



Central Finance Company PLC

Rated A+(Ika) by Fitch Ratings Lanka Ltd.

**INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
30TH JUNE 2018**

CENTRAL FINANCE COMPANY PLC
STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30th June	Group			Company		
	2018	2017		2018	2017	
	Unaudited Rs.'000	Unaudited (Restated) Rs.'000	%	Unaudited Rs.'000	Unaudited (Restated) Rs.'000	%
Income	5,418,804	4,862,124	11.45	4,727,793	4,253,536	11.15
Interest income	4,313,197	3,827,068	12.70	4,294,877	3,810,501	12.71
Less: Interest expenses	1,389,264	1,221,196	13.76	1,395,308	1,226,225	13.79
Net interest income	2,923,933	2,605,872	12.21	2,899,569	2,584,276	12.20
Other revenue	689,724	623,647	10.60	-	-	-
Less: Cost of sales	479,690	449,310	6.76	-	-	-
Gross profit	210,034	174,337	20.48	-	-	-
Other operating income	245,066	179,834	36.27	245,988	179,911	36.73
Other income	170,817	231,575	(26.24)	186,928	263,124	(28.96)
	3,549,850	3,191,618	11.22	3,332,485	3,027,311	10.08
Less: Operating expenses						
Personnel expenses	512,339	455,462	12.49	446,134	389,969	14.40
Premises, equipment and establishment expenses	481,147	434,079	10.84	463,897	416,013	11.51
Employee retirement benefit expenses	53,469	48,984	9.16	48,000	43,000	11.63
Other expenses	87,806	273,219	(67.86)	69,939	253,652	(72.43)
	1,134,761	1,211,744	(6.35)	1,027,970	1,102,634	(6.77)
Profit before impairment on loans and other credit losses	2,415,089	1,979,874	21.98	2,304,515	1,924,677	19.74
Less: Impairment on loans and other credit losses	312,780	228,369	36.96	310,876	228,399	36.11
	2,102,309	1,751,505	20.03	1,993,639	1,696,278	17.53
Share of profit of associates	323,190	305,426	5.82	-	-	-
Profit before VAT on financial services, NBT and income tax	2,425,499	2,056,931	17.92	1,993,639	1,696,278	17.53
Less: VAT on financial services and NBT	305,532	264,815	15.38	305,532	264,815	15.38
Profit before income tax	2,119,967	1,792,116	18.29	1,688,107	1,431,463	17.93
Less: Income tax expense	713,079	657,142	8.51	561,141	522,407	7.41
Profit after income tax	1,406,888	1,134,974	23.96	1,126,966	909,056	23.97
Attributable to equity holders of the parent	1,389,511	1,126,136	23.39	1,126,966	909,056	23.97
Attributable to non-controlling interest	17,377	8,838	96.61	-	-	-
Net profit for the period	1,406,888	1,134,974	23.96	1,126,966	909,056	23.97
Basic and diluted earnings per share - Rs.	6.35	5.15				
Total comprehensive income for the period	1,406,888	1,134,974	23.96	1,126,966	909,056	23.97

The annexed notes form an integral part of these interim financial statements.

