

Annual Report 2004-2005



Central Finance Company Limited

MISSION

To be the leading company in the financial services sector and to help our customers grow and prosper by utilising our special skills and range of financial products and services.

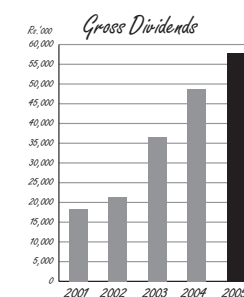
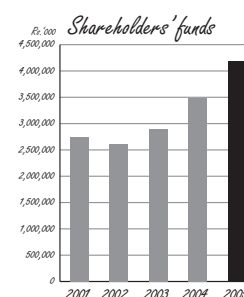
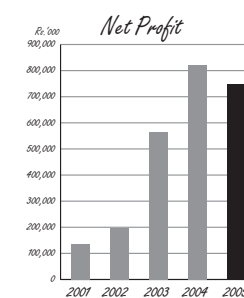
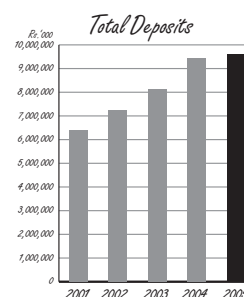
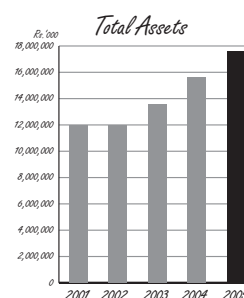
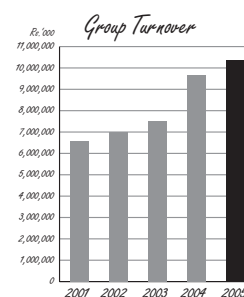
We will carry out our tasks with utmost responsibility and in keeping with national objectives, whilst providing total satisfaction to all our stakeholders.

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Summary of Operating Results

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Results for the year				
Turnover	10,370,028	9,646,033	9,208,748	8,666,070
Interest income	2,203,188	2,095,301	2,205,555	2,097,768
Interest expenses	1,067,745	1,126,926	1,061,724	1,116,241
Net interest income	1,135,443	968,375	1,143,831	981,527
Operating and other income	889,093	940,134	537,706	649,366
Operating expenses and provisions	1,038,500	1,073,292	814,061	854,727
Share of associate companies' profits	69,865	70,489	-	-
Profit before tax	1,055,901	905,706	867,476	776,166
Net profit attributable to ordinary shareholders	749,785	822,266	707,335	763,060
Gross dividends	57,855	48,720	57,855	48,720
At the year end				
Bank, cash balances and statutory deposits	1,659,363	1,715,819	1,587,012	1,688,092
Investments	654,203	593,693	611,987	569,214
Advances to customers	11,072,885	9,406,020	11,072,885	9,406,484
Other assets	2,512,188	2,242,096	2,184,843	1,978,727
Property, plant and equipment	1,723,973	1,678,866	1,116,904	1,064,112
Total assets	17,622,612	15,636,494	16,573,631	14,706,629
Deposits	9,614,073	9,433,518	9,636,073	9,443,418
Bank borrowings	1,217,252	715,316	1,161,766	644,969
Other liabilities	2,357,837	1,801,508	2,224,789	1,714,187
Total liabilities	13,189,162	11,950,342	13,022,628	11,802,574
Shareholders' funds	4,187,373	3,493,831	3,551,003	2,904,055
Information per Ordinary Share:				
Earnings Rs.	36.94	40.51	34.84	37.59
Dividends Rs.	2.85	4.00	2.85	4.00
Market Value Rs.	143.75	224.50	143.75	224.50
Net Assets Rs.	206.27	172.11	174.93	143.06
Ratios				
Year on year growth in Earnings (%)	(8.81)	45.20	(7.30)	50.86
Year on year growth in Dividends (%)	18.75	33.33	18.75	33.33
Dividend Cover (times)	12.96	16.88	12.23	15.66
Statutory ratios				
Liquid assets (%)	17.26	18.19	16.47	17.88
Capital Adequacy Ratios				
Core Capital Ratio % (Tier 1)	24.51	22.45	21.41	19.47
Total Risk Weighted Capital Ratio % (Tier 1 & 11)	24.91	22.95	22.05	20.21
Employment (no.)	1,271	1,164	835	735



Chairman's Statement

It gives me much pleasure in presenting to you on behalf of the Board of Directors, the Annual Report and audited accounts of Central Finance Company Limited and the consolidated financial statements of the Group for the financial year ended 31st March 2005.

Sri Lankan Economy

The apparel and plantation sectors especially in the vital tea segment showed prospective signs of improvement in the first half of 2004. According to Central Bank sources, higher investment was taking place in the tourism, construction, apparel, telecom and transport sectors. Excessive growth was observed in public sector credit due to higher subsidies in petroleum, wheat flour and other essentials which in turn led to an increasing trend in inflation.

The unprecedented Tsunami disaster of 26th December 2004 resulted in a near breakdown in economic activity in the Southern and North Eastern districts, with serious consequences to the tourism and fishing industries which have yet to recover fully. Fortunately the effect on GDP is estimated not to exceed 1% to 1.5% out of a projected 5.5% and the key apparel and tea industries were largely unaffected.

Many international agencies, private and charitable organisations have contributed to substantial foreign exchange inflows and the likelihood of an interim agreement on Tsunami Relief Structures with the LTTE makes one somewhat optimistic about the Sri Lanka economy, provided that political stability can be ensured in 2005.

Group Performance

A comprehensive review of the performance of the parent Company, Central Finance Company Limited for 2004/2005 has been given in the Managing Director's Review. Group net turnover increased significantly from Rs.9 billion to Rs.9.49 billion and for the first time Group profit before tax exceeded Rs.1 billion in 2005 from Rs.905 million in the previous year. The main contributors were Central Finance Company Limited which showed an increase in profits before tax from Rs.776 million to Rs.867 million and Central Industries Limited from Rs.48 million to Rs.105 million. Other significant contributors were Kandy Private Hospitals Limited and Mark Marine Services (Pvt) Limited.

Changes in tax legislation impacted on the profits in leasing business and although Central Finance Company's operating profits before tax was higher than last year at Rs.867 million, profits after tax dropped to Rs.707 million.

CF's ordinary share capital was increased to Rs.203 million from Rs.121.8 million consequent to the bonus issue of 2 new shares for every 3 held and the dividend pay-out has been increased to Rs.57.855 million as compared to Rs.48.72 million in 2004.

Whilst our core business originations have been sustained at Rs.5.5 billion in the year under review, we effectively continue to focus on improving our credit quality and operating efficiency. Central Finance is committed to offering a fast quality service to our dealers who have been with us for over 20 years and to our many valued customers throughout the country. More than 52% of our new business has been generated from an island-wide network of branches. Our Southern branches - from Panadura to Tissamaharamaya - were badly affected by the damage inflicted by the Tsunami tidal waves of December 2004, but the other branches in the rest of the island have performed exceptionally well. We continue to carry out extensive research in other areas so that further expansion can be made as and when the necessity arises.

Despite the increase in business, a significant feature worth noting, as commented in the Managing Director's Review, is that the ratio of non-performing loans to advances has reduced from 11.18% in 2004 to 7.99% in 2005. It is important to note that the provision for loan losses has improved to a very sound 97.31% of Non Performing Loans as against 92% a year ago.

We are very pleased that despite the reductions in interest rates, our depositors' continuation of confidence in Central Finance resulted in an increase in the fixed deposit base which stood at Rs.9.6 billion, a major portion of which was a renewal of maturing deposits. Our Senior Citizens Deposit scheme, introduced last year has been popular and effective and recorded an increase in this sector of the deposit base to Rs.1.5 billion compared to Rs.675 million last year. As indicated in the Managing Director's Review, we intend to launch Savings Deposit-related products linked to Automatic Teller Machine (ATM) facilities shortly.

Chairman's Statement

Performance of Associated Companies

Our associated companies in the tea sector, in particular, Tea Smallholder Factories performed well while substantial improvements in operating results were recorded in our subsidiary in the UPVC manufacturing industry, Central Industries Limited.

Increased dividends from Central Industries Limited, Central Securities Limited, Mark Marine Services (Pvt) Limited and Tea Smallholder Factories Limited, contributed to a marked increase in group profitability.

Group Company Performances 2004/2005

Associate Companies

Tea Smallholder Factories Limited

(Tea manufacture from green leaf purchased from smallholders)

Issued share capital (no.)	-	15,000,000
Group investment (no.)	-	4,394,246
Group investment (Rs.'000)	-	129,698
Group holding	-	29.30%

The Company's profit after tax increased by 65.5% from Rs.64.4 million in 2004 to Rs.106.6 million in 2005. The turnover increased 30% from Rs.1.16 billion in 2004 to Rs.1.51 billion in 2005. The operating profit increased 74% from Rs.69.7 million in 2004 to Rs.121.6 million in 2005. The Company purchased 33.4 million kilograms of green leaf from smallholders and produced 7.16 million kilograms of tea in 2005, an increase from 6.75 million kilograms in 2004. The Company's gross sales average for teas at the Colombo Auctions improved substantially from Rs.168.49 per kilogram for 2004 to Rs.203.78 per kilogram, which is the highest sale average achieved by any institution in the low grown elevation. As in 2004, the Company paid a dividend of 50% to its shareholders for the financial year 2005.

Nations Trust Bank Limited

(Commercial, investment, personal and private banking)

Issued share capital (no.)	-	85,000,000
Group investment (no.)	-	17,000,000
Group investment (Rs.'000)	-	191,000
Group holding	-	20.00%

Profit after tax declined by 82% from Rs.252 million in 2003 to Rs.45.5 million in 2004 on account of a Rs.26.9 million charge in tax due to retrospective legislation. The core operating profit (excluding income from the sale of

government securities in 2003) before tax and value added tax increased by 35% from Rs.114.3 million to Rs.154.3 million. Customer deposits grew by 58% from Rs.6.57 billion in 2003 to Rs.10.4 billion in 2004 while loans and advances grew by 40% from Rs.8.36 billion in 2003 to Rs.11.7 billion in 2004. The Gross Non-Performing Loans ratio was reduced from 5.5% in 2003 to 5.4% in the year under review. Shareholders' funds saw a marginal increase from Rs.1,336 million to Rs.1,339 million. The return on average shareholders' funds ratio (prior to effect on retrospective tax legislation) declined from 25.34% in 2003 to 5.42% in 2004 while the return on average assets ratio (prior to effect on retrospective tax legislation) dropped from 1.45% in 2003 to 0.36% in 2004. The Bank did not pay a dividend to its shareholders for the financial year ended 31st December 2004.

V Capital Limited

(formerly known as CF Venture Fund Limited)

The group sold its entire holding in this Company as the desired results were not achieved from this investment.

Capital Suisse Asia Limited (CSA)

(Investment holding company)

Issued share capital (no.)	-	18,100,007
Group investment (no.)	-	4,449,000
Group investment (Rs.'000)	-	44,490
Group holding	-	24.58%

The Company achieved a marginal profit of Rs.165,324 for the financial year ended 31st December 2004 compared to a loss of Rs.119,176 in 2003. CSA's main subsidiary, Zyrex Power Company Limited (ZPC) which is a mini hydro power generating company, posted a revenue of Rs.72.8 million for the year ended 31st December 2004 compared to a revenue of Rs.51.3 million earned during 2003. The prior year's operations were affected for 3 months in view of the damage sustained to the plant facility during the floods experienced in May 2003.

