

## **EMPLOYEE COMMUNICATION MODEL**



## **EMPLOYEE BENEFITS**

The CRIB provides many benefits for employees above and beyond statutory requirements, such as:

- ★ Medical insurance cover
- ★ Staff loans
- ★ Interest subsidies for housing loans

## **PERFORMANCE EVALUATION**

A staff appraisal system has been formulated to recommend annual special payments and to identify employee attitudes and training and development needs. The performance appraisal system is applicable to all categories of employees, which applies annually to the entire staff.

In 2018 the CRIB Initiated implemented an automated performance evaluation

system, which has enhanced the performance evaluation process through greater employee interaction.

## TRAINING AND DEVELOPMENT

Training is essential to maintain service quality and advance the technical skills of the CRIB staff. Therefore, during the year, the CRIB invested Rs 5.7 Mn on training programmes. Our employees from the management grades, received overseas training, while selected personnel from all three grades of management executive and non-executive, received local training.

CRIB personnel also participated in the World Consumer Credit Conference

## **EMPLOYEE EVENTS**

A religious ceremony to invoke blessings for the staff and the office, was held on the eve of New Year





The staff enjoyed the annual get-together at Mount Lavinia Hotel





10103

CRIB-A TIME-TESTED PUBLIC-PRIVATE PARTNERSHIP AND GOVERNANCE STRUCTURE



As a national information services institution, the CRIB's social capital can be described as goodwill and credibility in the eyes of the public.

# **SOCIAL CAPITAL**

The Credit Information Bureau of Sri Lanka (CRIB) maintains social relationships between two broad social segments-member institutions and the general public of the country-in order to ensure sustainable long-term operations.



## **CRIB INVESTMENT IN SOCIAL CAPITAL DEVELOPMENT 2017 VS 2018**

During the current financial year, building public relations was a priority focus area for the CRIB. Therefore, many PR activities were conducted during the year by CRIB officials through the mass media and other channels.

INVESTMENT FOR SOCIAL CAPITAL	2017 (RS.)	2018 (RS)	% CHANGE
Customer awareness programmes (Rs)	1,566,389	798,872	(49%)
Advertising and public relations (Rs)	380,980	208,350	(45%)
Charity work	170,000	220,000	29%

## AWARDS

The CRIB Annual Report was awarded a Compliance Award at the 2018 Institute of Chartered Accountants Annual Report Awards, in acknowledgement of the CRIB's disclosure standards. The CRIB Annual Report is published online for easy public access.



## **MEMBER INSTITUTIONS**

Delivering Credit Information Reports with Value Added Services

- \* The prime service offered by the CRIB is the credit report. A credit report details both the positive and negative credit history of a given individual, or corporate entity. The Bureau gathers information about an individual's and/or a Business entity's credit facility performance,, from lending institutions and compile that information into a report called a Credit Information Report.
- The Credit Information Report includes the borrower's/joint borrower's/guarantor's profile information, as well as credit facility related information, which includes previous credit facilities that have already been paid, new credit facilities that have just been collected, how the credit facilities have/are being serviced for the past 24 months' period and if there are any outstanding balance(s) or any arrears etc.

#### Help Desk Assistance

- The Help Desk provides inbound and outbound support to our member institutions on our products and services. These include user management inquiries, invoice queries and log-in details, whilst maintaining a high level of customer service when providing training support and advice.
- The CRIB is responsible for responding to all member institutions' queries received via email, post and fax and ensuring all enquiries are investigated and completed within a reasonable time-frame.

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## Connecting with Member Institutions

CRIB training programmes are aimed at authorised CRIB users (Credit Officers, Branch Managers, Compliance Officers), of lending institutions, who are involved in evaluating and making decisions on credit. Programmes are aimed at educating officials of lending institutions on correct interpretation of credit information in credit reports, and also the important sections, that the users must pay comprehensive attention to, when evaluating the credit worthiness of their borrowers, or prospective borrowers. These awareness programmes enhance the quality and validity of data submitted to the CRIB and also correcting misconceptions regarding CRIB services.

# User Training Programmes for the Member Institutions



During the year under review, the Bureau accepted all invitations and requests from member lending institutions and conducted user awareness programmes appropriately. The People's Bank has incorporated the CRIB training programme into their annual staff training calendar and the Bureau facilitated several programmes during the year. to improve the knowledge of the bank officers.

## **General Public**

- The CRIB processes all the Self-Inquiry Applications received from individuals and corporate entities and delivers the respective Self-Inquiry Credit Reports.
- We provide guidance to customers to understand their credit information and any credit related matters include in their Self-Inquiry Credit Reports. We also help them correct errors, if any. It may be important to be aware of personal credit information when applying for a loan, renting an apartment or house, buying a car, or when trying to get a new job.

## Process of Self-Inquiry

- Individuals can obtain their Self-Inquiry Credit Reports over the counter during business hours on weekdays, by providing proof of identity with the necessary documentation. Explanations and guidance are provided to customers about the information on their Self-Inquiry Credit Reports, at the time of delivering it.
- Those who do not wish to visit, or are unable to visit the Bureau, can submit the Self-Inquiry application with proof of identity with the authentication of a bank authorised officer. Every Corporate Self-Inquiry application should be forwarded with the authentication of a bank authorised officer with necessary documentation and supportive documentation. The necessary guidance is provided with the delivery of the Self-Inquiry Credit Report.

## Process of Online Self-Inquiry

- The CRIB also provides online service to access Self-Inquiry Credit Reports via the Internet. The online registration is done at the Bureau and the access credentials are provided within a few minutes.
- ★ Everyone is entitled to one free credit report after the registration. The Bureau offers unlimited access to Self-Inquiry Credit Reports through the Online Payment Gateway.

## Help Desk Services

Managing inbound calls from the general public to educate and provide guidance about CRIB services.