CENTRAL FINANCE COMPANY PLC
STATEMENT OF FINANCIAL POSITION

As at	Group			Company		
	30.06.2018	31.03.2018	31.03.2017	30.06.2018	31.03.2018	31.03.2017
	Unaudited	Unaudited (Restated)	Unaudited (Restated)	Unaudited	Unaudited (Restated)	Unaudited (Restated)
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS						
Cash and cash equivalents	739,875	579,999	516,256	693,467	533,766	459,932
Fair value through profit or loss financial assets	655,223	648,113	435,424	629,833	617,025	418,014
Trade and other receivables	1,153,054	1,140,508	982,218	475,060	442,168	309,749
Tax receivables	437	950	1,775	-	-	-
Inventories and other stocks	1,583,570	1,452,708	1,275,049	1,041,939	881,873	679,714
Securities bought under repurchase agreements	3,070,173	3,099,174	2,949,728	3,070,173	3,099,174	2,949,728
Loans and receivables from banks	1,226,137	1,232,798	911,203	1,220,551	1,226,741	905,628
Loans and receivables from others	720,322	692,951	1,061,896	52,481	63,606	398,038
Loans and receivables from customers	7,685,304	7,666,652	6,896,183	7,674,628	7,657,341	6,994,432
Net investment in leases and hire purchase	63,756,986	61,321,391	56,144,080	63,756,986	61,321,391	56,144,080
Investments in real estate	30,881	44,834	65,051	30,881	44,834	65,051
Investment properties	313,663	313,663	-	313,663	313,663	-
Investments in associates	6,163,182	5,973,550	4,075,059	1,330,862	1,330,862	523,458
Investments in subsidiaries	-	-	-	306,456	306,456	306,456
Deferred tax asset	14,473	14,574	11,920	-	-	-
Property, plant and equipment	8,671,714	8,395,647	7,134,854	7,384,492	7,100,198	5,921,176
Intangible assets	93,799	103,276	100,366	92,814	102,245	99,963
Total assets	95,878,793	92,680,788	82,561,062	88,074,286	85,041,343	76,175,419
LIABILITIES						
Bank overdrafts	1,099,475	765,037	1,059,332	1,077,733	750,569	1,047,908
Tax payables	944,683	905,751	889,101	896,807	864,753	834,693
Trade and other payables	2,059,308	1,852,206	1,642,932	1,655,707	1,457,585	1,292,203
Amounts due to subsidiaries	-	-	-	180,287	204,333	187,987
Short term borrowings	1,515,918	1,753,653	1,845,352	1,455,438	1,557,586	1,699,196
Deposits	41,443,250	40,570,199	35,527,936	41,646,818	40,766,497	35,707,147
Long term borrowings	2,048,866	4,875	5,425	2,044,316	-	-
Debentures	4,049,558	5,643,712	6,140,818	4,049,558	5,643,712	6,140,818
Employee benefit obligations	1,231,145	1,188,609	995,545	1,113,663	1,069,518	875,120
Deferred tax liability	5,013,883	4,912,249	3,755,583	4,826,571	4,726,368	3,690,053
Total liabilities	59,406,086	57,596,291	51,862,024	58,946,898	57,040,921	51,475,125
SHAREHOLDERS' FUNDS						
Stated capital	1,337,564	1,337,564	1,337,564	1,337,564	1,337,564	1,337,564
Capital reserves	2,290,787	2,291,952	2,510,631	1,571,058	1,571,945	1,919,787
Reserve fund	1,824,000	1,824,000	1,599,000	1,824,000	1,824,000	1,599,000
Loan loss reserve	920,000	920,000	-	920,000	920,000	-
Revenue reserves	29,222,500	27,845,960	24,367,846	23,474,766	22,346,913	19,843,943
Funds attributable to equity holders of the parent	35,594,851	34,219,476	29,815,041	29,127,388	28,000,422	24,700,294
Non-controlling interest	877,856	865,021	883,997	-	-	-
Total liabilities, shareholders' funds and non-controlling interest	95,878,793	92,680,788	82,561,062	88,074,286	85,041,343	76,175,419
Net asset value per share - Rs.	162.79	156.50	136.35	133.21	128.05	112.96

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



U. B. Elangasinha
Chief Financial Officer

The Board of directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the board.



E. H. Wijenaik
Managing Director

10th August 2018



G. S. N. Peiris
Director (Finance)

The annexed notes form an integral part of these interim financial statements

CENTRAL FINANCE COMPANY PLC
STATEMENT OF CHANGES IN EQUITY

Group equity statement for the three months ended 30th June 2018	Attributable to equity holders of the company								Total
	Stated capital	Revaluation reserve	Reserve fund	Available for sale reserve	Loan loss reserve	General reserves	Retained earnings	Non-controlling interest	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 1st April 2017 as previously reported	1,337,564	2,510,631	1,599,000	29,748	-	21,643,957	3,708,294	883,940	31,713,134
Impact arising out of adoption of Sri Lanka Financial Reporting Standard 9-Financial Instruments	-	-	-	(29,748)	-	-	(984,405)	57	(1,014,096)
Balance as at 1st April 2017 (restated)	1,337,564	2,510,631	1,599,000	-	-	21,643,957	2,723,889	883,997	30,699,038
Net profit for the year ended 31st March 2018 as previously reported	-	-	-	-	-	-	5,402,198	66,199	5,468,397
Impact arising out of adoption of Sri Lanka Financial Reporting Standard 9-Financial Instruments	-	-	-	-	-	-	(107,292)	(8)	(107,300)
Net profit for the year ended 31st March 2018 (restated)	-	-	-	-	-	-	5,294,906	66,191	5,361,097
Other comprehensive income	-	(192,927)	-	-	-	-	6,815	(39,035)	(225,147)
Total comprehensive income for the year ended 31st March 2018 (restated)	-	(192,927)	-	-	-	-	5,301,721	27,156	5,135,950
Depreciation on revaluation surplus	-	(5,185)	-	-	-	-	5,185	-	-
Reversal of revaluation surplus on disposal of land	-	(20,567)	-	-	-	-	20,567	-	-
Transfers during the year	-	-	225,000	-	920,000	1,759,000	(2,904,000)	-	-
Unclaimed dividends written back	-	-	-	-	-	-	107	79	186
Dividends for the year ended 31st March 2017	-	-	-	-	-	-	(184,245)	-	(184,245)
Dividends for the year ended 31st March 2018	-	-	-	-	-	-	(520,221)	(46,211)	(566,432)
Balance as at 31st March 2018 (restated)	1,337,564	2,291,952	1,824,000	-	920,000	23,402,957	4,443,003	865,021	35,084,497
Net profit for the three months ended 30th June 2018	-	-	-	-	-	-	1,389,511	17,377	1,406,888
Total comprehensive income for the three months ended 30th June 2018	-	-	-	-	-	-	1,389,511	17,377	1,406,888
Depreciation on revaluation surplus	-	(1,165)	-	-	-	-	1,165	-	-
Reduction in net assets due to disposal of a subsidiary owned by an associate company	-	-	-	-	-	-	(14,136)	-	(14,136)
Dividends for the year ended 31st March 2018	-	-	-	-	-	-	-	(4,542)	(4,542)
Balance as at 30th June 2018	1,337,564	2,290,787	1,824,000	-	920,000	23,402,957	5,819,543	877,856	36,472,707