ZPC achieved a profit after tax position of Rs.26.2 million for the financial year ended 31st December 2004 compared to a profit after tax of Rs.14.8 million during 2003. However, as indicated above, the profitability in financial year 2003 was affected due to the plant shut down and significant costs incurred on restoration of the plant facility. Even though ZPC operated at a higher efficiency level during the year, the lower tariff offered by

Chairman's Statement

the Ceylon Electricity Board (CEB) affected its profitability significantly.

It is envisaged that the government will implement the budget proposal of offering 6 US cents for each unit of kWh sold to the national grid. This will enable the Company to achieve its desired profitability and also encourage more developers to generate and supply energy to the national grid through mini-hydro development.

Subsidiary Companies

Central Securities Limited

(Investment company)

Issued share capital (no.)	-	4,919,882
Group investment (no.)	-	1,901,535
Group investment (Rs.000)	-	21,877
Group holding	-	38.65%

The Company achieved a profit after tax of Rs.7.86 million in the financial year 2005 compared with Rs.13.98 million in 2004. The investment climate prevailing in the country was not very conducive for long-term investments as there was no clear direction in the peace process or in the economic recovery. Hence, during the period under review the Company invested selectively in fundamentally sound stocks and disposed of them in order to make short term gains whilst also maintaining a substantial amount of funds in short-term deposits. By the end of the financial year, the Company's exposure in equities amounted to Rs.9.47 million compared to Rs.62.15 million in short-term deposits.

Central Industries Limited

(Manufacture of UPVC pipes and fittings and marketing of construction industry-related products and services)

Issued share capital (no.)	-	3,294,738
Group investment (no.)	-	1,646,775
Group investment (Rs.'000)	-	49,574
Group holding	-	49.98%

The Company completed another successful year with record growth in turnover and profits mainly from the manufacture and marketing of National PVC pipes and fittings. Turnover increased by 40% over the previous year to Rs.891.3 million (excluding VAT). In 2005 the profit after tax was Rs.72.1 million compared to Rs.34.1 million in the previous year.

In view of the increased demand for our Poly Ethylene water tanks, during the year the Company commenced the complete in-house manufacture of these tanks under the brand name National PE and also introduced Poly Ethylene septic tanks under the brand name Greentec. The products complement the range of water supply and waste water disposal products marketed by the Company.

The growth in turnover and profits was achieved mainly in the first half of the year. However, the gradual downturn in economic growth and the constraints in the construction industry dampened the growth recorded by the Company in the second half of the year.

Furthermore, the National Water Supply and Drainage Board, a large scale user of the Company's products has now substantially reduced its direct purchases from PVC pipe manufacturers. In this situation the Company may find it difficult to improve its performance in 2005/2006. However, the diversification strategies and the emphasis on marketing and promotion pursued by the Company over the years should ensure that the Company continues to perform well in the longer-term.

Mark Marine Services (Pvt.) Limited

(Power generation company)

Issued share capital (no.)	-	8,561,198
Group investment (no.)	-	4,975,860
Group investment (Rs.'000)	-	81,532
Group holding	-	58.12%

The turnover of the Company for the financial year 2005 of Rs.64.2 million increased marginally compared to Rs.62.6 million in 2004 even though the energy generated and supplied to the national grid increased by 16% over the previous period. This was mainly as a result of the lower tariff offered by the CEB which has affected the profitability of the Company significantly.

During the financial year ended 31st March 2005, the 5 year tax exemption of the Company also expired and therefore the profits are now liable for income tax. In view of this, the deferred tax liability also has been incorporated in the financial statements and the resultant charge has been deducted from distributable profits. The Company achieved a profit after tax of only Rs.14.2 million for the financial year ended 31st March 2005 compared to Rs.36.6 million earned during the previous year.

Chairman's Statement

CF Insurance Brokers (Pvt.) Limited

(Insurance broking company)

Issued share capital (no.)	-	12,375,000
Group investment (no.)	-	12,374,997
Group investment (Rs.'000)	-	123,750
Group holding	-	99.99%

The company's premium turnover for calendar year 2004 increased to Rs.594 million from Rs.465 million in 2003, an increase of 27.7% compared to a market growth of 25.8%. There was a growth in commission income from Rs.53.5 million in 2003 to Rs.68.5 million in 2004. CFIB was the leading broker in the market in 2004.

The Company's operating profit after tax was Rs.1.879 million in 2004 as compared to Rs.4.189 million in 2003. Two major factors contributed to this reduction. Firstly, procurement costs rose as CFIB had to operate in a highly competitive environment where direct market operations of insurers impacted heavily on both brokers and agents alike. Consequently, CFIB had to incur increased marketing expenses to meet the new challenges. Secondly, administrative costs increased with revisions in the salary structure, and increased claims handling costs due to the higher incidence of claims consequent to the damage caused to insured property by the Tsunami tidal waves. An extraordinary provision of Rs.6.655 million was made in the year under review.

The Company has taken steps to reorganize marketing operations with a view to reducing costs of acquisition, particularly by mobilizing the support of group staff members.

Central Homes (Pvt.) Limited

(Real estate company)

Issued share capital (no.)	-	3,417,502
Group investment (no.)	-	3,417,500
Group investment (Rs.'000)	-	34,176
Group holding	-	99.99%

The Company continued to manage the real estate portfolio for Central Finance and continues to cater to the middle and upper class segments of the market in the Colombo and Gampaha districts. Its gross income increased to Rs.379,204 in 2005 from Rs.366,875 in 2004. During the period under review construction commenced on the proposed apartment complex at Dudley Senanayake Mawatha, Colombo 8 consisting of 21 units which have already been sold out. The Company

is also in the process of developing lands with infrastructure facilities in Wattala and Pamunugama in order to enhance value and these will be offered for sale within the financial year. The Company has engaged in sales "on behalf of owners" which is also a new line of business.

Dehigama Hotels Company Limited

(Property holding company)

Issued share capital (no.)	-	828,070
Group investment (no.)	-	659,854
Group investment (Rs.'000)	-	7,443
Group holding	-	79.69%

Turnover remained the same as in the previous year at Rs.5.528 million. Profit after tax recorded a decline at Rs.1.4 million against Rs.2.7 million in the previous year, owing to a higher charge for income tax.

Kandy Private Hospitals Limited

(Hospital services company)

Issued share capital (no.)	-	550,500
Group investment (no.)	-	365,275
Group investment (Rs.'000)	-	3,982
Group holding	-	66.35%

The Company's turnover in 2005 increased to Rs.39.5 million from Rs.32 million in 2004. Profitability growth continued with profit before tax increasing to Rs.9.7 million from Rs.6.8 million in 2004. However, a higher tax charge in the year under review saw profit after tax reduce to Rs.5.8 million from Rs.6.6 million in the previous year.

Central Transport and Travels Limited

(Transport and hiring services company)

Issued share capital (no.)	-	2,949,007
Group investment (no.)	-	2,949,000
Group investment (Rs.'000)	-	29,490
Group holding	-	99.99%

The Company's net hiring income declined in 2005 to Rs.3.726 million from Rs.3.870 million in 2004. Other income, consisting mainly of profit on sale of motor vehicles increased to Rs.961,684 from Rs.342,000 in 2004, resulting in total income increasing to Rs.4.687 million as against Rs.4.212 million in the previous year. The profit of Rs.605,608 before tax and Rs.622,837 after tax as against the previous year's after tax loss of Rs.17.5 million was due to a provision of

Chairman's Statement

Rs.18.6 million for diminution in value of share investments.

Central Mineral Industries (Pvt.) Limited

(Dolomite extraction company)

Issued share capital (no.)	-	350,000
Group investment (no.)	-	349,997
Group investment (Rs.'000)	-	3,500
Group holding	-	99.99%

The Company's turnover declined to Rs.9.96 million in 2005 as against Rs.12.5 million achieved in 2004. However, the Company registered a moderate profit of Rs.210,299 before tax and Rs.169,936 after tax as against an after tax loss of Rs.613,873 in the previous year.

Acknowledgments

I wish to acknowledge with pleasure and gratitude the unswerving loyalty and dedication of our staff at all levels in contributing to the record level of results achieved by the CF group.

I thank my colleagues on the Board of the parent company, subsidiaries and associate companies for their wise counsel, valuable advice and co-operation extended at all times.

I take this opportunity to convey my warm appreciation and thanks to the Governor and Deputy Governor of the Central Bank, the Director and Additional Director together with their officers in the Department of Supervision of Non - Bank Financial Institutions for their kind assistance and guidance at all times.

Further, I must express my appreciation and gratitude to our depositors for their trust and to our loyal customers, shareholders and numerous well wishers for their continuing confidence and patronage. Our Bankers, our Auditors - Lawrie Muthu Krishna & Company, our Lawyers - F. J. & G. de Saram and our Company Secretaries- Secretaries and Registrars Limited continue to extend their valuable assistance and co-operation for which I thank them very much.

C. Wijenaik

Chairman

26th July 2005

Managing Director's Review of Operations

2005 produced yet another year of good earnings for CF with Rs.1.14 billion in net interest income - a 16% increase over 2004's best ever results.

CF's formula for building value has proven successful over the last four decades - Our strategy has been to execute our business plans with a strong focus on businesses we know best - while continuing to focus on credit quality and operating efficiency. This strategy has resulted in a track record of consistently solid operating performance, strong deposit and loan growth with superior asset quality. During 2005, shareholders equity increased 22.3. % growing to Rs.3.5 billion. Our equity to assets ratio is at 21.4% as we seek to achieve an investment grade rating during the course of the current year.

We generated Rs.5.5 billion (Rs.5.0 billion 2003/2004) in new business through our relationships with 184 auto dealerships throughout the country. Our commitment and reputation for fast, fair and consistent service is valued by our dealers, some of whom have been with us for over 20 years .Our national presence provides us with opportunities to build our existing relationships and to establish new ones to support future growth. New business originations were achieved by keeping our focus on credit and asset quality undiminished in view of uncertainties and changes in the economic and political environment.

Some of the highlights of the year were:

- Operating profit of Rs.867 million
- Return on equity of 19.9%
- Net profit per share of Rs.34.84
- Bonus issue of 2 new shares for 3 held
- Gross deposit mobilisation of Rs.13.2 billion and
- Fixed interest rate swap agreements of Rs.1.6 billion

Profit before tax at Rs.867 million grew by 11.8% over the previous year, however profit after tax was Rs.707 million (Rs.763 million in 2004/2005) as a result of the increased liability for taxation (Rs.160 million) during the year under review. The reduction in tax allowances on leasing combined with a substantial shift in customer preference for hire purchase because of VAT advantages increased the tax charge for the Company. In general, the market saw a spurt in hire purchase business, which grew at a faster rate than leasing. As a result, the growth of credit in relation to leasing activities decelerated to 8% in 2004, compared with a growth of 21% in 2003.

Overall credit quality remains sound. This is best illustrated by the continuing trend in Non Performing Loans (NPL), which decreased by Rs.274 million. The ratio of NPLs to advances improved further from 11.18% (31.3.2004) to 7.99% at year-end. Importantly, our allowance for loan losses to non-performing loans increased to 97.31% at 31.3.2005 from 92% a year ago. Revenue growth and control over costs resulted in an efficiency ratio of 60% comparing favorably with the industry average in the banking sector.

Recoveries on account of loans in the provision category amounted to Rs.416.8 million during the year and Rs.256.8 million previously (2003/2004).