- Provide directions to customers to resolve disputes regarding the reported credit information.
- Provide guidance to customers to petition the Financial Ombudsmen, in the case of disagreements or conflicts with lending institutions.
- Provide Credit Counselling Services for customers who need financial advice against financial difficulty and default, and guidance in prudent use of funds.
- Provide responses and guidance to customer complaints/inquiries that are sent to the Bureau address and the Bureau email (info@crib.lk).
- Respond to inquires/grievances, from the general public via the Grievance Management System, which is incorporated in the "Tell President," programme, conducted by the Ministry of National Policies and Economic Affairs.

# Social Capital Contd.

## Help with Dispute Resolutions

Errors, or omissions, of reported credit information on the credit report may negatively affect the customer's credit status. For example, the customer may have paid the instalment of a loan, but the credit report may show that the customer has missed the payment. This can lower the creditworthiness and increase the credit risk of a customer, reducing the customer's ability to obtain future loans. In such cases, the Bureau facilitates dispute settlement, provided that customer can furnish proof of their position. The Bureau forwards the dispute to the respective financial institution and an amended. Self-Inquiry Credit Report is dispatched to the respective individual or corporate entity free of charge.

## **Customer Feedback**

The CRIB is committed to capture customer feedback/suggestions, about its services to achieve excellence in service delivery. Therefore, the CRIB values customer feedback and welcomes suggestions on how to improve services to better cater to the needs of our customers.







## CONNECTING WITH THE PUBLIC Public Awareness

- The General Manager and the Senior Officials of the Bureau participated in several media programmes broadcast by TV Derana, the Sinhala Commercial Service and English Commercial Service of the Sri Lanka Broadcasting Corporation (SLBC) and Lak FM. All radio programme were live, and listeners were able to ask their questions and receive clarifications immediately. Additionally, the Bureau responded to inquiries by newspapers for news articles on the Bureau and its services.
- \* The CRIB facilitated the CBSL- Open Day Programme, organised by the Central Bank of Sri Lanka for the General Public in the Anuradhapura region, which was held on 21st & 22nd of September 2018.
- The CRIB responded to queries and disputes of the general public, and educated them about the importance of credit reports that project their creditworthiness, in order to maintain and improve financial discipline.
- The CRIB sponsored the 9th Annual Charity Carnival of the Smile Sri Lanka Foundation, held in December 2018. The Smile Sri Lanka Foundation organises this function annually for children in orphanages throughout the country, and other less privileged children in Colombo and the suburbs. Funds collected through sponsorships are used for various welfare project to uplift the lives of the children.








The CRIB is primarily a knowledge organisation involved in the knowledge industry of data collection, storage and analysis. The CRIB processes are highly automated and primarily on modern digital platforms. Therefore, the intellectual asset base of the CRIB is a core asset of the organisation and comprises software systems developed inhouse and purchased from external vendors.

2019 New IT System

# INTELLECTUAL CAPITAL

At present the CRIB's research and development functions are limited due to capacity limitations. However, this aspect of enhancing our intellectual capital base is earmarked to expand with the deployment of our new IT system in 2019.

During the year, a significant investment was made towards developing our software systems to support expansion of CRIB services. Our primary intellectual assets and how we added value to these are described below.

# **CHANGES TO INTELLECTUAL CAPITAL**

	Up to 2017	Up to 2018	% Change or Number
CRIMS Cost Rs.	64,575,204	64,575,204	0%
Other Software Cost Rs.	84,525,796	85,004,112	0.51%
STR Cost Rs.	387,755	387,755	0%

# **CRIB ONLINE IREPORTS**

The CRIB iReports online are credit reports accessed online by consumers. In 2018 iReports online were issued for corporate as well. The iReport trade mark is unique to the CRIB.

# **CRIB DATABASES**

The CRIB databases comprise information on over 10.5 Mn individuals and institutions in Sri Lanka. The databases are unique to the CRIB and are a national asset due to the high data quality. The CRIB databases are regularly updated and maintain a high level of data accuracy. During the year CRIB database grew by nearly one terabyte.

In 2017, to ensure greater security, the ICT systems were shifted to a third party Tier 3 level data centre. In 2018, a Storage Area Network (SAN), which is a specialised, high-speed network that provides block-level network access to storage, was introduced.

# THE SECURED TRANSACTIONS REGISTRY (STR)

The STR software was developed in-house by the CRIB ICT team and is a one-of-its-kind system.

The STR is an electronic database, to which secured creditors (financial institutions, leasing companies and private lenders), can give notice of their security interests in the movable goods of an enterprise, or individual.

Lenders, when financing against movables, need to account for significant default and enforcement risks, including double collateralisation of the same asset to different lenders, due to not having a central movables registration system. The STR has been designed to counter these risks.

Using the STR, finance and leasing companies and banks can check on the credit worthiness of a client, before approving a loan. They can check whether the same collateral has been given to other loans, which will help reduce fraud.

The STR will also help the public to ascertain whether any moveable assets they are buying have already been used as collateral. Even though individuals have no access to the database, they can request the relevant bank to check the STR on their behalf, which will again reduce instances of fraud.

# **BUREAU BUSINESS SYSTEM (BBS)**

The BBS is another customised software developed in-house by CRIB ICT team. The BBS establishes 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 service is accessible via various devices ranging from personal computers to smart devices such as mobile phones and tablets.

# **PURCHASED SOFTWARE**

The CRIB owns many sophisticated software purchased from external organisations. These include Credit Information Management System (CRIMS) Purchased form D&B

### **SYSTEM IMPROVEMENTS IN 2018**

In 2018 we continued to improve our data base efficiency and information security with the addition of high quality hardware to expand system capacity and enhance efficiency of operations, to ensure uninterrupted services to the public and financial institutions. A second URL was introduced to enhance data efficiency during times of high data concurrence. These system improvements made it possible for the CRIB to continue expanding its outputs despite systemic constrains due to the age of the system. Please refer the Manufactured Capital chapter for details on these investments.



The CRIB's manufactured capital refers primarily to the hardware that hosts the Bureau's intellectual capital, which are the CRIB software systems and databases. In addition, the CRIB also owns office computers, office equipment and furniture. The CRIB does not own its official premises, which is leased from the Central Bank of Sri Lanka.