Company equity statement for the three months ended 30th June 2018								
	Stated capital	Revaluation reserve	Reserve fund	Available for sale reserve	Loan loss reserve	General reserve	Retained earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2017 as previously reported	1,337,564	1,919,787	1,599,000	66,771	-	21,632,776	(842,146)	25,713,752
Impact arising out of adoption of Sri Lanka Financial Reporting Standard 9-Financial Instruments	-	-	-	(66,771)	-	-	(946,687)	(1,013,458)
Balance as at 01st April 2017 (restated)	1,337,564	1,919,787	1,599,000	-	-	21,632,776	(1,788,833)	24,700,294
Net profit for the year ended 31st March 2018 as previously reported	-	-	-	-	-	-	4,476,291	4,476,291
Impact arising out of adoption of Sri Lanka Financial Reporting Standard 9-Financial Instruments	-	-	-	-	-	-	(107,652)	(107,652)
Net profit for the year ended 31st March 2018 (restated)	-	-	-	-	-	-	4,368,639	4,368,639
Other comprehensive income	-	(323,322)	-	-	-	-	(40,723)	(364,045)
Total comprehensive income for the year ended 31st March 2018 (restated)	-	(323,322)	-	-	-	-	4,327,916	4,004,594
Depreciation on revaluation surplus	-	(3,953)	-	-	-	-	3,953	-
Transfers during the year	-	-	225,000	-	920,000	1,759,000	(2,904,000)	-
Reversal of revaluation surplus on disposal of land	-	(20,567)	-	-	-	-	20,567	-
Dividends for the year ended 31st March 2017	-	-	-	-	-	-	(184,245)	(184,245)
Dividends for the year ended 31st March 2018	-	-	-	-	-	-	(520,221)	(520,221)
Balance as at 31st March 2018	1,337,564	1,571,945	1,824,000	-	920,000	23,391,776	(1,044,863)	28,000,422
Net profit for the three months ended 30th June 2018	-	-	-	-	-	-	1,126,966	1,126,966
Total comprehensive income for the three months ended 30th June 2018	-	-	-	-	-	-	1,126,966	1,126,966
Depreciation on revaluation surplus	-	(887)	-	-	-	-	887	-
Balance as at 30th June 2018	1,337,564	1,571,058	1,824,000	-	920,000	23,391,776	82,990	29,127,388

The annexed notes form an integral part of these interim financial statements.
Figures in brackets indicate deductions.

CENTRAL FINANCE COMPANY PLC
CASH FLOW STATEMENT

For the three months ended 30th June	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Cash flows from operating activities				
Interest receipts	3,873,579	3,456,492	3,844,677	3,443,841
Interest payments	(586,074)	(521,174)	(588,775)	(518,394)
Recoveries on bad debts previously written off	30,475	30,035	30,475	30,035
Receipts from other operating activities	1,746,390	1,558,486	313,173	230,026
Cash payments to employees and suppliers	(2,078,859)	(2,037,954)	(821,144)	(863,898)
Operating profit before changes in operating assets	2,985,511	2,485,885	2,778,406	2,321,610
(Increase) / decrease in operating assets:				
Securities under repurchase agreements and receivables from banks	(30,000)	30,528	(30,000)	30,528
Loans to customers	(10,204,391)	(8,755,903)	(10,204,391)	(8,755,903)
Recoveries from customers	8,521,972	7,935,552	8,521,980	7,939,052
Others	(1,086,351)	(549,698)	(1,093,823)	(550,401)
Increase / (decrease) in operating liabilities:				
Net cash effect on deposits	343,580	150,855	348,381	136,065
Net cash from operating activities before income tax	530,321	1,297,219	320,553	1,120,951
Income tax paid	(446,014)	(268,195)	(423,428)	(243,089)
Net cash inflow / (outflow) from operating activities	84,307	1,029,024	(102,875)	877,862
Cash flows from investing activities				
Dividends received from subsidiaries and associates	-	23,679	-	17,271
Dividends received from other companies	1,532	6,978	1,532	4,858
Investments in fixed deposits	(219,600)	(85,000)	-	-
Redemption of debentures	150,000	-	-	-
Divestment of fixed deposits	18,000	6,324	-	-
Purchase of property, plant and equipment	(322,919)	(592,870)	(320,636)	(569,246)
Disposal of property, plant and equipment	4,494	14,042	4,594	14,013
Net cash outflow from investing activities	(368,493)	(626,847)	(314,510)	(533,104)
Cash flows from financing activities				
Borrowings	4,125,594	4,246,001	4,000,000	4,085,000
Repayment of borrowings	(4,011,506)	(4,878,336)	(3,750,000)	(4,635,000)
Dividends paid to equity holders of the parent	(53)	(102)	(53)	(102)
Dividends paid to non-controlling interest	(4,384)	(4,205)	-	-
Net cash inflow / (outflow) from financing activities	109,651	(636,642)	249,947	(550,102)
Net increase / (decrease) in cash and cash equivalents	(174,535)	(234,465)	(167,438)	(205,344)
Cash and cash equivalents at the beginning of the period	(185,038)	(543,076)	(216,803)	(587,976)
Cash and cash equivalents at the end of the period	(359,573)	(777,541)	(384,241)	(793,320)
Analysis of cash and cash equivalents				
Cash and cash equivalents at the end of the period	(359,573)	(777,541)	(384,241)	(793,320)
Less: Impairment provision for cash equivalents	(27)	(6)	(25)	(6)
	(359,600)	(777,547)	(384,266)	(793,326)
Cash in hand and at banks	739,875	544,490	693,467	511,856
Bank overdrafts	(1,099,475)	(1,322,037)	(1,077,733)	(1,305,182)
Cash and cash equivalents as per the balance sheet	(359,600)	(777,547)	(384,266)	(793,326)
Movement of borrowings (short term, long term loans and debentures)				
Balance at the beginning of the period	7,402,240	7,991,595	7,201,298	7,840,014
Amount borrowed during the period	4,125,594	4,246,001	4,000,000	4,085,000
Capital repaid during the period	(4,011,506)	(4,878,336)	(3,750,000)	(4,635,000)
Amortised interest	98,014	112,433	98,014	112,433
Balance at the end of the period	7,614,342	7,471,693	7,549,312	7,402,447