While the year 2004 was one of good financial performance for CF, it was tempered by the tragic events of 26th December 2004. The Tsunami profoundly affected the lives of all Sri Lankans. We remain saddened and concerned for those employees, customers and their families who experienced personal loss and damage to property. To support our clients whose businesses were affected, we established a comprehensive rehabilitation program which included loan restructuring, vehicle repair advances at concessional interest rates and extended repayment terms with rental holidays. In addition we participated in the Susahana Loan scheme initiated by the Central Bank to provide concessional finance for affected clients. Altogether, 291 customers were directly affected. Majority of them have since recommenced their businesses successfully. Although initial estimates made on account of possible losses in the portfolio amounted to Rs.44.8 million, the actual impact has been assessed at Rs.10.46 million. Contracts to the value of Rs.86.14 million were rescheduled with another Rs.4.0 million disbursed under the on - going Susahana loan scheme to eligible clients.

Branch Network

The growth in our business continued from the outstations, with good value being generated from our lending operations through our branch network. In keeping with our annual plans, we continued to increase market presence and reach in the outstations by opening new marketing offices in strategic locations in rapidly growing areas. Our marketing outlets in Kegalle and Mahiyanganaya were upgraded to branch status during the year. The Southern branches, Panadura, Matara, Tissa and Galle in particular, were affected by the Tsunami damage and performed below expectations during the last quarter of the financial year. However, the

Managing Director's Review of Operations

advantages of on-line information systems together with centralized document storage meant that there was no loss of data whatsoever and we were able to quickly deploy field officers to visit our customers in the Southern and Eastern provinces. As a result, measures such as assessment of individual losses, insurance claim intimation and loan rehabilitation action were concluded within a few weeks of the disaster. It is due chiefly to the tremendous dedication, spirit and enthusiasm of our branch staff that the southern branches were fully operational within a few months - Matara in January and Galle by March 2005- of the disaster. The other branches performed exceptionally well and achieved more than satisfactory results during the year.

With our mature markets in Colombo and Kandy encountering strong competition, we will continue to focus our attention in the outstations for future business and profit growth. In order to achieve these objectives, we have carried out field research in potential rural markets and have identified untapped areas to open new marketing offices during the New Year. In supporting these growth strategies, we will further strengthen our field sales structure to enhance our market coverage and penetration, which in turn will help us exploit the full business potential in the outstations. With customer service and satisfaction being uppermost in our minds, we have commenced refurbishing our older branches to ensure our valued customers conduct their business activities in a comfortable and pleasant environment.

Deposits

At the end of the year under review the deposit base stood at Rs.9.6 billion. Gross deposit mobilization was Rs.13.2 billion, which included Rs.2.2 billion as new deposits. Re-investment of matured deposits at Rs.11 billion as against Rs.9.5 billion in the previous year, confirmed the confidence established with our individual and corporate depositors.

We continued our focus to achieve a higher percentage of core deposits (12 months and over) which now account for over 85% of our total deposit base.

Our Senior Citizen's deposit scheme introduced in the previous year became very popular and effective and at the end of the financial year recorded a deposit base of Rs.1.5 billion with a total of 6,939 accounts.

The "CF Instant Cash Plan" was even more successful during the year under review with many depositors using the facility to access their funds at nominal rates.

As a further service to our deposit clients, we introduced "CF Super Zero", an interest free instalment plan to

finance a range of services and products. Our intention is to widen the coverage of this scheme in the ensuing year.

Diverse, low cost liquidity and strong cash flows are key factors in our funding programmes. During the year we focused on providing value to our depositors and grew our deposits to meet our business requirements. In this context, the recent approval by the Central Bank permitting finance companies with a minimum capital of Rs.150 million to offer savings accounts enables us to further broaden our services. We will be launching savings related products with ATM facilities in the near future.

Share Trading Portfolio

During the first two quarters of 2004/2005, we refrained from investing in equities due to the political uncertainty that prevailed in the country. However, in order to make short-term gains, we gradually commenced investing in fundamentally sound stocks in the 3rd quarter and the process continued till the end of the financial year. The total realized profits from share trading were relatively small at Rs.11.97 million against the gains of Rs.103.11 million in the previous year.

Dividend income for the period under review was Rs.44.44 million of which Rs.25.02 million was attributable to our associate companies while our subsidiaries contributed Rs.17.49 million. The balance was from the equity portfolio. Dividends received from associate companies improved from Rs.10.60 million in 2003/2004 to Rs.25.02 million. Tea Smallholder Factories Ltd. and Nations Trust Bank contributed towards these results. Dividends received from subsidiary companies increased from Rs.14.10 million in 2003/2004 to Rs.17.49 million due to improved performance by Central Industries Ltd. and Mark Marine Services (Private) Ltd.

We divested our holding in CF Venture Fund Ltd. during the year under review since we did not foresee much value addition from this investment. This divestment generated Rs.17.83 million in cash. The profit on disposal was Rs.3.71 million with the reversal of Rs.17.01 million in provisions previously made for the fall in value of this investment.

The All Share Price Index (ASPI), which stood at 1,284.2 at the beginning of the year, improved to 1,751.9 by year-end. As a matter of prudence, we have made a provision of Rs.3.80 million against the fall in market value of dealing securities for the period under review.

Managing Director's Review of Operations

Human Resource Development

The Company places human capital as the vital resource for achieving excellence and creating a rewarding work environment. To sustain this spirit, we continued our policy to provide management and competency skills through intensified training and development plans. We have formulated a succession plan to ensure availability of suitably qualified staff for business continuity supported by a study of competency gaps to develop management and work related skills.

During the year we further refined our performance based remuneration scheme rewarding excellence and accomplishments in line with industry standards. The enthusiasm and the spirit of our staff remain high, bolstered by an extended range of benefits as well as opportunities given for career enhancement. Over the years, we have actively encouraged staff members to grasp opportunities within the Company by giving preference to internal recruitment for our management cadre. Many of them have risen to this challenge and have delivered exceptional results at vital locations throughout the island.

As previously, we provided training and employment opportunities for unemployed graduates through the 'Taruna Aruna' scheme. Disappointingly, many of them opted to abandon their training and prospects of employment within the Company in exchange of the offer for training/employment by the State.

We continued supporting the programme we initiated last year of assisting orphanages and elders homes in six provinces by monitoring their progress and assisting them where required. However, much of our social responsibility efforts to the community were directed towards the rehabilitation of Tsunami affected people. The Company matched the contribution of a day's salary by the staff to make up Rs.1.0 million as an initial payment to meet the immediate needs soon after the cataclysm. In addition, the Company set up a Disaster Relief Fund to assist the affected staff members to rebuild and repair their homes. Six of our employees were affected to varying degrees ranging from temporary displacement to complete destruction of property. Among them, three staff members have been provided with financial assistance to purchase alternate land and to reconstruct their houses. We continue to watch their progress with the objective of assisting them to cope with trauma and rebuilding their lives. As a medium term plan, the Company has elected to work with Sarvodaya, and committed to fund rehabilitation programs on housing and livelihood in selected Tsunami affected areas.

Information Technology

The year under review witnessed a number of new developments adding value to our services through Information Technology (IT). Our internal software development team designed and implemented a more robust new core application software system using the Microsoft .NET platform, which is the latest development platform offered by Microsoft. These new systems designed to further elevate our customer service efforts, help our staff to better understand, serve and manage customer needs. In addition, since transaction-processing time is shortened, productivity and efficiency is considerably enhanced.

The physical security of our IT infrastructure was further strengthened with the incorporation of intelligent security surveillance systems and biometric access control systems for our main data centers. All our data centers are monitored and audited by authorized staff officers using these new systems. Internet communication security was enhanced with hardware based high capacity firewalls to meet the Company's growing requirements.

To ensure adequacy of information system security and controls, our IS Audit Staff continue to receive training in this important area. During the year key staff participated in the Certified Information System Security Professional's programme, conducted by International Information Systems Security Certification Consortium (ISC2) based in the US. The organization trains security professionals worldwide; those certified are required to pass a rigorous examination, maintain certification through continuing education and re-certify every three years.

Intellectual property rights in information technology based products have recently assumed much importance with the enactment of the Intellectual Property Act No.36 of 2003. This far-reaching Act imposes severe penalties on the use of unlicensed software. We have taken several proactive measures including supplier guarantees to prevent infringement of property rights so that the Company does not contravene the provisions of this Act.

Future IT projects include the roll –out of our savings account initiative. Presently, we are in the process of acquiring software and the infrastructure to support this exciting new product.

Outlook

A relatively stable macro economic environment in 2004 benefited the financial sector, enabling them to expand

Managing Director's Review of Operations

their activities through a wide array of financial services. Overall, the financial sector recorded notable increases in deposit mobilization, loan growth and service outlets, while lease and hire purchase business also expanded considerably in a very competitive market environment.

Recent developments raise many concerns on the prospects for the rest of the financial year. Steep increases in global oil prices, inflation trends, and political instability are factors likely to impede financial sector growth. However, a good monsoon that yielded record paddy harvests, higher export earnings, combined with the gradual improvement in economic activities during the second half of the year are expected to drive GDP growth to 5.5% in 2005. In addition, if Tsunami reconstruction and rehabilitation activities are implemented speedily, the financial sector would be required to play a very prominent role in funding the needs of contractors, manufacturers and other service providers who would be involved in such reconstruction.

Against this backdrop, CF enters 2005/2006 with cautious optimism with its focus on providing value to its many customers and stakeholders. Our core clientele is from one of the most dynamic sectors of the economy; small businesses - which are in many ways, the backbone of the economy. The National Budget underscored the importance of the small and medium businesses by enunciating strategies to overcome constraints faced by the sector. We welcome these initiatives, as we see opportunities for growth and increased demand for our services with the development of the small and medium-scale enterprises (SME). We will continue to actively support the SME sector through our widespread network of branches. However, we foresee competition to be acute, with margins under pressure once again as more players continue to enter the market.

Being a deposit taking institution, we have reviewed the uncertainties within the economic and political framework and taken measures to maintain stable operational results in the next few years that could arise due to interest rate exposures. Even though this initiative is likely to increase our financing costs initially, we are of the view that such measures are expected to provide the Company with better risk management results in the coming years.

Regulatory and Legislative Issues

The multitude of taxes imposed on the leasing industry to enhance Government revenue has resulted in leasing as a method of financing becoming more expensive and in some instances, wholly unviable - for example:

- The absence of a clear legal process with regard to repossession and the short commercial life of equipment (unlike vehicles which retain ready resale value) were major impediments that lessors grappled with when extending equipment leases. However, the reduction in depreciation allowances from 50% to 12.5% for plant and equipment as a result of the 2004 Budget proposals, dealt the final blow to equipment leasing. As lease rentals are taxed on capital repayments, the new depreciation regime requires lease structures be extended from the earlier 2-year period to 8 years to make it profitable [i.e. tax neutral] for the lessor. On one hand, lessors have neither the long-term funds nor the appetite to absorb credit and interest rate risks associated with an 8-year lease, whilst on the other, lessees are reluctant to contract for such long periods. As a result, all equipment leasing business has come to a standstill. The new development strategy of the Government advocates much support for the agricultural and the SME sector to the extent of establishing a specialized SME bank. The priority sectors for SME lending have been identified as "advanced technology, software and business process outsourcing, technological improvements, fisheries, gems and jewellery, agro-industries, services sector and SME exports". Duty free imports are contemplated for this purpose. However, a further incentive to the entrepreneur by way of accelerated depreciation on plant & machinery would no doubt stimulate investment well beyond expectations.
- The Government needs to ensure uniformity in tax treatment across different markets so that there is no distortion in the cost of providing finance. Nowhere is this discrimination more evident than in the tax treatment of financing used vehicles under the VAT system. A used vehicle bought under a hire purchase agreement is exempt from VAT (on the purchase and hire instalment) although the same asset acquired through leasing would attract VAT at 15% without a corresponding input claim. This makes leasing more expensive since the leasing company will have to capitalize the input tax paid on the purchase of the vehicle and collect it over the period of the lease. From a commercial standpoint, there is no difference between these two transactions as they both involve the sale by a supplier to the lessor/hire vendor and thereafter a lease / hire purchase to the user. We therefore fail to see the need to treat a hire purchase transaction differently from a lease for VAT purposes. This distortion has severely restricted leasing business in the used vehicle market to the extent that almost all used vehicles are now financed under HP agreements.