# MANUFACTURED CAPITAL

# **CHANGES TO MANUFACTURED CAPITAL**

	UP TO 2017 (RS.)	UP TO 018 (RS.)	% CHANGE
Data Centre (Rs.)	11 Mn	2.9 Mn	(75%)
Computers (Rs.)	86 Mn	73 Mn	(-15%)
Furniture, Fittings and	34 Mn	34 Mn	(-1%)
Equipment (Rs.)			

In line with our customer and member needs, we manage our available items and technological resources innovatively, to provide superior services to our customers and members, and thus use manufactured capital efficiently in our value creation process.

The Manufactured Capital of the CRIB is a mix of its data centre equipment, furniture/ fittings and equipment and IT equipment, etc. Even though it is not a cardinal aspect of the revenue generation process of the Bureau, it is an integral part of the CRIB's value creation process. The Bureau used these assets to provide quality and efficient services to our members and the general public.

Capital	110,764,177	132,688,056	127,553,534	106,836,914	102,092,317
Assets Rs.					
Year	2018	2017	2016	2015	2014



We invested Rs. 110 Mn in manufactured assets as at end of the year, including Rs. 73 Mn on computer equipment, Rs. 34 Mn on furniture/fittings and equipment and Rs. 2.9 Mn on data centre equipment. The Bureau expects a return on these investments and manages them carefully to generate maximum benefits to our members, customers and employees.



The CRIB contributes towards conservation of natural assets of the country by introducing efficiency improvements that reduce waste of natural resources and by developing employee awareness of environmental conservation.

# NATURAL CAPITAL

We believe that our natural resources must be conserved in the interest of our country. Therefore, we have considered it material to report on our conservation efforts. We are not involved in manufacturing and our environmental impacts are limited to consumption of natural resources in the form of electricity, water and paper. Fuel consumption is exceptionally low because most of the employees travel by public transport.

# **CHANGES TO NATURAL CAPITAL**

	2017	2018	% CHANGE
Energy cost (Rs)	9.5Mn	6.5Mn	-31%
Water cost (Rs)	302,403	208,277	-31%

The CRIB has shifted to a paperless invoicing system to reduce paper consumption, which has also contributed a significant cost saving. In addition, the CRIB uses recycled paper for Christmas cards and all employees are encouraged to reuse paper and reduce printing. The CRIB has also invested in biodegradable furnishing within its office premises as much as possible.

Many other modernisation projects also contribute towards more environmentally friendly operations. These activities are described below.

# ECO FRIENDLY INVOICING (E-INVOICE)

The CRIB has transitioned to an e-invoicing system. Electronic invoicing allows businesses to be green, productive and service-oriented. An electronic invoice is more environmentally friendly than a paper invoice. It saves a considerable amount of work time, which reduces emissions and improves overall productivity.

CRIB member institutions are now able to obtain their, invoices through the Bureau Business System (BBS) which drastically reduces cost incurred by the Bureau when sending hard copies of invoices to member institutions. This has greatly reduced the manual workload at the Bureau. In addition, there is no more physical delivery of invoices, therefore no more mailing letters and paper envelopes.



# MOVING EMAIL SYSTEM TO CLOUD BASED PLATFORM

The CRIB has moved its email system to one of the leading email provider of the world on a cloud platform. Cloud computing reduces costs, improves efficiency and business agility, and contributes to a more sustainable world. Moving to the cloud also generates big energy savings, both in direct power costs and indirect measures. The cloud server's capacity scales up and down to fit capacity requirements automatically. Therefore, only the actual energy requirement is consumed and does not generate an oversized carbon footprint.

# MOVING THE CRIB PRODUCTION ICT SYSTEMS TO A TIER 3 DATA CENTRE SOLUTION

The CRIB's production data centre was moved to a more environmentally friendly infrastructure, which has greatly reduced operating costs and ensure enhanced data security and availability of the system.



# ACTION, OBJECTIVES AND PERFORMANCE IN YEAR 2018

ACTION PLANED	OBJECTIVES AND PERFORMANCE
Proper time period fixed to switch on and off for lights and A/Cs	Reduce electricity consumption whenever possible
Raising awareness about conservation	Creation an attitude aimed at preventing wastage
Practices of using e-mail, printing on both sides of paper and sending e-invoices.	Reduce paper consumption whenever possible
Provide online i-Reports for the public	
Set up separate garbage container for paper, plastics and food waste	Handing over to CMC for Recycling Process

KEY FOCUS-DATA INTEGRITY AND INFORMATION CONFIDENTIALITY

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# FINANCIAL REPORTS

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The CRIB Act No 18 of 1190 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 endeavour 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 84 of the Annual Report.

# By Order of the Board

Credit Information Bureau of Sri Lanka

Secretary

Colombo

30th August 2019

The Directors are pleased to submit their report together with the Audited Accounts of the Bureau for the year ended 31st December 2018, to be presented at the 29 th Annual General Meeting of the Bureau.

# **REVIEW OF THE YEAR**

The Chairman's review on page 7 describes the affairs of the Bureau and mentions important events that occurred during the year, and up to the date of this report. This report together with the audited Financial Statements reflects the state of the affairs of the Bureau.

# PRINCIPAL ACTIVITIES/CORE BUSINESS

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

# **FINANCIAL STATEMENTS**

The Financial Statements prepared in compliance with the requirements of Section 151 of the Companies Act No 7 of 2007 are given on page 86 in this Annual Report.

# INDEPENDENT AUDITOR'S REPORT

The Auditor's Report on the Financial Statements is given on page 84 in this report.

# **ACCOUNTING POLICIES**

The Accounting Policies adopted in preparation of the Financial Statements is given on pages 90 to 111 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 86

# **PROPERTY, PLANT & EQUIPMENT**

During the year under review the Bureau invested a sum of Rs. 16,400/- (2017– Rs. 8,596,236/-) in Computer Accessories and of which Rs. 478,315/- is in Intangible Assets and Rs. 510,870/- is in Furniture and fixtures and Data Centre Assets.