Figures in brackets indicate outflows.

The annexed notes form an integral part of these interim financial statements.

CENTRAL FINANCE COMPANY PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 The interim financial statements of the Company and the Group have been prepared in accordance with the accounting policies set out in the Annual Report for the year ended 31st March 2018, except as explained in note 12 and provide the information as required by the Colombo Stock Exchange and LKAS 34-Interim Financial Reporting.

2 The presentation and classification of the previous periods have been amended where relevant for better presentation and to be comparable with those of the current period.

3 Stated capital is represented by number of shares in issue as given below:

	As at 30.06.2018	As at 31.03.2018
Ordinary shares	216,758,888	216,758,888

4 Market price per share

	Quarter ended 30.06.2018 Rs.	Quarter ended 31.03.2018 Rs.
Highest	108.90	110.00
Lowest	95.00	92.20
Last traded	97.60	99.90

5 Number of shares held by individual Directors are as follows:

	As at 30.06.2018	As at 31.03.2018
C. L. K. P. Jayasuriya	Nil	Nil
E. H. Wijenaik	33,405,854	33,405,854
G. S. N. Peiris	3,778,213	3,778,213
R. E. Rambukwelle	1,503,779	1,528,779
A. K. Gunaratne	1,726,233	1,726,233
D. P. de Silva	214,623	214,623
S. C. S. Wickramasinghe	Nil	Nil
A. D. B. Talwatte	Nil	Nil
Dr. (Mrs). A. D. N. de Zoysa	Nil	Nil
A. R. Fernando	Nil	Nil

6 Twenty largest shareholders of the Company are as follows:

	As at 30.06.2018		As at 31.03.2018	
	Number of shares	%	Number of shares	%
1 Corporate Services (Pvt) Ltd. A/C No.01	34,917,287	16.11	34,917,287	16.11
2 E. H. Wijenaik	33,405,854	15.41	33,405,854	15.41
3 Employees Provident Fund	23,280,525	10.74	23,280,525	10.74
4 Thurston Investments Limited	12,622,582	5.82	12,622,582	5.82
5 A. J. Wijenaik	6,760,804	3.12	6,760,804	3.12
6 The Ceylon Investment PLC A/C No.02	5,700,625	2.63	5,464,695	2.52
7 N. W. Wijegoonawardene	4,468,863	2.06	4,468,863	2.06
8 G. S. N. Peiris	3,778,213	1.74	3,778,213	1.74
9 B. P. De Silva Holdings (Pte) Ltd.	3,622,660	1.67	3,622,660	1.67
10 The Ceylon Guardian Investment Trust PLC A/C No.02	3,403,405	1.57	3,403,405	1.57
11 J. B. Cocoshell (Pvt) Ltd.	3,320,814	1.53	3,320,814	1.53
12 C. R. Dunuwille	2,787,069	1.29	2,787,069	1.29
13 N. M. Gunawardana	2,687,382	1.24	2,687,382	1.24
14 P. R. Munasinha	2,535,759	1.17	2,535,759	1.17
15 Employees Trust Fund Board	2,263,347	1.04	2,263,347	1.04
16 P. M. Wijenaik	2,100,105	0.97	2,100,105	0.97
17 Deutsche Bank AG -National Equity Fund	2,049,373	0.95	2,049,373	0.95
18 Bnymansv Re-frontaura Global Frontier Fund LLC	2,029,333	0.94	2,024,343	0.93
19 C. Kiriella	2,000,287	0.92	2,000,287	0.92
20 S. K. Wedande	1,761,480	0.81	1,761,480	0.81

CENTRAL FINANCE COMPANY PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

7 Information on listed debentures

7.1 Market value and traded yield

The outstanding debentures are represented by 16,000,000 rated, secured, redeemable debentures issued in December 2013 to the value of Rs.1.6 billion and 22,500,000 rated, secured, redeemable debentures to the value of Rs.2.25 billion in June 2015, both par valued at Rs. 100/-.