Managing Director's Review of Operations

Inconsistent policy towards the leasing industry has had a significant impact on our ability to provide credit at reasonable cost to segments where it is most needed. The leasing industry has been the main source of finance to many rural and urban small-scale businesses such as workshops, agro-industries, bought-leaf factories, retailing and service industries. We therefore urge that the Government recognizes leasing as a development mechanism particularly suitable for the small and medium-sized enterprises (SMEs). Towards this end, the Government should adopt policies necessary to support the leasing industry so that it can continue to play a wider role in private capital formation especially in rural communities to facilitate and strengthen industrial development and employment outside the Western Province where there is now an over concentration of development.

Acknowledgements

I would like to recognize our employees for their contribution and commitment to the success of the Company. They are our most valuable assets as they work to provide outstanding service and build relationships with our customers. Along with my colleagues on the Board of Directors, I take this opportunity to record our special thanks to the branch managers, their staff and task force members who helped us manage the post-Tsunami operations - overcoming the many arduous and sometimes even perilous conditions that prevailed during that time in the interest of the Company and its clients.

My thanks are due to the Governor and the Deputy Governor of the Central Bank of Sri Lanka, for the guidance, advice and support readily extended to us during the year. I wish to record my appreciation to the Director and Additional Director, together with their officers in the Department of Supervision of Non - Bank Financial Institutions who guided us and extended every possible support towards the smooth functioning of the Company.

I value the support of my colleagues on the Board of Directors and the Board of Management and express my deep appreciation for their wise counsel and guidance over the past year.

Finally, my sincere thanks to the many depositors, customers, shareholders and business associates for their continuing trust and confidence in Central Finance.



E. H. Wijenaik

Managing Director
26th July, 2005

Financial Reports

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Financial Calendar 2004/2005

First Quarter Results 2004/2005	23rd August 2004
Final Dividend 2003/2004 paid	31st August 2004
Second Quarter Results 2004/2005	22nd November 2004
First Interim Dividend 2004/2005 paid	26th January 2005
Third Quarter Results 2004/2005	28th February 2005
Second Interim Dividend 2004/2005 paid	10th June 2005
Annual Report 2004/2005	8th August 2005
47th Annual General Meeting	31st August 2005
Final Dividend 2004/2005 proposed to be paid on	31st August 2005

Corporate Governance

Directors

The Board comprised of the Chairman, Managing Director, three Executive Directors and five Non Executive Directors throughout the year under review. The names of the Directors are set out below:

The Board holds regular monthly meetings. In the year under review the Board met 12 times and attendance at these meetings was as follows:

C.Wijenaik	Chairman	4
E.H.Wijenaik	Managing Director	12
S.V.Wanigasekera	Non Executive Director	11
G.S.N.Peiris	Executive Director	11
Mrs. C.Kiriella	Executive Director	11
M.S.Wijenaik	Non Executive Director	11
U.L.Kadurugamuwa	Non Executive Director	12
G.C.B.Wijeyesinghe	Non Executive Director	11
R.E.Rambukwelle	Executive Director	12
A.K.Gunaratne	Non Executive Director	11

The Board is responsible for the formulation of the overall business policy and strategy, agreeing to priorities and setting standards for the management and the conduct of the business. Its functions include review of monthly management information, adoption of annual and interim results before they are published, review of exposure to key business risks, strategic direction of operational units, agreeing annual budgets, monitoring progress towards achieving those budgets and sanctioning major capital expenditure, acquisitions and disposals.

The Board is responsible, ultimately, for the Company's financial performance.

Each Director brings independent judgement to bear on matters the Board is responsible for, and dedicates the time and effort necessary to carry out his/her responsibilities.

The Board ensures that Board Meetings are conducted in such a manner that:

- The participation of Executive and Non Executive Directors is ensured, their contribution is encouraged, and their views on issues under consideration is determined.
- The Board is in control of the Company's affairs and remains sensitive to its obligations to all its stakeholders.
- A balance of power is maintained.

The Managing Director/CEO maintains regular contact with all Directors, and has regular, informal discussions with the Non Executive Directors as necessary.

Financial acumen

The Board includes four senior Chartered Accountants, who provide the necessary acumen and knowledge to offer the Board guidance on matters of finance. One of them serves as Director (Finance).

Board balance

The balance of Executive and, in particular, independent Non Executive Directors on the Board ensures that no individual Director or small group of Directors dominates the Board's decision-making. All the Non Executive Directors are independent of management, and have no relationships that could materially interfere with the exercise of their independent judgement.

Documentation

Board members are given appropriate documentation in advance of each Board meeting. Further, minutes of the monthly Board of Management review meetings are sent to all Board members. The Managing Director/CEO ensures that all Directors are adequately briefed on issues arising at meetings.

Appointments to the Board

The Board as a whole decides on the appointment of Directors. The Company's Articles of Association provide that at every Annual General Meeting of the Company, one-third of the Non Executive Directors shall retire from office. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment.

A retiring Director is eligible for re-appointment. Any Director appointed by the Board shall hold office only until the following Annual General Meeting.

Board Committees

The Board has a formal schedule of matters reserved to itself. It has delegated responsibilities to Board Committees, which operate within clearly defined terms of reference.

Audit Committee

The Board formally constituted an Audit Committee in January 1997. During the year it comprised three Non Executive Directors with the Deputy General Manager (Internal Audit) functioning as Secretary. The Managing Director and Director (Finance) are invited to attend meetings as required. The external auditors attend meetings when their presence is necessary. The Committee is empowered to examine any matters relating to the financial affairs of the Company and its internal and external audits. Its duties include detailed reviews of the financial statements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and other such related functions as the Board may require. It also recommends the appointment and fees of the external auditors. It also keeps under review the independence and objectivity of the external auditors. The Audit Committee's Report appears on page 20 of this report.

Corporate Governance

Board of Management

A Board of Management was formally constituted in February 2002. It comprises the Managing Director, two Executive Directors, a Non Executive Director and three Deputy General Managers heading key operational /service divisions. The Board of Management is empowered to ensure implementation of Board directives and report/review progress, to submit quarterly reviews of the Company's operations, ensure closer co-ordination and integration of staff activities in relation to the overall objectives of the Company, review key business results, monitor budgetary control, variances and take corrective action and review key resources. The Committee also reviews the Company policies in relation to Risk Management, Asset and Liability Management and also interest rate spreads to ensure that these policies are aligned with the corporate objectives. The Board of Management meets monthly.

Remuneration Committee

The Managing Director/CEO and one other Non Executive Director comprise the Remuneration Committee which is responsible for reviewing and approving the emoluments of Executive Directors and Senior Management. The total of Directors' emoluments is reported in Note 5 to the financial statements.

Relations with shareholders

The Board considers the Annual General Meeting an opportunity to communicate with shareholders, and encourages their participation in it. The Board is ready to answer queries raised by shareholders at General Meetings, and maintains an appropriate dialogue with them. The Company's principal communication with shareholders and others is via its Annual Report and Quarterly Financial Statements. The Managing Director and Executive Directors also meet institutional investors and analysts to discuss the Company's performance.

Accountability

The Board places great emphasis on complete disclosure of both financial and non-financial information within the bounds of commercial reality and on the early adoption of sound reporting practices.

The Statement of Directors' Responsibilities in relation to the financial statements is set out on page 19 of this report.

Internal Control

The Directors are responsible for the Company's system of internal controls and for reviewing its effectiveness.

The system in place is designed to safeguard the assets against unauthorised use or disposal and to ensure that proper records are maintained and reliable financial information is generated. It includes all controls such as financial, operational and compliance controls and risk management. However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time frame.

The key procedures in place to discharge this responsibility are as follows:

- Annual budgeting and regular forecasting processes being in place, with review by the Board of Management of monthly reports on performance against budgets and forecasts;
- Establishment of policies by the Board in areas of investment and treasury management;
- Regular internal audits and systems reviews;
- Reviews by the Audit Committee, of the plans and activities of the Internal Audit Department and the Management Letters of the External Auditors. Any significant findings or identified risks are closely examined to ensure appropriate action is taken;
- Careful selection and training of employees and appropriate communication channels being provided to foster a control conscious environment;
- Periodic and timely reporting to shareholders and compliance with all relevant statutory and regulatory obligations through a Compliance Statement reviewed monthly by the Board.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Company. This process has been in place throughout the year under review.

The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts.

Organisation

The Board has put in place an organisational structure with formally defined lines of reporting and appropriate limits of authority for different processes. There are also established procedures for planning and investment and for information and reporting systems to monitor the Company's businesses.

Shareholder Value and Return

The Board constantly strives to enhance shareholder value and provides a total return in excess of the market.

Report of the Directors

The Directors have pleasure in presenting to the members their Report together with the audited Financial Statements of the Company and Group for the year ended 31st March 2005. These were approved by the Directors on 26th July 2005.

Principal Activities and Review of Operations

The principal activities of the Company during the year continued to be lease financing, hire/lease purchase financing, consumer credit, vehicle hire, accepting deposits and other financial services.

The principal activities of the Group companies together with a review of the Company's and Group's operations during the year, with comments on the financial results, branch network and future developments, is contained in the Chairman's Statement and the Managing Director's Review of Operations on pages 3 to 12 of the Annual Report. These reports form an integral part of the Directors' Report.

There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year under review.

Internal Controls

The Board has instituted an effective and comprehensive system of Internal Controls required to carry on the business of the Company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records.

Corporate Governance

Systems and procedures are in place to ensure that corporate governance is properly practiced. Specific measures taken in this regard are given on pages 14 to 15 of the Annual Report.

Audit Committee

The following Non Executive Directors of the Board served as members of the Board Audit Committee

Mr. S.V.Wanigasekera (Chairman)

Mr. G.C.B.Wijeyesinghe

Mr. A.K.Gunaratne

The report of the Audit Committee is given on page 20 of the Annual Report.

Group Net Turnover

The net turnover of the Group excluding associates during the year was Rs.9,493.831 million (2003/2004 : Rs.9,024.246 million), an analysis of which is given in Note 1 to the Financial Statements.

Profit

	2004/2005 Rs.'000	2003/2004 Rs.'000
Group profit for the year after payment of all expenses, provision for depreciation and possible loan losses	1,055,901	1,054,740
Provision for taxation	(257,000)	(42,854)
Group profit after taxation	798,901	1,011,886
Minority interest	(49,116)	(40,586)
Profit before diminution in value of long term investments	749,785	971,300
Diminution in value of long term investments	-	(149,034)
Net profit for the year	749,785	822,266
Unappropriated profit/(loss) brought forward from previous year	199,879	219,347
Profit available for appropriation	949,664	1,041,613
Appropriations		
Transfer to reserve fund	(36,000)	(39,000)
Transfer to general reserve	(620,000)	(715,000)
Adjustment due to changes in holding	6,638	(42,059)
Dividends	(51,765)	(45,675)
Unappropriated profit to be carried forward	248,537	199,879

Dividends

The Directors recommend the payment of a 12.50% (2003/2004 : 20%) final dividend to be paid on 31st August 2005. This dividend together with the interim dividends of 20% (2003/2004 : 20%) paid on 26th January and 10th June 2005 respectively amount to a total dividend of Rs. 57.855 million or 32.50% for the year (2003/2004 : Rs. 48.720 million or 40%). The interim dividends represent a redistribution of dividends received by the Company which were already subject to withholding tax and therefore were not subject to a further tax deduction. A major component of the final dividend will be paid out of the taxable profits of the Company and hence will be liable to withholding tax @ 10%.