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

# **INVESTMENTS**

Details of long-term Investments held by the Bureau are given in Note 09 to the Financial Statements on page 107.

# DIRECTORS' RESPONSIBILITIES

The Statement of the Directors' Responsibilities is given on page 81 of this report.

# DIVIDEND

The Directors recommend the payment of a dividend for the financial year ended 31st December 2018.

# RESERVES

The Reserves and Accumulated Profits as at 31st December 2018 amount to Rs. 4,947,432,317 as against Rs . 4,672,817,794 as at 31st December 2017. 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 Credit Information Bureau of Sri Lanka Act No. 18 of 1990, the stated capital of the Bureau is Rs. 25,000,000/- as at 31st December 2018 The details are given in Note 13 to the Financial Statements on page 109.

# **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 81.

# **BOARD COMMITTEES**

### Audit Committee

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

- 1. Mr. S. Bandaranayake (Chairman)
- 2. Mr. A. A. M. Thassim
- 3. Mr. D. Senevirathna

The Report of the Audit Committee is given on page 43.

# **REMUNERATION COMMITTEE**

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

- 1. Mr. Rasitha Gunawardena (Chairman)
- 2. Mr. D. Rodrigo
- 3. Mr. S. Bandaranayake

The Report of the Remuneration Committee is given on page 45.

The earnings per share, net assets per share are given in the Financial Review on page 57 of this Annual Report.

# DIRECTORS

The Directors of the Bureau as at 31st December 2018 and their brief profiles are given on page 26 in this report.

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

# **AUDITORS**

The resolutions 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. 350,000/- was paid as audit fee 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 11th September 2019 at The Kingsbury - Colombo at 10.00 a.m.

For and on behalf of the Board.

Mr. H. A. Karunaratne Chairman

Mr. Nandi Anthony Director

30th August 2019

Colombo

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE CREDIT **INFORMATION BUREAU OF SRI LANKA**



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

Tel :+94 11 2463500 Fax Gen :+94 11 2697369 Tax :+94 11 5578180 eysl@lk.ey.com ev.com

### AL/CAY/DM

# TO THE SHAREHOLDERS OF **CREDIT INFORMATION BUREAU OF SRI LANKA**

# Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Credit Information Bureau of Sri Lanka ("Bureau"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for opinion

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

# Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Bureau's financial reporting process.

# Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can

W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA Partners:

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ★ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bureau to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Aust , Joung

30th August 2019 Colombo

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018	Note	2018	2017	
		Rs.	Rs.	
Revenue	3	1,077,447,610	983,819,231	
Other Operating Income	4	521,381,675	483,208,027	
Employee Related Expenses		(97,827,494)	(77,291,143)	
Administration & Establishment Expenses		(87,866,464)	(82,576,382)	
Other Operating Expenses		(106,442,176)	(101,699,650)	
Secured Transaction Registry		(1,981,434)	(2,101,606)	
Profit Before Tax	6	1,304,711,717	1,203,358,477	
Income Tax Expense	5	(359,622,358)	(135,183,036)	
Profit for the Year		945,089,359	1,068,175,441	
Other Comprehensive Income				
Net change in Fair Value through OCI		(64,452,339)	133,955,126	
Defined Benefit Plan Actuarial (Losses)/Gain	14	(72,538)	139,942	
Total Comprehensive Income for the Year		880,564,481	1,202,270,507	
Earnings Per Share	17	3.780	4.273	

The accounting policies and notes on pages 90 through 111 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2018	Note	2018	2017
		Rs.	Rs.
ASSETS			
Non-Current Assets			
Equipment	7	25,487,381	37,483,079
Intangible Assets	8	3,435,149	5,273,003
Non-Current financial Assets	9.1	1,253,506,101	1,476,452,309
Deferred Tax Asset	5.2	5,578,783	-
		1,288,007,413	1,519,208,391
Current Assets			
Inventories	10	567,519	497,360
Trade and Other Receivables	11	199,174,059	219,666,659
Other Current Financial Assets	9.3	3,820,477,113	2,993,560,626
Cash and Cash Equivalents	12	24,743,970	36,403,881
		4,044,962,661	3,250,128,526
Total Assets		5,332,970,074	4,769,336,917
Equity and Liphilitian			
Equity and Liabilities Capital & Reserves			
	13	25 000 000	25.000.000
Stated Capital Reserves	13	25,000,000	
Retained Earnings			2,466,796,422
		2,438,182,873	2,181,021,372
Total Equity		4,953,454,814	4,672,817,794
Non-Current Liabilities			
Retirement Benefit Liability	14	9,917,924	8,259,086
		9,917,924	8,259,086
Current Liabilities			
Trade and Other Payables	15	53.493.110	44.362.906
Dividends Payable		5.508.242	4.348.682
Income Tax Liabilities		310,595,983	39,548,449
		369,597,335	88,260,037
		,,	,,,

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Dinesha I. A Jayasinghe Chief Manager (Accounts and Administration)

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

At

Chairman

Director

The accounting policies and notes on pages 09 through 111 form an integral part of the Financial Statements.

30th August 2019 Colombo

Total 134,095,068 (500,000,000) 4,672,817,794 945,089,359 (64,452,339) (600,000,000) ж. 3,970,547,286 1,068,175,441 139,942 Earnings (589,075) 2,181,021,372 (927,858) Retained 2,013,295,065 1,068,175,441 (400,000,000) (500,000,000) 945,089,359 (600,000,000) Rs. (87,000,000) Income Fair Value for sale Comprehensive 47,613,978 Available through Other З. (64,452,339) ï ï Reserve ï 133,955,126 Rs. (86, 341, 148) 47,613,978 47,613,978 Reserves ï ı. ī 400,000,000 Technical Rs. 2,013,631,943 2,413,631,943 87,000,000 2,000,000 Other i i. ı. ı. Reserves 2,000,000 Rs. 589,075 General Reserve ï i. i. 927,858 Rs. 2,961,426 3,550,501 Stated Capital ı. i ı. ı. Rs. 25,000,000 25,000,000 Transferred to Other Comprehensive Income **Transferred to Technical Reserves** Year ended 31 December 2018 Transferred to technical Reserves **Transferred to General Reserves Transferred to General Reserves** Balance as at 1 January 2017 Other Comprehensive Income Other Comprehensive Income As at 31 December 2017 Net Profit for the Year Net Profit for the Year Dividends Dividends

The accounting policies and notes on pages 09 through 111 form an integral part of the Financial Statements.