Details of the above debentures are:

Date of issue	Interest payment frequency	No. of debentures issued	Face value Rs.'000	Coupon rate	Annual effective rate	Tenor	Date of maturity
Rated secured redeemable debentures							
12-Dec-2013	Semi-annually	6,000,000	600,000	13.50	13.96	5 years	12-Dec-2018
12-Dec-2013	Semi-annually	10,000,000	1,000,000	13.95	13.95	5 years	12-Dec-2018
Rated secured redeemable debentures							
01-Jun-2015	Semi-annually	5,000,000	500,000	9.00	9.20	4 years	31-May-2019
01-Jun-2015	Annually	17,500,000	1,750,000	9.52	9.52	5 years	31-May-2020

There were no debenture trades during the quarter ended 30.06.2018.

7.2 Yield of comparable government securities (%)

	As at 30.06.2018	As at 31.03.2018
03 year treasury bonds	9.89%	10.00%
04 year treasury bonds	10.09%	9.94%
05 year treasury bonds	10.40%	10.39%

Debt related ratios

	As at 30.06.2018	As at 31.03.2018
Debt/equity ratio (times)	1.73	1.74
Quick assets ratio (times)	0.86	0.85
Interest cover (times)	2.21	2.27

CENTRAL FINANCE COMPANY PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

8 Public holding

In terms of the rule 7.13.1 of the Listing Rules of the Colombo Stock Exchange, the company qualifies under option one of the minimum public holding requirement and relevant information is given below.

As at 30.06.2018

Float adjusted market capitalization		Public holding percentage (%)		Number of public shareholders	
Minimum requirement	Available amount	Minimum requirement	Available	Minimum requirement	Available
Rs.10 Bn	Rs.12.73 Bn	No minimum % requirement	60.18%	500	2,858

As at 31.03.2018

Float adjusted market capitalization		Public holding percentage (%)		Number of public shareholders	
Minimum requirement	Available amount	Minimum requirement	Available	Minimum requirement	Available
Rs.10 Bn	Rs.13.03 Bn	No minimum % requirement	60.18%	500	2,860

9 Contingent liabilities

	As at 30.06.2018 Rs.000	As at 31.03.2018 Rs.000
Guarantees issued		
Guarantees issued on behalf of depositors, fully secured on their deposits	23,492	26,422
Letter of credit facilities	-	97,848
	23,492	124,270

There are no major changes to other contingent liabilities reported in the annual report for the year ended 31.03.2018

10 Interest expenses of the group other than the parent are categorised under other expenses.

11 Retrospective Restatement of Impairment Provisions

Impairment provisions for prior years were restated as reported in the annual report for the year ended 31.03.2018

Impact to the interim financial statements is as follows:

Income statement

	Group		
	Three months ended 30.06.2017		
	Previously reported	Increase in impairment charges due to restatement	Impact to profitability
	Rs.000	Rs.000	Rs.000
Impairment on loans and other credit losses	17,610	27,877	(27,877)
Basic and diluted earnings per share(previously reported) (Rs.)	Rs.		
Previously reported	5.73		
Effect due to correction of error	(0.13)		

	Company		
	Three months ended 30.06.2017		
	Previously reported	Increase in impairment charges due to restatement	Impact to profitability
	Rs.000	Rs.000	Rs.000
Impairment on loans and other credit losses	17,883	27,877	(27,877)

CENTRAL FINANCE COMPANY PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

12 ADOPTION OF SLFRS 9 – FINANCIAL INSTRUMENTS

The company has elected to adopt SLFRS 9 – Financial Instruments retrospectively from 1st April 2017 in accordance with the transitional requirements. The adoption of SLFRS 9 resulted in the following changes to the accounting policies applied for the financial year 2017/18.

CLASSIFICATION OF FINANCIAL ASSETS

The company reclassified its financial assets as subsequently measured at either amortized cost or fair value through profit or loss, or other comprehensive income, depending on the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The available for sale financial investments category was removed and the balance has been reclassified as fair value through profit or loss financial asset.

The following table summarises the impact of transition to SLFRS 9 – “Financial Instruments” on classification of financial assets.

	Company	
	Financial assets measured at FVtPL	Available for sale investments
	Rs.000	Rs.000
Balance as at 01.04.2017 as per LKAS 39	96,125	240,443
Impact of adopting SLFRS 9		
- quoted securities	228,391	(228,391)
- unquoted securities	93,498	(12,052)
Balance as at 01.04.2017 (as per SLFRS 9)	418,014	-

Change in carrying value of unquoted securities is due to fair valuing of all investments including those held at cost.