Corporate Donations

During the year the Company made donations amounting to Rs.336,625 (2003/2004 : Rs.789,596) in terms of the resolution passed at the last Annual General Meeting. The donations made to Government approved charities from the above sum amounted to Rs.125,550 (2003/2004 : Rs.82,660).

Report of the Directors

Property, Plant and Equipment

Capital expenditure on property, plant and equipment and capital work-in-progress amounted to Rs.142.685 million (2003/2004 : Rs.160.464 million) details of which are given in Note 23 to the Financial Statements. Capital expenditure approved after the year end is included in Note 35 to the Financial Statements.

Market Value of Freehold Properties

The value of freehold properties owned by the Group as at 31st March 2005 is included in the accounts at Rs.1,094.313 million (2003/2004 : Rs.1,086.283 million) based on valuations undertaken by a Chartered Valuer/Licensed Surveyor in March 2000. Properties acquired after March 2000 are reflected at book values as their appreciation is insignificant. The Directors are of the opinion that this value is not in excess of the current market value. The details are provided in Note 23 to the Financial Statements.

Reserves

The total Group Reserves as at 31st March 2005 amounted to Rs.3,984.373 million (2003/2004: Rs.3,372.031 million) details of which are given in Notes 28 to 31 to the Financial Statements.

Share Capital

The total issued and fully paid up capital as at 31st March 2005 was Rs.203 million consisting of 20.3 million ordinary shares of Rs.10 each. The issued capital of the Company was increased from Rs.121.8 million divided into 12.18 million shares of Rs.10 each to Rs.203 million divided into 20.3 million ordinary shares of Rs.10 each during the financial year by way of a bonus issue in the proportion of 2:3.

Shareholdings

As at 31st March 2005 there were 2,528 registered shareholders and the distribution is indicated on page 52.

Share Information

Information relating to earnings, dividends, net assets and market value per share is given in Summary of Operating Results on page 2. Information on share trading is given in Note 6 on page 53 of the Annual Report.

Major Shareholders

The twenty largest shareholders of the Company as at 31st March 2005 together with an analysis of the shareholdings are given on page 52.

Employee Share Ownership Scheme

The Board of Directors believes in encouraging employees to become involved in the Company and in its financial performance, where they are actively invited to acquire shares in the Company. Consequently all employees of the Company are entitled to purchase shares through a Share Trust established by a Trust Deed dated 20th August 1984 and managed independently by Corporate Services Ltd., an affiliate of F.J. & G. de Saram, Attorneys-at-Law & Notaries Public. Purchase of shares is on a fixed instalment plan where deductions are made monthly from the employees' emoluments. 246,875 shares were allotted to employees under the Employee Share Trust Ownership Scheme at a price of Rs. 250 per share, during the financial year.

Directors

The Board of Central Finance Co.Ltd. consists of ten Directors with wide financial and commercial knowledge and experience.

The following were the Directors of the Company during the year.

Mr. C.Wijenaike (Chairman)

Mr. E.H.Wijenaike (Managing Director)

Mr. S.V.Wanigasekera

Mr. G.S.N.Peiris

Mrs. C.Kiriella

Mr. M.S.Wijenaike

Mr. U.L.Kadurugamuwa

Mr. G.C.B.Wijeyesinghe

Mr. R.E.Rambukwelle

Mr. A.K.Gunaratne

Mr. A.K.Gunaratne retires in terms of Article 105 of the Articles of Association and being eligible, offers himself for re-election with the unanimous support of the Board of Directors.

Special Notice has been received from a shareholder pursuant to Section 182 of the Companies Act No.17 of 1982 of his intention to propose the re-election of Mr.C.Wijenaike, Mr.S.V.Wanigasekera, Mr.M.S.Wijenaike and Mr.G.C.B.Wijeyesinghe who are over 70 years of age as Directors of the Company.

Directors' Interests in Contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed in Note 39 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Report of the Directors

Directors' Interests in Shares

The shareholdings of the Directors together with their spouses at the beginning and at the end of the year were as follows:

	31st March 2005	31st March 2004
Mr. C.Wijenaike	50,000	20,000
Mr. E.H.Wijenaike	2,958,540	1,755,124
Mr. S.V.Wanigasekera	105,833	50,000
Mr. G.S.N.Peiris	113,428	65,091
Mrs. C.Kiriella	97,332	58,400
Mr. M.S.Wijenaike	-	-
Mr. U.L.Kadurugamuwa	-	-
Mr. G.C.B.Wijeyesinghe	-	-
Mr. R.E.Rambukwelle	75,000	36,500
Mr. A.K.Gunaratne	41,666	20,000

Spouses

	31st March 2005	31st March 2004
Mrs. D.B.Wijenaike	-	-
Mrs. A.J.Wijenaike	633,166	379,900
Mrs. D.Wijenaike	-	87,360
Mrs. I.R.Peiris	-	7,118

The balances due in respect of share purchases by the Directors through the Share Trust are as follows:

	31st March 2005	31st March 2004
	Rs.	Rs.
Mr. C.Wijenaike	2,333,336	1,492,492
Mr. E.H.Wijenaike	7,077,568	3,011,312
Mr. S.V.Wanigasekera	6,299,234	1,939,992
Mr. G.S.N.Peiris	7,077,568	3,011,312
Mrs. C.Kiriella	-	-
Mr. M.S.Wijenaike	-	-
Mr. U.L.Kadurugamuwa	-	-
Mr. G.C.B.Wijeyesinghe	-	-
Mr. R.E.Rambukwelle	3,799,216	2,182,548
Mr. A.K.Gunaratne	2,889,988	1,979,992

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No.17 of 1982, Finance Companies Act No.78 of 1988, Inland Revenue Act No.30 of 2000 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time.

Post Balance Sheet Events

No circumstances have arisen, since the Balance Sheet date which would require adjustments to, or disclosure in the accounts.

Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

Appointment of Auditors

The retiring Auditors, Lawrie Muthu Krishna & Co., Chartered Accountants have signified their willingness to continue in office. In accordance with the Companies Act No.17 of 1982, a resolution relating to their re-appointment and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The forty seventh Annual General Meeting of the Company will be held at the Registered Office, 84, Raja Veediya, Kandy on 31st August 2005. The notice of meeting relating to the forty seventh Annual General Meeting is given on page 58.

By Order of the Board,
sgd.

SECRETARIES & REGISTRARS LIMITED

Secretaries
26th July 2005
Colombo.

Directors' Responsibility for Financial Reporting

Under Section 143 of the Companies Act No.17 of 1982, the Directors of the Company are responsible for ensuring that the Company keeps proper books of account of all the transactions and prepares Financial Statements that give a true and fair view of the state of affairs and of the profit/loss for the year under review.

Accordingly, the Directors have caused the Company to maintain proper books of account and review the financial reporting system at their regular meetings and through the Audit Committee. The Audit Committee Report is given on page 20 of this Report. The Financial Statements for the year ended 31st March 2005 prepared and presented in this Report are consistent with the underlying books of account and are in conformity with the requirements of the Companies Act, Sri Lanka Accounting Standards, Finance Companies Act No.78 of 1988 and the Listing Rules of the Colombo Stock Exchange. The Directors consider that, in preparing the Financial Statements exhibited on pages 22 to 50 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgements and estimates.

The Directors also have taken such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted

an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the Company's business in an orderly manner and to safeguard its assets and secure as far as practicable the accuracy and reliability of the records.

The Company's Auditors, Lawrie Muthu Krishna & Company carry out reviews and sample checks on the system of internal controls as they consider appropriate and necessary for expressing their opinion on the Financial Statements.

Lawrie Muthu Krishna & Company, the Auditors of the Company have examined the Financial Statements made available by the Board of Directors together with all the financial records, related data, minutes of shareholders and Directors meetings and express their opinion which appears as reported by them on page 21 of this Report

By Order of the Board,
SECRETARIES & REGISTRARS LIMITED

Secretaries
26th July 2005
Colombo.

Audit Committee Report

The Audit Committee of Central Finance Company Limited comprises the Non Executive Consultant Director and two other Non Executive members of the Board of Directors. The Deputy General Manager (Internal Audit) functions as the Secretary to the Audit Committee. The Managing Director and Director (Finance) attend the meetings by invitation.

The Audit Committee is empowered, among other things, to examine any matter relating to the financial affairs of the Company and the Company's internal and external audits. These include reviews of the annual accounts, announcements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and such other related functions as the Board may require. Thereby, the Audit Committee ensures that the Company's operations conform to rules, regulations and accepted ethical guidelines to meet the Company's policies. The Audit Committee is also empowered to recommend the appointment and fees of External Auditors.

Acting with the other Board members, the Committee reviewed the Company's interim and annual Financial Statements and approved them before issue. The Audit Committee which reviewed the operations and monitored the effectiveness of internal controls and procedures is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that assets of the Company are safeguarded and the financial position is monitored according to information made available.

In view of the rapid expansion of the branch network and business volumes, complexity of operations and the

diversity of products and services offered and the advanced Information Technology employed, the Audit Committee paid special attention to monitor that business and operational risks are identified, assessed and managed at acceptable levels. Instances where weaknesses were observed have been brought to the notice of the Management and the Board together with appropriate suggestions for improvement.

Regular reports of the proceedings of the Audit Committee were made to the Management and the Board.

The Audit Committee with the concurrence of the Board enlisted the services of a leading firm of Chartered Accountants to supplement the audit division in carrying out branch audits. The Committee also met with the External Auditors before the commencement and at the conclusion of the annual audit and reviewed their Management Letter and Management's responses thereto. The annual financial statements were also reviewed with the External Auditors.

The Audit Committee has recommended to the Board of Directors that Lawrie Muthu Krishna & Company be re-appointed as Auditors for the financial year ending 31st March 2006, subject to the approval of shareholders at the Annual General Meeting.

Sgd.

S.V.WANIGASEKERA (B.Com., F.C.A.)

Chairman

Audit Committee

26th July 2005

Report of the Auditors

TO THE MEMBERS OF CENTRAL FINANCE COMPANY LIMITED

We have audited the Balance Sheet of Central Finance Company Limited as at 31st March 2005, the Consolidated Balance Sheet of the Company and its subsidiaries as at that date and the related Statements of Income, Cash Flows and Changes in Equity for the year then ended, together with the Accounting Policies and Notes as set out on pages 22 to 50 of the Annual Report.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

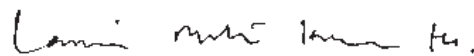
In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31st March 2005, and to the best of our

information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Cash Flows and Changes in Equity and the Accounting Policies and Notes thereto, which are in agreement with the said books have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No.17 of 1982 and Finance Companies Act No.78 of 1988 and give a true and fair view of the Company's state of affairs as at 31st March 2005 and of its profit and cash flow for the year then ended.

In our opinion, the Consolidated Balance Sheet and Statements of Income, Cash Flows and Changes in Equity and the Accounting Policies and Notes thereto have been properly prepared and presented in accordance with the Companies Act No.17 of 1982, Finance Companies Act No.78 of 1988 and the Sri Lanka Accounting Standards, and give a true and fair view of the state of affairs as at 31st March 2005 and of its profit and cash flow for the year then ended of the Company and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

Directors' Interests in Contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 2005 except as stated in Note 39 to these financial statements.



LAWRIE MUTHU KRISHNA & CO.

Chartered Accountants

26th July 2005

Colombo.