4,953,454,814

2,525,182,873

(16,838,361)

2,500,631,943

2,000,000

4,478,359

25,000,000

As at 31 December 2018

# STATEMENTS OF CHANGES IN EQUITY

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# **CASH FLOW STATEMENTS**

Year ended 31 December 2018	Note	2018	2017
		Rs.	Rs.
Cash Flows From / (Used in) Operating Activities			
Profit/(loss) before tax from operations		1,304,711,717	1,203,358,477
Adjustments for			
Depreciation	7.1	12,086,814	14,977,744
Amotisation	8	2,316,169	5,554,553
Income from Investments	4	(521,381,675)	(483,208,027
(Profit)/Loss on sales of Property, Plant & Equipment		4,650	(339,055
Provision for Defined Benefit Plans	14	1,586,300	942,217
Operating Profit/(Loss) before Working Capital Changes		799,323,975	741,285,908
(Increase)/ Decrease in Inventories		(70,159)	(91,372)
(Increase)/ Decrease in Trade and Other Receivables		20,492,600	5,297,007
Increase/ (Decrease) in Trade and Other Payables		9,130,204	10,129,260
Cash Generated from Operations		828,876,620	756,620,803
ESC Paid		(5,372,766)	(5,884,512
Gratuity Paid	14	-	-
Income Tax Paid		(88,575,472)	(138,925,758)
Net Cash From/(Used in) Operating Activities		734,928,381	611,810,532
Cash Flows from/(Used in) Investing Activities			
Acquisition of Equipment & intangible Assets		(12,565,129)	(19,398,187
Proceeds from Sale of Equipment		189,226	380,550
Acquisition of Investments		(577,728,363)	(513,762,964)
Interest Received		432,356,413	393,209,352
Net Cash Flows from/(Used in) Investing Activities		(157,747,854)	(139,571,249
Cash Flows from (Used in) Financing Activities			
Dividends Paid		(598,840,440)	(497,238,215)
Net Cash Flows from/(Used in) Financing Activities		(598,840,440)	(497,238,215)
Net Increase/(Decrease) in Cash and Cash Equivalents		(21,659,912)	(24,998,931)
Cash and Cash Equivalents at the beginning of the year		46,403,882	71,402,813
Cash and Cash Equivalents at the end of the year		24,743,970	46,403,882

The accounting policies and notes on pages 09 through 111 form an integral part of the Financial Statements.

# CORPORATE INFORMATION 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 "Whiteways" Building, No.25, Sir Baron Jayathilake Mawatha, Colombo 01.

# 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 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 29 July 2019.

# 2. 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

Comparative information is reclassified where ever necessary to comply with current presentation.

# 2.2 Significant Accounting Judgments, Estimates and Assumptions Estimates and Assumptions

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

future periods if the revision affects both current and future periods.

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

# Impairment of Loans & Receivables

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

# Useful life for Property, Plant and Equipment

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

# **Defined Benefit Plan – Gratuity**

The defined benefit obligation and the related charge for the year is

determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the longterm 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).

# 2.3.2 Revenue Recognition

Revenue is recognised 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 recognised. 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 recognised 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 recognised 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 tax expense

Price to the imposition of the Inland Revenue number 24 of 2017, the operational profit of the bureau was exampled from income tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

# **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The relevant disclosures are given in Note 5.2 to the financial statements.

# 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 recognised 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 and Accessories	25% p.a.
Sundry Assets	20 % p.a
Furniture and Fittings	20 % p.a
Data centre	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%

# 2.3.8 Financial instruments — initial recognition and subsequent measurement 2.3.8.1 Financial assets

# (a) Initial recognition and measurement

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

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

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

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

### Subsequent measurement

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

# (b) Loans and Receivables

Loans and receivables are nonderivative 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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised 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, availablefor-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 derecognised 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 passthrough 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 recognised 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 recoanised in the income statement. Interest income continues to be accrued on the reduced carrving 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 writeoff 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.

# 2.3.9 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bureau makes an estimate of recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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 shortterm 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 recognised 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 Gratuity is a post-employment benefit plan. Provisions have been made for retirement gratuities from the first year of service for all employees in conformity with LKAS 19. However, under the Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service. The bureau is liable to pay gratuity in terms of relevant statute. In order to meet this liability, the bureau uses an actuarial valuation method in accordance with LKAS 19.

The cost of providing benefits under gratuity is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Comprehensive Income. The defined benefit liability comprises the present value of the defined benefit obligation using a discount rate based on market yields at the end of reporting period on government bonds of a similar tenure as the estimated term of the gratuity obligation.

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 Changes In Significant Accounting Policies

a) SLFRS 15 - Revenue from Contracts with Customers

The Bureau adopted SLFRS 15 by discontinuing the application of LKAS 18 with effect from 1 January 2018.

As per the guidelines available in SLFRS 15, Bureau has selected the modified retrospective approach for transition to the new accounting standard. Under the modified retrospective approach, comparative figures are not restated, but the carrying amounts of assets and liabilities at transition date were recognised in the opening balance of retained earnings.

There is no impact to the Financial Statements of the Bureau from the adoption of this standard.

# Principal versus agent relationship

Generally, the Bureau recognises gross amount of sales receipts as revenue.

b) SLFRS 9 - Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods begin on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Bureau applied SLFRS 9 prospectively, with an initial application date of 1 January 2018. The Bureau has not restated the comparative information, which continues to be reported under LKAS 39. There have been no differences arising due adoption of SLFRS 9.