	Group	
	Financial assets measured at FVtPL	Available for sale investments
	Rs.000	Rs.000
Balance as at 01.04.2017 as per LKAS 39	106,143	246,773
Impact of adopting SLFRS 9		
- quoted securities	228,391	(228,391)
- unquoted securities	100,890	(18,382)
Balance as at 01.04.2017 (as per SLFRS 9)	435,424	-

Change in carrying value of unquoted securities is due to fair valuing of all investments including those held at cost.

The following table summarises the impact of transition to SLFRS 9 – “Financial Instruments” on available for sale reserve and retained earnings as at 01 April 2017.

	Company	
	Available for sale reserve	Retained earnings
	Rs.000	Rs.000
Balance as at 01.04.2017 as per LKAS 39	66,771	20,790,630
Impact of adopting SLFRS 9	(66,771)	66,771
Balance as at 01.04.2017 (as per SLFRS 9)	-	20,857,401

	Group	
	Available for sale reserve	Retained earnings
	Rs.000	Rs.000
Balance as at 01.04.2017 as per LKAS 39	29,748	25,352,251
Impact of adopting SLFRS 9	(29,748)	29,748
Balance as at 01.04.2017 (as per SLFRS 9)	-	25,381,999

IMPAIRMENT OF FINANCIAL ASSETS

Impairment requirements under SLFRS 9 are based on an expected credit loss model (ECL), replacing the incurred loss model under LKAS 39. Key changes in the company's accounting policy for impairment of financial assets are given below;

Assets migrate through the following three stages based on the change in credit quality since initial recognition.

i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired at inception, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized under stage 1.

ii) Stage 2: Lifetime ECL — not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized under stage 2.

iii) Stage 3: Lifetime ECL — credit impaired

Financial assets are assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the unimpaired amortized cost rather than the gross carrying amount for all specifically identified contracts.

The company assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account the collateral type, date of initial recognition, remaining term to maturity and other relevant factors. The company considers that significant increase in credit risk occurs when an asset is more than 30 days past due. In assessing the impairment of financial assets under the expected credit loss model, the company defines default as 90 days past due.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the company and all the cash flows that the company expects to receive.

The company considers its historical loss experience and adjusts this for current observable data. In addition, the company uses reasonable and supportable forecasts of future economic conditions including experienced judgment to estimate the amount of an expected impairment loss. SLFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgment as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions will be reviewed regularly. If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since inception, then the provision for impairments reverts from lifetime ECL to 12-months ECL.

Impact of adoption of SLFRS 9 on impairment and other credit losses is given below

	Company				
	Loans and advances	Finance leases	Other credit losses	Loans and receivables from banks, loans and receivables from others and bank balances	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as 01.04.2017 (as per LKAS 39)	66,959	1,397,935	67,031	-	1,531,925
Impact of adoption of SLFRS 9	72,767	1,021,651	-	486	1,094,904
Balance 01.04.2017 (as per SLFRS 9)	139,726	2,419,586	67,031	486	2,626,829
Charge/ (Reversal) for the year ended 31.03.2018 (as per SLFRS 39)	80,831	(71,167)	(6,585)	-	3,079
Additional charge/ (Reversal) for the year ended 31.03.2018 (as per SLFRS 9)	(20,784)	172,270	-	123	151,609
Balance as at 31.03.2018 (as per SLFRS 9)	199,773	2,520,689	60,446	609	2,781,517

	Group				
	Loans and advances	Finance leases	Other credit losses	Loans and receivables from banks, loans and receivables from others and bank balances	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as 01.04.2017 (as per LKAS 39)	66,959	1,397,935	103,211	-	1,568,105
Impact of adoption of SLFRS 9	72,767	1,021,651	-	2,186	1,096,604
Balance 01.04.2017 (as per SLFRS 9)	139,726	2,419,586	103,211	2,186	2,664,709
Charge/ (Reversal) for the year ended 31.03.2018 (as per SLFRS 39)	80,831	(71,167)	(6,337)	-	3,327
Additional charge/ (Reversal) for the year ended 31.03.2018 (SLFRS-9)	(20,784)	172,270	-	(91)	151,395
Balance as at 31.03.2018 (as per SLFRS 9)	199,773	2,520,689	96,874	2,095	2,819,431

CENTRAL FINANCE COMPANY PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

Impact to financial statements arising out of above impairment adjustments is as follows:

Statement of financial position

	Group		Company	
	31.03.2018 Rs.000	31.03.2017 Rs.000	31.03.2018 Rs.000	31.03.2017 Rs.000
Net investment in leases and hire purchase as previously reported	62,515,312	57,165,731	62,515,312	57,165,731
Effect due to adoption of SLFRS 9	(1,193,921)	(1,021,651)	(1,193,921)	(1,021,651)
	<u>61,321,391</u>	<u>56,144,080</u>	<u>61,321,391</u>	<u>56,144,080</u>
Loans and receivables from customers as previously reported	7,718,635	6,968,950	7,709,324	7,067,199
Effect due to adoption of SLFRS 9	(51,983)	(72,767)	(51,983)	(72,767)
	<u>7,666,652</u>	<u>6,896,183</u>	<u>7,657,341</u>	<u>6,994,432</u>
Cash and cash equivalents as previously reported	580,010	516,267	533,774	459,940
Effect due to adoption of SLFRS 9	(11)	(11)	(8)	(8)
	<u>579,999</u>	<u>516,256</u>	<u>533,766</u>	<u>459,932</u>
Loans and receivables from banks as previously reported	1,233,057	911,394	1,226,999	905,818
Effect due to adoption of SLFRS 9	(259)	(191)	(258)	(190)
	<u>1,232,798</u>	<u>911,203</u>	<u>1,226,741</u>	<u>905,628</u>
Loans and receivables from others as previously reported	694,776	1,063,880	63,949	398,326
Effect due to adoption of SLFRS 9	(1,825)	(1,984)	(343)	(288)
	<u>692,951</u>	<u>1,061,896</u>	<u>63,606</u>	<u>398,038</u>
Revenue reserves as previously reported	28,881,432	25,352,251	23,401,252	20,790,630
Effect due to adoption of SLFRS 9	(1,035,472)	(984,405)	(1,054,339)	(946,687)
	<u>27,845,960</u>	<u>24,367,846</u>	<u>22,346,913</u>	<u>19,843,943</u>
Non-controlling interest as previously reported	865,083	883,940	-	-
Effect due to adoption of SLFRS 9	(62)	57	-	-
	<u>865,021</u>	<u>883,997</u>	<u>-</u>	<u>-</u>

HEDGE ACCOUNTING

Hedge accounting is not applicable as the company does not have any derivative financial assets and liabilities

CENTRAL FINANCE COMPANY PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

13 Final dividend for the year ended 31.03.2018

A final dividend of Rs. 1.60 per share (consists of Rs. 0.60 per share payable in cash and Rs. 1.00 per share by way of scrip dividend through the allotment of new shares) were paid in July 2018.

Accordingly, 1,902,139 new shares were issued at a consideration of Rs.100/- per share through capitalisation of reserves and subsequent to the issue, number of shares in issue increased to 218,661,027. Earnings per share and net asset value per share for all period have been calculated based on 218,661,027 shares.

14 The Central Bank of Sri Lanka has issued new Capital Adequacy Requirement for Finance Companies, effective July 2018. Based on the initial assessment carried out, the Company will be able to fully comply with these new Capital Adequacy Requirements.

15 According to the best of the knowledge and belief of the Directors, there have been no other events subsequent to this interim period, which require adjustments to or disclosure in the interim Financial Statements at the time of the issue of these financial statements to the shareholders.

BUSINESS SEGMENT INFORMATION																		
For the three months ended 30th June																		
	Leasing, hire purchase and other advances		Medical services		Power generation		Manufacturing		Insurance broking		Investments		Real estate		Intra segmental adjustments		Total	
All figures in Rs.000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue																		
Interest income	4,200,068	3,700,242	3,481	3,206	-	-	203	405	11,121	12,979	97,660	109,559	664	677	-	-	4,313,197	3,827,068
Other revenue	-	-	28,845	28,395	16,957	12,297	562,939	512,920	80,983	70,035	-	-	-	-	-	-	689,724	623,647
Other operating income	245,066	179,834	-	-	-	-	-	-	-	-	-	-	-	-	-	-	245,066	179,834
Other income	148,882	161,661	108	113	-	-	305	208	99	28	16,597	92,427	4,826	818	-	(23,680)	170,817	231,575
Income from external customers	4,594,016	4,041,737	32,434	31,714	16,957	12,297	563,447	513,533	92,203	83,042	114,257	201,986	5,490	1,495	-	(23,680)	5,418,804	4,862,124
Inter - segment income	6,519	6,432	-	-	2,226	2,211	5	1	390	302	17,454	16,351	10,257	9,977	(36,851)	(35,274)	-	-
Total income	4,600,535	4,048,169	32,434	31,714	19,183	14,508	563,452	513,534	92,593	83,344	131,711	218,337	15,747	11,472	(36,851)	(58,954)	5,418,804	4,862,124
Expenses																		
Interest expenses	1,306,765	1,151,409	-	-	-	-	-	-	-	-	81,869	68,082	630	1,705	-	-	1,389,264	1,221,196
Depreciation & amortisation	130,719	116,161	2,185	2,356	1,313	966	10,412	9,799	318	316	-	-	620	619	-	-	145,567	130,217
Cost of sales	-	-	12,120	11,356	4,774	4,468	452,483	424,836	-	-	-	-	-	-	-	-	469,377	440,660
Impairment on loans and other credit losses	310,876	228,399	(8)	28	-	-	1,719	(273)	194	215	4	-	(63)	-	58	-	312,780	228,369
Other operating and administrative expenses	887,665	975,823	14,759	13,434	1,052	1,057	67,679	69,933	27,064	27,791	18	30	1,270	2,109	-	-	999,507	1,090,177
	2,636,025	2,471,792	29,056	27,174	7,139	6,491	532,293	504,295	27,576	28,322	81,891	68,112	2,457	4,433	58	-	3,316,495	3,110,619
Inter - segment expenses	15,278	14,390	-	-	-	-	-	77	6,251	2,190	-	3,770	-	-	(21,529)	(20,427)	-	-
Total expenses	2,651,303	2,486,182	29,056	27,174	7,139	6,491	532,293	504,372	33,827	30,512	81,891	71,882	2,457	4,433	(21,471)	(20,427)	3,316,495	3,110,619
Segment results	1,949,232	1,561,987	3,378	4,540	12,044	8,017	31,159	9,162	58,766	52,832	49,820	146,455	13,290	7,039	(15,380)	(38,527)	2,102,309	1,751,505
Share of profit of associates																	323,190	305,426
Profit before VAT on financial services, NBT and income tax																	2,425,499	2,056,931
Less: VAT on financial services and NBT																	305,532	264,815
Profit before income tax																	2,119,967	1,792,116
Less: Income tax expense																	713,079	657,142
Profit after income tax																	1,406,888	1,134,974
Non-controlling interest																	17,377	8,838
Profit attributable to equity holders of the parent																	1,389,511	1,126,136