Income Statements

For the year ended 31st March	Notes	Group		Company	
		2005 Rs.'000	2004 Rs.'000	2005 Rs.'000	2004 Rs.'000
Gross turnover		10,370,028	9,646,033	9,208,748	8,666,070
Value added tax and turnover tax		(876,197)	(621,787)	(871,052)	(615,715)
Net turnover	1	9,493,831	9,024,246	8,337,696	8,050,355
Interest income	2	2,203,188	2,095,301	2,205,555	2,097,768
Interest expenses	3	(1,067,745)	(1,126,926)	(1,061,724)	(1,116,241)
Net interest income		1,135,443	968,375	1,143,831	981,527
Operating income		735,784	526,232	392,918	281,784
Other income	4	153,309	222,902	144,788	176,582
		2,024,536	1,717,509	1,681,537	1,439,893
Less: Operating expenses	5				
Personnel costs		294,613	245,315	228,703	192,398
Premises, equipment and establishment expenses		210,676	189,071	163,091	149,113
Staff retirement benefits	6	34,739	38,322	31,855	35,832
Other overhead expenses		272,029	223,741	164,423	133,420
		812,057	696,449	588,072	510,763
Profit before provision for losses on loans, advances and assets and diminution in value of investments		1,212,479	1,021,060	1,093,465	929,130
Less: Provision for losses on loans, advances and assets and bad debts written off	7	222,188	230,954	222,188	230,954
Diminution/(appreciation) in value of dealing securities	8	4,255	(3,145)	3,801	(1,928)
Operating profit before income tax		986,036	793,251	867,476	700,104
Receipt of dues from the General Treasury of the Government of Sri Lanka		-	191,000	-	191,000
Diminution in value of long term investments	9	-	(149,034)	-	(114,938)
Share of associate companies' profits before tax	10	69,865	70,489	-	-
Profit before income tax	11	1,055,901	905,706	867,476	776,166
Provision for taxation	12	(257,000)	(42,854)	(160,141)	(13,106)
Profit after income tax		798,901	862,852	707,335	763,060
Minority interest		(49,116)	(40,586)	-	-
Net profit for the year		749,785	822,266	707,335	763,060
Earnings per share (Rs.)	13	36.94	40.51	34.84	37.59
Dividend per share (Rs.)	14	2.85	4.00	2.85	4.00

Figures in brackets indicate deductions.

The Accounting Policies and Notes from pages 26 to 50 form an integral part of these Financial Statements.

Balance Sheets

As at 31st March	Notes	Group		Company	
		2005 Rs.'000	2004 Rs.'000	2005 Rs.'000	2004 Rs.'000
ASSETS					
Bank and cash balances		209,363	285,819	137,012	258,092
Statutory investments in government securities		1,250,000	905,000	1,250,000	905,000
Statutory investments in fixed deposits with banks		200,000	525,000	200,000	525,000
Short term placements		1,031	7,751	-	-
Dealing securities	15	61,296	21	51,549	21
Investment securities	16	72,746	61,901	27,471	22,106
Investments in subsidiaries	17	-	-	298,717	298,717
Investments in associates	18	519,130	524,020	234,250	248,370
Investments in real estate	19	128,924	167,352	128,924	167,352
Investments in housing projects		121,514	49,835	121,514	49,835
Stock out on hire and lease purchase		1,486,940	671,255	1,486,940	671,255
Net investment in leases	20	7,839,035	7,309,132	7,839,035	7,309,132
Stock of hiring vehicles		2,090,709	1,600,335	2,090,709	1,600,335
Amounts due from hirers		637,480	1,069,716	637,480	1,069,716
Debtors		1,792,982	1,630,351	1,608,652	1,490,822
Amounts due from the General Treasury of the Government of Sri Lanka		103,000	103,000	103,000	103,000
Provision for losses on loans, advances and assets and interest in suspense	21	(981,279)	(1,244,418)	(981,279)	(1,243,954)
Other stocks		365,768	265,892	222,753	157,890
Taxation - refund due		-	16,616	-	9,828
Intangible assets	22	-	9,050	-	-
Property, plant and equipment	23	1,723,973	1,678,866	1,116,904	1,064,112
Total Assets		17,622,612	15,636,494	16,573,631	14,706,629
LIABILITIES					
Deposits	24	9,614,073	9,433,518	9,636,073	9,443,418
Bank overdrafts		242,279	151,410	238,766	145,969
Bank loans		974,973	563,906	923,000	499,000
Creditors	25	2,210,131	1,768,454	2,037,205	1,609,476
Amounts due to subsidiaries		-	-	115,636	104,711
Taxation		93,483	-	71,948	-
Deferred taxation		54,223	32,526	-	-
Deferred income	26	-	528	-	-
Total Liabilities		13,189,162	11,950,342	13,022,628	11,802,574
SHAREHOLDERS' FUNDS					
Share capital	27	203,000	121,800	203,000	121,800
Share premium		88,393	88,393	20	20
Capital reserves	28	728,514	732,895	434,949	436,836
Reserve Fund	29	349,500	313,500	349,500	313,500
Unrealised income reserve	30	103,000	103,000	103,000	103,000
Revenue reserves	31	2,714,966	2,134,243	2,460,534	1,928,899
Shareholders' funds		4,187,373	3,493,831	3,551,003	2,904,055
Minority interest		246,077	192,321	-	-
		4,433,450	3,686,152	3,551,003	2,904,055
Total Liabilities, Shareholders' Funds and Minority Interest		17,622,612	15,636,494	16,573,631	14,706,629

Figures in brackets indicate deductions.

The Accounting Policies and Notes from pages 26 to 50 form an integral part of these Financial Statements.

The Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board



E.H. WIJENAIKE
Managing Director
26th July 2005



G.S.N. PEIRIS
Director (Finance)

Cash Flow Statements

For the year ended 31st March	Group		Company	
	2005 Rs.'000	2004 Rs.'000	2005 Rs.'000	2004 Rs.'000
Cash flows from operating activities				
Interest receipts	2,153,169	2,050,532	2,155,536	2,052,999
Interest payments	(1,057,381)	(1,014,181)	(1,051,360)	(1,003,496)
Recoveries on loans previously provided/written off	9,698	17,113	9,698	17,113
Receipts from other operating activities	668,822	629,017	278,510	331,128
Receipt of dues from the General Treasury of the Government of Sri Lanka	-	191,000	-	191,000
Cash payments to employees and suppliers	(522,586)	(403,402)	(352,117)	(305,092)
Operating profit before changes in operating assets	1,251,722	1,470,079	1,040,267	1,283,652
(Increase)/decrease in operating assets:				
Statutory investments	(20,000)	(204,500)	(20,000)	(204,500)
Funds advanced to customers	(1,526,050)	(2,343,064)	(1,526,550)	(2,343,064)
Others	(120,187)	(140,600)	(120,393)	29,907
Increase/(decrease) in operating liabilities:				
Deposits	180,555	1,320,901	192,655	1,328,801
Net cash from operating activities before income tax	(233,960)	102,816	(434,021)	94,796
Income tax paid	(146,901)	(53,565)	(78,365)	(22,484)
Net cash inflow/(outflow) from operating activities	(380,861)	49,251	(512,386)	72,312
Cash flows from investing activities				
Dividends received	3,796	21,886	44,442	30,856
Investments in associates	-	(100,722)	-	(67,415)
Investments in subsidiaries	(182)	(2,672)	-	-
Proceeds from sale of securities	200,213	900,514	114,362	703,071
Purchase of securities	(262,055)	(564,294)	(165,807)	(416,395)
Proceeds on disposal of associate	20,468	-	17,836	-
Purchase of property, plant and equipment	(124,469)	(160,464)	(99,745)	(144,372)
Proceeds on disposal of property, plant and equipment	16,462	44,055	15,186	33,933
Net cash inflow/(outflow) from investing activities	(145,767)	138,303	(73,726)	139,678
Cash flows from financing activities				
Proceeds on borrowings	476,880	-	465,000	-
Repayment of borrowings	(65,812)	(108,795)	(41,000)	(85,550)
Dividends paid	(51,765)	(45,675)	(51,765)	(45,675)
Net cash inflow/(outflow) from financing activities	359,303	(154,470)	372,235	(131,225)
Net increase/(decrease) in cash and cash equivalents	(167,325)	33,084	(213,877)	80,765
Cash and cash equivalents at beginning of the year	134,409	101,325	112,123	31,358
Cash and cash equivalents at end of the year	(32,916)	134,409	(101,754)	112,123
Analysis of cash and cash equivalents				
Bank and cash balances	209,363	285,819	137,012	258,092
Bank overdrafts	(242,279)	(151,410)	(238,766)	(145,969)
	(32,916)	134,409	(101,754)	112,123

The Accounting Policies and Notes from pages 26 to 50 form an integral part of these financial statements.

Statements of Changes in Equity

Company Equity Statement

<i>For the year ended 31st March 2005</i>	Share Capital	Share Premium	Revaluation Reserve	Reserve Fund	Unrealised Income Reserve	General Reserve	Profit and Loss Account	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2003	121,800	20	459,658	274,500	294,000	1,122,438	42,330	2,314,746
Net profit for the year	-	-	-	-	-	-	763,060	763,060
Transfers during the year	-	-	(1,936)	39,000	(191,000)	800,746	(754,000)	(107,190)
Revaluation surplus transferred on disposal of land and buildings	-	-	(20,886)	-	-	-	-	(20,886)
Dividends for year ended 31st March 2003	-	-	-	-	-	-	(36,540)	(36,540)
Dividends for year ended 31st March 2004	-	-	-	-	-	-	(9,135)	(9,135)
Balance as at 31st March 2004	121,800	20	436,836	313,500	103,000	1,923,184	5,715	2,904,055
Net profit for the year	-	-	-	-	-	-	707,335	707,335
Issue of bonus shares	81,200	-	-	-	-	(81,200)	-	-
Transfers during the year	-	-	(1,887)	36,000	-	613,265	(656,000)	(8,622)
Dividends for year ended 31st March 2004	-	-	-	-	-	-	(39,585)	(39,585)
Dividends for year ended 31st March 2005	-	-	-	-	-	-	(12,180)	(12,180)
Balance as at 31st March 2005	203,000	20	434,949	349,500	103,000	2,455,249	5,285	3,551,003

Consolidated Equity Statement

<i>For the year ended 31st March 2005</i>	Share Capital	Share Premium	Revaluation Reserve	Other Capital Reserves	Reserve Fund	Unrealised Income Reserve	General Reserve	Profit and Loss Account	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2003	121,800	88,393	691,094	66,417	274,500	294,000	1,133,618	219,347	2,889,169
Net profit for the year	-	-	-	-	-	-	-	822,266	822,266
Transfers during the year	-	-	(3,730)	-	39,000	(191,000)	800,746	(754,000)	(108,984)
Revaluation surplus transferred on disposal of land and buildings	-	-	(20,886)	-	-	-	-	-	(20,886)
Dividends for year ended 31st March 2003	-	-	-	-	-	-	-	(36,540)	(36,540)
Dividends for year ended 31st March 2004	-	-	-	-	-	-	-	(9,135)	(9,135)
Adjustment due to changes in holding	-	-	-	-	-	-	-	(42,059)	(42,059)
Balance as at 31st March 2004	121,800	88,393	666,478	66,417	313,500	103,000	1,934,364	199,879	3,493,831
Net profit for the year	-	-	-	-	-	-	-	749,785	749,785
Issue of bonus shares	81,200	-	-	-	-	-	(81,200)	-	-
Transfers during the year	-	-	(4,381)	-	36,000	-	613,265	(656,000)	(11,116)
Dividends for year ended 31st March 2004	-	-	-	-	-	-	-	(39,585)	(39,585)
Dividends for year ended 31st March 2005	-	-	-	-	-	-	-	(12,180)	(12,180)
Adjustment due to changes in holding	-	-	-	-	-	-	-	6,638	6,638
Balance as at 31st March 2005	203,000	88,393	662,097	66,417	349,500	103,000	2,466,429	248,537	4,187,373

Accounting Policies

1. General

Central Finance Company Ltd. is a company incorporated and domiciled in Sri Lanka. The corporate information is given on the inner back cover.