# 2.4.1 Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

# a) Financial assets

# Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bureau's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Bureau has applied the practical expedient, the Bureau initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Bureau has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised

cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Bureau's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

# Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

# Financial assets at amortised cost (debt instruments)

The Bureau measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

# Financial assets at fair value through OCI (debt instruments)

The Bureau measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

# Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Bureau can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Bureau benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

# Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host: a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative: and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

# Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bureau's Consolidated Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired Or
- \* 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 passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bureau continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Bureau also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bureau has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bureau could be required to repay.

# Impairment of financial assets

The Bureau recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bureau expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Bureau applies a simplified approach in calculating ECLs. Therefore, the Bureau does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Bureau has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Bureau applies the low credit risk simplification. At every reporting date, the Bureau evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Bureau reassesses the internal credit rating of the debt instrument. In addition, the Bureau considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Bureau considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Bureau may also consider a financial asset to be in default when internal or external information indicates that the Bureau is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bureau. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# b) Financial liabilities

# Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Bureau's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

# Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SLFRS 9 are satisfied. The Bureau has not designated any financial liability as at fair value through profit or loss.

#### Loans and borrowings

After initial recognition, interestbearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

### 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **Offsetting of financial instruments**

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

# **FINANCIAL ASSETS**

2017	Previous c as per	New classification as per SLFRS 9		
	Loans and Receivables	Available for Sale	Financial Assets at  amortised cost (debt instruments)	Financial Assets at Fair Value through OCI
	Rs.	Rs.	Rs.	Rs.
Trade and Other Receivables	219,666,659	-	219,666,659	-
Treasury Bonds	-	2,535,057,003	-	2,535,057,003
Receivable under Resale Agreement	637,567,241	-	637,567,241	-
Fixed Deposits	1,297,388,691	-	1,297,388,691	-

2018	New classification as per SLFRS 9		
		Financial Assets at Fair Value through OCI	
	Rs.	Rs.	
Trade and Other Receivables	199,174,059	-	
Treasury Bonds	-	1,981,404,093	
Receivable under Resale Agreement	240,159,187	-	
Fixed Deposits	2,852,419,934	-	

# 2.5 Standards Issued But not yet Effective

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Bureau and may have an impact on the future Financial Statements. None of those have been early adopted by the Bureau.

# SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contact. i.e., the customer ('Lessee') and the supplier ('lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 – Leases and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

SLFRS 16 will become effective on 1st January 2019. The impact on the implementation of the above standard has not been quantified yet.

-	2017	
Rs.	Rs.	
1,329,444,897	1,212,063,736	
1,020,111,001	1,212,000,700	
(90.380.145)	(80,659,252	
	(147,585,254	
1,077,447,610	983,819,231	
518.717.567	481,404,799	
	, 10 1,100	
	1,391,757	
	340,337	
	71,135	
	483,208,027	
as follows :		
365,180,830	135,183,036	
365,180,830	135,183,036	
	135,183,036	
365,180,830 (5,558,472) 359,622,358	-	
(5,558,472)	-	
(5,558,472)	-	
(5,558,472)	-	
(5,558,472)	-	
(5,558,472) 359,622,358	135,183,036 - 135,183,036 - -	
	(90,380,145) (161,617,142) 1,077,447,610 518,717,567 (4,650) 2,563,783 4,644 100,331 521,381,675 as follows :	

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

Year ended 31 December 2018	2018	2017	
	Rs.	Rs.	
Accounting profit before tax	1,304,711,717	1,203,358,477	
	1,304,711,717	1,203,358,477	
At the statutory Income Tax rate of 28% ( 2017: 28% )	365,319,281	336,940,373	
Tax Effect of Net Disallowable Expenses	(138,451)	-	
Tax Effect of Income Exempt from Income Tax	-	(201,757,337)	
Tax on Dividend	-	-	
	365,180,830	135,183,036	
Deferred taxation charge/(Reversal)	(5,558,472)	-	
At the effective Income Tax rate 28%	359,622,358	135,183,036	

# 5.2 Deferred Tax

Deferred Tax relates to the following:

	Statement of Financial position		Statement of	
			Comprehen	sive Income
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Accelerated depreciation for tax purposes	(2,781,453)	-	(2,781,453)	-
Deferred Tax assets				
Post employment benefit liability	(2,777,019)	-	(2,777,019)	-
Deferred tax expense reported in the				
comprehensive income			(5,558,472)	-
Actuarial gain on post employment				
benefit liability	(20,311)	-	(20,311)	-
Deferred tax charge/(reversal) reported in				
other			(5,578,783)	-
Deferred Tax charge/(reversal) reported				
in statement of comprehensive income			(5,578,783)	-
Net Deferred Tax liability reported in the				
Statement of Financial Position	(5,578,783)	-		

Reflected in the Statement of Financial Position as follows:

Deferred Tax assets	5,578,783	-	
Deferred Tax liabilities	-	-	
Deferred Tax Asset net	5,578,783		

Reconciliation of Deferred Tax asset net	2018	2017
	Rs.	Rs.
Opening balance as of 1 January	_	
Tax income/(expense) during the period recognised in profit or loss	5,578,783	
Closing balance as at 31 December	5,578,783	
	0,010,100	
6. PROFIT BEFORE TAX		
	2018	2017
	Rs.	Rs.
Stated After Charging		
Included in Administrative Expenses		
Employees Benefits including the following		
- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	1,586,300	942,217
- Defined Contribution Plan Costs - EPF & ETF (included in Employee 'Benefits)	4,454,944	5,147,060
Depreciation	12,086,814	14,977,744
Depreciation Amortisation of Intangible Assets	12,086,814 2,316,169	·····
		14,977,744 5,544,553 281,595
Amortisation of Intangible Assets	2,316,169	5,544,553 281,595
Amortisation of Intangible Assets Auditor's Fees and Expenses	2,316,169 350,000	5,544,553