CORPORATE INFORMATION

NAME OF COMPANY

Central Finance Company PLC

LEGAL FORM

A Quoted Public Company with limited liability incorporated in Sri Lanka on 5th December 1957 and registered under the Companies Act No.07 of 2007.

Registered under Finance Business Act No.42 of 2011 and Finance Leasing Act No.56 of 2000.

Approved Credit Agency under:

- Mortgage Act No.6 of 1949
- Trust Receipt Ordinance No.12 of 1947

COMPANY REGISTRATION NUMBER

PQ 67

CREDIT RATING

Rated A+(lka) by Fitch Ratings Lanka Ltd.

DIRECTORS

C. L. K. P. Jayasuriya	- Non - executive Director / Chairman
E. H. Wijenaik	- Managing Director/Chief Executive Officer
G. S. N. Peiris	- Director (Finance)
R. E. Rambukwelle	- Director (Marketing and Operations) (retired w.e.f.30.06.2018)
A. K. Gunaratne	- Director (Group Co-ordination)
D. P. de Silva	- Director (Credit)
S. C. S. Wickramasinghe	- Independent Non - executive Director
A. D. B. Talwatte	- Independent Non - executive Director
Dr. (Mrs). A. D. N. de Zoysa	- Independent Non - executive Director
A. R. Fernando	- Independent Non - executive Director
C.K.Hettiarachchi	- Director (Marketing) (appointed w.e.f.17.07.2018)

STOCK EXCHANGE LISTING

The ordinary shares of the Company, Rated Secured Redeemable Debentures issued in December 2013 and June 2015 are listed on the Colombo Stock Exchange.

HEAD / REGISTERED OFFICE

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Telephone : 081 - 2227000
Facsimile : 081 - 2232047

CITY OFFICE

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Telephone : 011 - 2300555
Facsimile : 011 - 2300441
E-mail : cenfin@cf.lk
Website : www.centralfinance.lk

BRANCH OFFICES

Akuressa, Alawwa, Aluthgama, Ambalangoda, Ampara, Anuradhapura, Aralaganwila, Athurugiriya, Avissawella, Badulla, Bakamuna, Balangoda, Bandaragama, Bandarawela, Batticaloa, Chilaw, Dambulla, Dehiattakandiya, Digana, Divulapitiya, Elpitiya, Embilipitiya, Galewela, Galle, Gampaha, Gampola, Giriulla, Godakawela, Hambantota, Hanwella, Hatton, Hingurakgoda, Hiripitiya, Homagama, Horana, Ja-Ela, Jaffna, Kadawatha, Kaduwela, Kalmunai, Kalutara, Kantale, Katugastota, Kegalle, Kekirawa, Killinochchi, Kiribathgoda, Kirindiwela, Kuliypitiya, Kurunegala, Maharagama, Mahiyanganaya, Maho, Malabe, Mannar, Maradana, Matale, Matara, Matugama, Mawanelle, Mawathagama, Melsiripura, Minuwangoda, Mirigama, Monaragala, Narammala, Nawalapitiya, Negombo, Nikaweratiya, Nittambuwa, Nochchiyagama, Nugegoda, Nuwaraeliya, Panadura, Pilimathalawa, Piliyandala, Polonnaruwa, Pottuvil, Puttalam, Ragama, Rambukkana, Ratmalana, Ratnapura, Rikillagaskada, Talawathugoda, Tambuttegama, Tissamaharama, Trincomalee, Vavuniya, Warakapola, Wariyapola, Wattala, Welimada, Wellawaya, Wennappuwa.

BANKERS

Bank of Ceylon
Citibank N.A.
Cargills Bank Limited.
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
NDB Bank PLC
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
DFCC Bank PLC

AUDITOR

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Chartered Accountants,
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Colombo 04.

LEGAL ADVISER

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P.O. Box 212,
Colombo.

COMPANY SECRETARY

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