The consolidated financial statements of the Company for the year ended 31st March 2005 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The financial statements were authorised for issue by the Directors on 26th July 2005.

Central Finance Company Ltd. does not have an identifiable parent of its own.

Statement of compliance

The financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards, adopted by the Institute of Chartered Accountants of Sri Lanka and therefore present fairly the financial position, financial performance and cash flows of the Group.

Basis of preparation

The financial statements of the Group are presented in Sri Lankan Rupees and prepared on the historical cost basis except that land and buildings, dealing securities and investment securities are stated at valuation as explained in the notes to the financial statements. Assets and liabilities are grouped by nature and listed in an order that reflect their relative liquidity. The accounting principles are applied consistently with due regard to prudence, materiality and substance over form criteria as explained in Sri Lanka Accounting Standard 3 Presentation of Financial Statements, on accrual basis. Where appropriate, the accounting policies are disclosed in the succeeding notes.

Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company, its subsidiaries and the proportionate share of the profits/losses of its associate companies in terms of Sri Lanka Accounting Standard 26 Consolidated Financial Statements and Accounting for Investments in Subsidiaries and Sri Lanka Accounting Standard 27 Accounting for Investments in Associates respectively.

Subsidiaries

Subsidiaries included in the consolidated financial statements are those companies in which the Group directly or indirectly has an interest of over 50% of the voting rights and/or has the power to exercise control over the financial and operating policies of the companies so as to obtain benefits from their activities.

The total subsidiary company results for the year are included in the consolidated income statement. The total classified as "Minority Interest" in the consolidated income statement represent the portion of the consolidated profit after taxation of the subsidiary companies applicable to the non-group shareholders.

The assets and liabilities of the subsidiary companies as at the balance sheet date are included in the consolidated balance sheet. The proportionate interest of the non-group shareholders in the consolidated net assets of such subsidiaries is disclosed as "Minority Interest" in the consolidated balance sheet.

The consolidated financial statements are prepared to a common financial year ending 31st March. All subsidiaries in the Group other than CF Insurance Brokers (Pvt) Ltd. have a common financial year ending 31st March. The financial year end for CF Insurance Brokers (Pvt) Ltd. is 31st December and hence interim financial statements as at 31st March were used for the purpose of consolidation.

A listing of the Group's subsidiaries is set out in Note 17 to the financial statements.

Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The investments in associate companies are accounted under the equity method whereby the carrying amount of the investments is increased/decreased by the Group's share of profits/losses and reduced by the distributions received from the investees.

A listing of the Group's associates is set out in Note 18 to the financial statements.

Accounting Policies

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired.

Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition.

Acquired goodwill is recognized as an intangible asset and negative goodwill as deferred income in the consolidated financial statements and stated at cost less accumulated amortisation.

Amortisation is on a straight-line basis over a period of three years from the date of initial recognition.

Inter-company transactions and balances

Inter-company transactions and balances and any unrealised gains arising from such inter-company transactions and balances have been eliminated in preparing the consolidated financial statements. Unrealised gains resulting from transactions with associates are eliminated to the extent of the Group's interest in the associates.

Other long term investments

Where the Group's interest in the equity capital is less than 20%, and/or in companies where the Group does not exercise significant influence and/or control over the financial and operating policies, investments are valued at cost, with provision being made for any permanent diminution in value, such reductions being determined and made for each investment individually. Income from these investments is recognized only to the extent of dividends received.

Comparative figures

Amounts shown for the previous year have been reclassified where appropriate to facilitate comparison.

2. Assets and bases of valuation

Stocks

Capital sums in instalments and rentals not yet fallen due on current contracts are shown as "Stock out on hire and lease purchase", "Net investment in leases" and "Stock of hiring vehicles".

Investments in real estate, housing projects, receivables and other stocks have been valued at cost or net realisable value whichever is lower.

Amounts due from hirers and debtors

Amounts due from hirers and debtors are stated in the balance sheet with provisions for possible loan losses and interest in suspense which is not accrued to revenue.

Provision for possible loan losses are made on the basis of a continuous review of all advances to customers in accordance with the Finance Companies (Provision for bad and doubtful debts) Direction No.1 of 1991 issued by Central Bank of Sri Lanka. Accordingly, specific provisions have been made as follows:

All advances in arrears for a period of 7 to 12 months	50%
All advances in arrears for 13 months or more	100%

In addition, wherever it is considered prudent, further provisions are made on specifically identified loans and advances.

Quoted investments

Dealing securities

These are marketable securities acquired and held with the intention of re-sale. Such securities are recorded at the lower of cost or market value on an aggregate portfolio basis. Adjustments for diminution in market value below cost, is accounted for by charging the difference to the income statements.

Investment securities

These are acquired and held for yield or capital growth. Investment securities are carried in the balance sheet at the lower of cost or market value. Where such carrying amounts have been reduced to recognize a decline other than temporary in the value of such investments, such reductions have been determined and made for each investment individually.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are reflected in the balance sheet at cost of acquisition, other than where a decline which is deemed permanent in the value of such investments have been identified, such reductions being determined and made for each investment individually.

Accounting Policies

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

Depreciation

Depreciation is not charged on freehold land. Depreciation is charged on all other property, plant and equipment on the reducing instalment basis consistent with that of the previous year and is calculated to write off the assets over their estimated useful lives as follows:

Freehold buildings	2.5%	per annum
Furniture and office equipment	5%	per annum
Other equipment:		
Motor vehicles and lift	25%	per annum
Air conditioners and computers	15%	per annum
Generators	10%	per annum
Other assets	7.5%	per annum

Depreciation is not provided in the year of purchase and in the year of disposal.

Cash and cash equivalents

Cash and cash equivalents comprise bank and cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash resources are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

Statutory investments in government securities and fixed deposits with banks

Statutory investments in treasury bills and fixed deposits placed in Commercial Banks are reflected at cost.

3. Liabilities and provisions

All known liabilities have been accounted for in preparing the financial statements.

Trade and other payables and amounts due to subsidiaries

Trade and other payables and amounts due to subsidiaries are stated at their cost.

Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Capital commitments and contingencies

Capital commitments and contingent liabilities as at the date of the balance sheet are disclosed in Notes 35 and 36 to the financial statements.

Retiring benefits

Defined benefit plans

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with Sri Lanka Accounting Standard 16 Retirement Benefit Costs. However under the payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is computed on the following basis:

Length of service (years)	No. of months' salary for each completed year
Up to 15	1/2
15 up to 30	1
30 up to 35	1 1/2
35 up to 40	2
Over 40	2 1/2

Company

The liability as at 31st March 2005 amounts to Rs.110.48 million (31st March 2004 : Rs.89.23 million) which is fully provided for. Of this sum, an amount of Rs.25.18 million (31st March 2004 : Rs.17.785 million) is funded externally. Fair value of the assets of the funded retirement benefit plan as at 31st March 2005 amounts to Rs.31.937 million (31st March 2004 : Rs.22.416 million).

Consolidated

The liability as at 31st March 2005 amounts to Rs.128.958 million (31st March 2004: Rs.104.53 million).

Accounting Policies

Defined contribution plans

Obligations for contributions to the Employees' Provident Fund and Employees' Trust Fund covering all employees by the Company are recognized as an expense in the income statement as incurred. The total amount recognized as an expense for the year is Rs.25.419 million (2003/2004 : Rs.20.504 million)

Taxation

The liability to taxation has been computed on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.38 of 2000 and amendments thereto. Further details have been disclosed in Note 12 to the financial statements.

Deferred Taxation

Provision has not been made for deferred taxation on assets leased to customers by reference to the partial application method since timing differences on these assets are not expected to reverse for the next three years and is unlikely to reverse within a reasonable period thereafter, in view of the Company maintaining the current scale of leasing activity.

4. Income statement

Revenue recognition

Hire purchase and lease purchase

It is the practice of the Company to take full credit for the finance discount received on hire purchase and lease purchase contracts at the time of inception of contracts.

The excess of aggregate contract receivable over the cost of the hired asset constitutes the total unearned interest at the commencement of the contract. The unearned interest is taken into income over the term of the contract commencing from the month in which the first rental is due, in proportion to the declining receivable balance.

Interest ceases to be accrued to revenue, when contracts are non performing for six months or more. Thereafter interest on advances is accounted on a cash basis.

Lease

The Company follows the financing method of accounting for lease income.

The excess of aggregate lease rentals receivable over the cost of the leased asset constitutes the total unearned lease income at the commencement of the contract.

The unearned lease income is taken into revenue over the term of the lease commencing from the month in which the first rental is due, in proportion to the declining receivable balance.

Income ceases to be accrued to revenue, when contracts are non performing for six months or more. Thereafter income is accounted on a cash basis.

Vehicle hire income

Minimum payments receivable under a hire contract consist of the hire charges receivable over the term of the contract and the residual value receivable at the end of the term of the contract.

The excess of minimum payments receivable under a hire contract over the cost of the hired asset constitutes the total unearned income at the commencement of the contract and is recognized over the term of the contract in proportion to the declining receivable balance.

Interest on statutory investments in government securities and fixed deposits with banks

Interest receivable is taken to the income statement on accrual basis based on a pattern reflecting a constant periodic rate of return.

Dividend income on shares

Dividend income from shares is recognized on a cash basis.

Income on housing projects and real estate income

Income on housing projects and real estate income is recognized on an accrual basis.

Accounting Policies

Recovery of bad debts

Bad debts recovered is recognized on a cash basis.

Commissions, service charges and others

Commissions, service charges and others are recognized on an accrual basis.

Profit on the sale of investments is recognized on an accrual basis.

Gains or losses of a revenue nature on the disposal of property, plant and equipment is recognized on a cash basis.

Expenditure recognition

Interest and other expenses

In terms of the provisions of Sri Lanka Accounting Standard 33 Revenue Recognition and Disclosures in the Financial Statements of Finance Companies, interest and other expenses payable are recognized on an accrual basis.

Directors' responsibility statement

The Board of Directors are responsible for the preparation and presentation of these financial statements. Please refer page 19 for the Statement of Directors' Responsibility.