# 7. EQUIPMENT

	Balance	Additions/	Disposals/	Balance
	As at	Transfers/	Transfers	As a
	01.01.2018	Acquisitions		31.12.2018
	Rs.	Rs.	Rs.	Rs
7.1 At Cost				
Computer & Accessories	86,442,991	16,400	13,020,011	73,439,380
Computer & Accessories - STR	95,000	-		95,000
Furniture, Fittings & Office Equipment	34,280,465	510,870	702,313	34,089,022
Sundry Assets	211,737	5,965		217,702
Data Centre	11,657,865	-	8,734,787	2,923,078
	132,688,058	533,235	22,457,111	110,764,181
Depreciation				
Computer & Accessories	75,149,841	4,910,016	13,020,011	67,039,84
Computer & Accessories - STR	95,000	-		95,000
Furniture, Fittings & Office Equipment	10,302,714	6,666,767	412,289	16,557,19 <sup>-</sup>
Sundry Assets	113,415	26,016	·····	139,43 <sup>-</sup>
Data Centre	9,544,009	484,016	8,582,692	1,445,333
	95,204,979	12,086,814	22,014,992	85,276,800
			2018	2017
			Rs.	Rs
Net Book Values				
At Cost				
Computer & Accessories			6,399,535	11,293,150
Computer & Accessories - STR				11,295,150
Furniture, Fittings & Office Equipment				23,977,752
Sundry Assets			78,270	23,977,732 98,32 <sup>-</sup>
Data Centre			1,477,745	2,113,850
			25,487,381	37,483,07
Total Carrying Amount of Equipment			25,487,381	37,483,079

Equipments include fully depreciated assets having a gross carrying amount of 2018 Rs. 66,298,133/- (2017- Rs. 78,563,178/-)

Notes to the Financial Statements Contd.

# 8. INTANGIBLE ASSETS

	System	Computer Software	Software	
	Development	Development	STR	Total
	Costs	Costs	Costs	
Cost	Rs.	Rs.	Rs.	Rs.
As at 1st January 2018	64,579,204	84,525,796	387,756	149,492,756
Additions	-	478,315	-	478,315
As at 31st December 2018	64,579,204	85,004,111	387,756	149,971,071
Amortisation				
As at 1st January 2018	61,420,540	82,411,457	387,756	144,219,752
Amortisation for the year	1,184,499	1,131,670	-	2,316,169
As at 31st December 2018	62,605,039	83,543,127	387,756	146,535,921
Net book value				
As at 1st January 2018	3,158,664	2,114,339	-	5,273,003
As at 31st December 2018	1,974,165	1,460,984	-	3,435,149

Intangible assets include fully depreciated assets having a gross carrying amount of 2018 - Rs. 139,465,334/- (2017-Rs. 139,465,334)

# 9. OTHER FINANCIAL INSTRUMENTS

	2018	2017
	Rs.	Rs.
9.1 Fair value through OCI		
Treasury Bonds	1,981,404,093	2,005,754,656
	1,981,404,093	2,005,754,656
Non-Current	1,253,506,101	1,476,452,309
Current	727,897,992	529,302,347
9.2 Amortised Cost		
Receivable under Resale Agreements (Repo)	240,159,187	637,567,241
Fixed Deposit	2,852,419,934	1,297,388,691
	3,092,579,121	2,464,258,279
Non Current		
Current	3,092,579,121	2,464,258,279
9.3 Total Non-Current	1,253,506,101	1,476,452,309
Total Current	3,820,477,113	2,993,560,626
# 10. INVENTORIES

	2018	2017
	Rs.	Rs
Stationery	567,519	497,360
11. TRADE AND OTHER RECEIVABLES		
	2018	2017
	Rs.	Rs.
Financial Assets		
Trade Debtors (11.1)	171,145,470	195,310,655
Loan to Bureau Staff	17,587,618	12,182,885
Pre-paid Staff Expenses	1,841,976	1,657,878
Deposits for Safe Lockers	45,000	45,000
Receivable		253,526
	190,620,064	209,449,944
Non-Financial Assets		
Advances & Prepayments	8,553,995	10,216,715
	199,174,059	219,666,659

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

	Neither Past Due but		Past Due but Not Impaired		
	Due Nor	<30	30 -60	61 - 90	< 90
Total	Impaired	days	days	days	days
Rs	Rs	Rs	Rs	Rs	Rs
171,145,470	43,642,512	48,850,322	48,567,544	13,150,137	16,934,955

# 12. CASH AND CASH EQUIVALENTS

	2018	2017
Components of Cash and Cash Equivalents	Rs.	Rs.
12.1 Favourable Cash & Cash Equivalents Balance		
Cash & Bank Balances	868,862	7,204,227
Saving Accounts Balances	24,756,343	29,199,654
	25,625,205	36,403,881
Government Securities	-	10,000,000
	25,625,205	46,403,881
12.2 Unfavorable Cash & Cash Equivalents Balance		
Bank Overdraft *	881,235	-
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	24,743,970	46,403,881
* This is due to unpresented cheques		

\* This is due to unpresented cheques

# 13. STATED CAPITAL

		2018		2017	
	Number	Rs.	Number	Rs.	
Ordinary Shares	250,000	25,000,000	250,000	25,000,000	
	250,000	25,000,000	250,000	25,000,000	

# 14. RETIREMENT BENEFIT LIABILITY

	2018	2017 Rs.
	Rs.	
Retirement Benefits Obligation-Gratuity		
As at 1st January	8,259,086	7,456,811
Charge for the year	1,586,300	942,217
Actuarial (Gain)/Loss	72,538	8,259,086
Payments made during the year		-
As at 31 December	9.917.924	8,259,086

# **14.1** Defined Benefit Liability is valued as of 31 December 2018 and the principal assumptions used in the valuation is as follows:

	2018	2017
Discount Rate	10%	10.62%
Annual Salary Increment Rate	5%	5%
Staff Turnover	1%	1%
Average Remaining Life	22	22

Sensitivity effect on net liability as at 31 December 2018

		Rs.
Discount Rate	1%	(1,057,199)
	-1%	1,264,147
Salary Increment Rate	1%	1,324,638
	-1%	(1,118,406)

# 15. TRADE AND OTHER PAYABLES

	2018	2017
	Rs.	Rs.
Financial Liability		
Trade Payables	2,377,182	794,645
Other Payables	1,055,318	2,046,558
ccrued Expenses	34,179,659	26,196,993
	37,612,159	29,038,196
Non-Financial Liability		
Other Payables	15,880,951	15,324,710
	53,493,110	44,362,906

## 16. DIVIDENDS PAID AND PROPOSED

	2018 Rs.	2017 Rs.
Declared during the year		
Dividends on ordinary shares:	700,000,000	600,000,000
		600,000,000

Dividend Per Share (Rs.)

Rs. 2,800/- Per share have been proposed as dividends by the management on 30th September 2019.

#### 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.

	2018	2017
Net Profit attributable to Ordinary Shareholders (Rs.)	945.059.359	1,068,175,441
Weighted Average number of Ordinary Shares -	250,000	250,000
Earnings per Share (Rs.)	3,780	4,273

#### 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 Credit Bureau solution (Software) and relevant Selection process is underway.

## 20. RISK MANAGEMENT OBJECTIVES AND 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 and Treasury bonds as available-for-sale investments. The Bureau has the 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 interest income is not a main income of the Bureau. Therefore there is less possibility for interest rate risk to affect its 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:

	2018	2017
	Rs.	Rs.
21.1 Key Management Personnel Compensation		
Short-term employee benefits	26,440,508	10,284,348
Post employment benefits		-
Total	26,440,508	10,284,348

Other Transactions with Key Management Personnel

#### 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.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual Shareholders meeting of the Credit Information Bureau of Sri Lanka will be held on 11th September 2019 at The Kingsbury Colombo at 10.00 am.

The following business will be transacted

- ★ To read the notice convening the meeting
- ★ 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 2018 together with the Report of the Auditors thereon.
- To ratify the re-appointment of Messrs Ernst and Young, Chartered Accountants as the Auditors of the Bureau for the ensuing year and to authorise the Directors to determine their remuneration
- To declare a first and final dividend of LKR 2,800/- per share as recommended by the Directors for the year ended 31st December 2018
- \* To Consider any other Business of which due notice has been given

By order of the Board

Nandi Anthony Secretary to the Board

30th August 2019

# NOTES

Notes Contd.


# **CORPORATE INFORMATION**

# CREDIT INFORMATION BUREAU OF SRI LANKA

## INCORPORATION

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

### FUNCTIONS OF THE BUREAU

 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 instill credit discipline in the financial sector.
- To establish a credit-rating system in Sri Lanka.
- To undertake credit rating and to sell such credit ratings to any foreign and local agencies, or to any person making a request for such ratings.
- To undertake research 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.

#### **BOARD AUDIT COMMITTEE**

Mr. K. S. Bandaranayake [Director] Senior Deputy General Manager Finance & Administration-People's Leasing & Finance PLC

**Mr. A. A. M. Thassim** [*Director*] Department Central Bank of Sri Lanka

#### Mr. D. Senevirathna

[Director] Chief Executive Officer-National Development Bank.

#### **BOARD OF DIRECTORS**

**Mr. H. A. Karunaratne** [*Chairman*] Deputy Governor-Central Bank of Sri Lanka

Mr. A. A. M. Thassim [Director] Bank Supervision Department Central Bank of Sri Lanka

Mr. K. B. S. Bandara [Director] General Manager-Bank of Ceylon

**Mr. D. P. N. Rodrigo** [Director] Chief Operating Officer-Hatton National Bank

Mr. K. S. Bandaranayake [Director] Senior Deputy General Manager -Operations People's Leasing & Finance PLC

Mr. D. Senevirathna [Director] Group Chief Executive Officer-National Development Bank PLC. Mr. R. Gunawardana [Director] Chief Executive Officer-People's Bank

**Mr. K. Thilakaratne** [*Director*] Chief Executive Officer Commercial Leasing and Finance PLC

**Mr. N. Anthony** [Director/General Manager] Credit Information Bureau of Sri Lanka

#### **BOAR OF DIRECTORS (RETIRED)**

Mr. C. J. P Siriwardena [Chairman] Deputy Governor of the Central Bank of Sri Lanka (Retired w. e. f. October 2018)

Mr. D. M. Gunasekara [Director] General Manager-Bank of Ceylon (Retired w. e. f. February 2018)

**Mr. N. Wijekoon** [*Director*] Chief Executive Officer-Softlogic Finance PLC (Retired w. e. f. April 2018)

Mr. A. R. Fernando [Director] Director of Central Finance Company PLC (Retired w. e. f. January 2018)

Mr. N. V. Kumar [Director] General Manager of People's Bank (Retired w. e. f. May 2019)

Mr. S. Naullage [Director] Director–National Savings Bank (Retired w. e. f. June 2019

# Corporate Information Contd.

#### **ALTERNATE DIRECTORS**

Mr. K. B. Rajapakse Senior Deputy General Manager People's Bank

**Mr. C. Amarasinghe** Deputy General Manager Bank of Ceylon

**Mr. R. Yatawara** Executive Director L B Finance PLC

#### MANAGEMENT

Mr. Nandi Anthony Director/General Manager

Mr. K. A. Janaka Lakmal Deputy General Manager

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

Mrs. R. M. S. Rathnayake Chief Manager-Operations

Mr. A. N. Piyasiri Chief Manager-ICT Infrastructure

Mrs. K. A. S. N. Fernando Head of Information Security Risk and Compliance

Mr. D. M. S. I. Dissanayake Manager-Operations

Mr. K. D. S. Wanigasooriya Assistant Manager-Customer Service

Mrs. Y. L. D. K. Gunathilake Assistant Manager-Operations

#### **EXTERNAL AUDITORS**

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

# **INTERNAL AUDITORS**

BOD Partners Charter House, #62/2, Sir Chittampalam Gardiner Mawatha, Colombo 02.

# LAWYERS

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

# **PRINCIPAL BANKER**

Bank of Ceylon

#### **BUSINESS HOURS**

8.00 am to 4.15 p.m.

# **REGISTERED OFFICE**

The Whiteaways Building, No 25, Sir Baron Jayathilake Mawatha, Colombo 01.

# **CONTACT DETAILS**

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