Notes to the Accounts

1. Group net turnover

	2004/2005 Rs.'000	2003/2004 Rs.'000
Central Finance Company Ltd.	8,337,696	8,050,355
Central Industries Ltd.	886,739	629,212
Central Securities Ltd.	86,961	181,428
Dehigama Hotels Company Ltd.	5,528	5,528
Central Mineral Industries (Pvt) Ltd.	9,962	12,513
Central Transport & Travels Ltd.	3,726	3,870
CF Growth Fund Ltd.	7,516	3,346
Kandy Private Hospitals Ltd.	39,499	32,016
CF Insurance Brokers (Pvt) Ltd.	66,489	53,740
Mark Marine Services (Pvt) Ltd.	64,602	62,200
	9,508,718	9,034,208
Inter Group adjustments	(14,887)	(9,962)
	9,493,831	9,024,246

Segmental turnover

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Lease finance	5,653,426	5,129,234	5,653,426	5,129,234
Hire and lease purchase	799,154	506,562	799,154	506,562
Vehicle hire	742,089	532,533	738,363	528,663
Term loans, real estate and housing	600,506	813,853	600,506	813,853
Finance discount and other interest	253,454	217,732	253,454	217,732
Interest on government securities and deposits with banks	120,452	132,055	120,452	132,055
Insurance broking and other commissions	68,684	54,994	1,934	1,060
Manufacturing	827,587	574,277	-	-
Share trading	226,547	891,713	133,998	712,735
Trading	69,114	67,448	80	-
Power generation	64,602	62,200	-	-
Medical services	39,499	32,016	-	-
Rent income	5,574	5,528	46	-
Others	38,030	14,063	36,283	8,461
	9,508,718	9,034,208	8,337,696	8,050,355
Inter Group adjustments	(14,887)	(9,962)	-	-
	9,493,831	9,024,246	8,337,696	8,050,355

2. Interest income

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Lease and other advances	1,824,230	1,741,992	1,824,230	1,741,992
Finance discount and other interest	253,454	217,732	253,454	217,732
Government securities and deposits with banks	120,452	132,055	120,452	132,055
Others	5,052	3,522	7,419	5,989
	2,203,188	2,095,301	2,205,555	2,097,768

Notes to the Accounts

Notional Credit for Withholding Tax on Government Securities on Secondary Market Transactions

The Inland Revenue (Amendment) Act No. 19 of 2003 provides that a Company which derives interest income from secondary market transactions in Government Securities (on/after 1st April 2002) would be entitled to a notional tax credit (being one ninth of the net interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

Accordingly the net income earned from secondary market transactions in Government securities for the year, has been grossed up in the financial statements. The resulting notional tax credit amounts to Rs.10.046 million (2003/2004 : Rs.9.233 million) for the Company and for the Group.

3. Interest expenses

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Deposits	966,721	1,045,773	966,721	1,045,773
Bank and other short term borrowings	101,024	81,153	95,003	70,468
	1,067,745	1,126,926	1,061,724	1,116,241

4. Other income

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Commissions	68,684	54,994	1,934	1,060
Profit on revaluation of repossessed vehicles	43,058	-	43,058	-
Profit on sale of property, plant and equipment	8,244	13,878	7,230	6,645
Dividend income from dealing securities	2,016	83	150	83
Dividend income from quoted investment securities	274	21,494	42,786	30,464
Dividend income from unquoted investment securities	1,506	309	1,506	309
Profit on sale of quoted investment securities	12,681	103,593	11,974	103,114
Recovery of bad debts	9,698	17,113	9,698	17,113
Service charges	-	-	15,750	11,734
Profit/(loss) on real estate and housing projects	(3,238)	(1,070)	(3,238)	(1,070)
Others	9,858	11,981	13,940	7,130
Amortisation of surplus on acquisitions	528	527	-	-
	153,309	222,902	144,788	176,582

5. Operating expenses

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Operating expenses include the following:				
Directors' emoluments	37,911	27,524	31,365	25,516
Directors' fees	1,725	1,425	1,320	1,080
Legal expenses	3,687	3,796	2,663	2,367
Depreciation	85,844	80,116	55,326	47,787
Amortisation of intangible assets	9,050	9,049	-	-
Auditors' remuneration	1,395	1,188	781	694
Non audit fees	-	352	-	352
Donations	426	815	337	790
Employer's contribution to Employees' Provident Fund	27,044	22,450	20,733	16,745
Employer's contribution to Employees' Trust Fund	6,205	5,165	4,686	3,759
VAT on financial services	23,188	16,694	23,188	16,694

Notes to the Accounts

6. Provision for staff retirement benefits

A sum of Rs.34.739 million (2003/2004 : Rs.38.322 million) for the Group and a sum of Rs.31.855 million (2003/2004 : Rs.35.832 million) for the Company has been charged against profits being the increase in year end liability over the previous year plus payouts from the fund.

7. Provision for losses on loans, advances and assets and bad debts written off

	2004/2005 Rs.'000	2003/2004 Rs.'000
Increase/(decrease) in provision against advances over the previous year (Note 21)	(199,487)	27,715
Add: Transfer/(reversal) of provision charged to revenue reserves	(6,735)	78,836
Provision/(reversal of provision) charged to revenue	(206,222)	106,551
Bad debts written off	423,865	91,800
Loss on sale of repossessed vehicles	4,545	13,540
Loss on revaluation of repossessed vehicles	-	19,063
	<u>222,188</u>	<u>230,954</u>

8. Diminution/(appreciation) in value of dealing securities

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Diminution/(appreciation) in value of dealing securities	<u>4,255</u>	<u>(3,145)</u>	<u>3,801</u>	<u>(1,928)</u>

9. Diminution in value of long term investments

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Diminution in value of quoted investment securities (Note 16a)	-	133,645	-	48,310
Diminution in value of unquoted investment securities (Note 16b)	-	15,389	-	13,177
Diminution in value of subsidiary company investments (Note 17)	-	-	-	46,521
Diminution in value of associate company investments (Note 18)	-	-	-	6,930
	<u>-</u>	<u>149,034</u>	<u>-</u>	<u>114,938</u>

10. Share of associate companies' profits before tax

	Group	
	2004/2005 Rs.'000	2003/2004 Rs.'000
Tea Smallholder Factories Ltd.	44,642	27,316
Nations Trust Bank Ltd.	25,184	42,882
CF Venture Fund Ltd.	-	261
Capital Suisse Asia Ltd.	39	30
	<u>69,865</u>	<u>70,489</u>

Notes to the Accounts

11. Group Profit before income tax

	2004/2005 Rs.'000	2003/2004 Rs.'000
Central Finance Company Ltd.	867,476	776,166
Central Industries Ltd.	105,741	48,593
Central Securities Ltd.	8,474	15,057
Central Developments Ltd.	(28)	42
Central Concrete Industries Ltd.	(86)	(758)
Dehigama Hotels Company Ltd.	2,688	2,582
Expanded Plastic Products Ltd.	25	80
Central Mineral Industries (Pvt) Ltd.	210	(748)
Central Transport & Travels Ltd.	606	(176)
Central Construction & Development (Pvt) Ltd.	(21)	21
CF Growth Fund Ltd.	8,795	10,287
Kandy Private Hospitals Ltd.	9,734	6,858
CF Insurance Brokers (Pvt) Ltd.	4,840	2,261
Central Homes (Pvt) Ltd.	(294)	(590)
Mark Marine Services (Pvt) Ltd.	42,574	36,714
	1,050,734	896,389
Inter group adjustments	(64,698)	(61,172)
Share of associate companies' profits	69,865	70,489
	1,055,901	905,706

12. Provision for taxation

Income tax on profit for the Company has been computed at the rate of 30% on the taxable income. The group companies have computed taxation based on the applicable rates for such companies.

The provision for the year is made up as follows:

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Income tax:				
Tax on current year's profit	239,203	39,781	160,141	13,106
Deferred tax charge	17,797	3,073	-	-
	257,000	42,854	160,141	13,106

Reconciliation of accounting profit with amount liable to income tax

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Profit before income tax	1,121,149	939,802	867,476	776,166
Inter-group eliminations	(65,248)	(34,096)	-	-
	1,055,901	905,706	867,476	776,166
Disallowable expenses	4,555,040	4,223,895	4,458,089	4,087,104
Tax exempt income	(24,267)	(204,605)	(11,974)	(133,970)
Tax deductible expenses	(4,798,638)	(4,481,356)	(4,748,185)	(4,393,250)
Investment tax allowance	(4,911)	(5,428)	-	-
Tax loss brought forward	(62,463)	(319,337)	(31,605)	(292,363)
Tax loss carried forward	2,452	21,507	-	-
Taxable income	723,114	140,382	533,801	43,687

Notes to the Accounts

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Income tax @ 30%	225,482	38,675	160,141	13,106
Income tax @ 20%	3,099	1,969	-	-
Income tax @ 32.5%	8,400	-	-	-
Charge to the Income Statement	236,981	40,644	160,141	13,106
(Over)/under provision in respect of previous year	2,222	(863)	-	-
	239,203	39,781	160,141	13,106
Deferred tax charge	17,797	3,073	-	-
Provision for taxation	257,000	42,854	160,141	13,106
Effective tax rate	35.54%	30.53%	30.00%	30.00%

Economic service charge paid by the Company for the year amounting to Rs.50 million (Group: Rs.57.651 million) has been set off against the liability to income tax as provided by relevant statutes.

13. Earnings per share

Earnings per share has been calculated by dividing the profit after taxation for the year attributable to ordinary shareholders by the number of ordinary shares in issue as at 31st March 2005. The previous year's figure has accordingly been adjusted for the bonus issue made during the year.

	Group		Company	
	2004/2005 Rs.'000	2003/2004 Rs.'000	2004/2005 Rs.'000	2003/2004 Rs.'000
Profit attributable to shareholders	749,785	822,266	707,335	763,060
Number of shares used as denominator ('000)	20,300	20,300	20,300	20,300
Earnings per share (Rs.)	36.94	40.51	34.84	37.59

14. Dividends

	2004/2005 Rs.'000	2003/2004 Rs.'000
First interim 10% (2003/2004 : 7.5%)	12,180	9,135
Second interim 10% (2003/2004 : 12.5%)	20,300	15,225
Final proposed 12.5% (2003/2004 : 20%)	25,375	24,360
	57,855	48,720
Dividend per share (Rs.)	2.85	4.00

The second interim dividend paid after the year end and the proposed final dividend for the year have not been recognised as liabilities as at the Balance Sheet date in accordance with Sri Lanka Accounting Standard 12 (Revised), Events after the Balance Sheet Date.

Notes to the Accounts

15. Dealing Securities

	Group			Company		
	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
		31.3.2005 Rs.'000	31.3.2005 Rs.'000		31.3.2005 Rs.'000	31.3.2005 Rs.'000
Banks Finance & Insurance						
Asia Capital Ltd.	200,000	4,454	3,800	200,000	4,454	3,800
Commercial Bank of Ceylon Ltd.(non voting)	10,000	1,084	1,367	-	-	-
Seylan Bank Ltd.	355,000	13,226	12,248	200,000	7,491	6,900
		<u>18,764</u>	<u>17,415</u>		<u>11,945</u>	<u>10,700</u>
Chemicals & Pharmaceuticals						
Chemanex Ltd.	12	-	1	-	-	-
Diversified Holdings						
Hayleys Ltd.	86,730	9,120	9,757	75,821	7,968	8,530
Hemas Holdings Ltd.	30,000	3,341	3,270	30,000	3,341	3,270
The Colombo Fort Land and Building Co.Ltd.(Rs.3/-)	100,000	2,911	2,475	100,000	2,911	2,475
		<u>15,372</u>	<u>15,502</u>		<u>14,220</u>	<u>14,275</u>
Hotels & Travels						
Aitken Spence Hotel Holdings Ltd.	113,600	12,883	11,048	113,600	12,883	11,048
Asian Hotels and Properties Ltd.	100,000	3,593	3,350	100,000	3,593	3,350
Riverina Hotels Ltd.	35,000	1,680	1,260	-	-	-
		<u>18,156</u>	<u>15,658</u>		<u>16,476</u>	<u>14,398</u>
Investment Trusts						
The Ceylon Guardian Investment Trust Ltd.	25	2	4	-	-	-
Land & Property						
Colombo Land & Development Co. Ltd.(Rs.1/-)	259,900	1,840	1,689	259,900	1,840	1,689
CT Land Development Ltd.	194,700	3,157	2,774	194,700	3,157	2,774
		<u>4,997</u>	<u>4,463</u>		<u>4,997</u>	<u>4,463</u>
Manufacturing						
Kelani Tyres Ltd.	50,000	570	550	50,000	570	550
Power & Energy						
Lanka IOC Ltd.	161,300	7,714	7,703	150,000	7,166	7,163
		<u>65,575</u>	<u>61,296</u>		<u>55,374</u>	<u>51,549</u>
(Diminution)/appreciation in value of dealing securities						
Balance as at 1st April 2004		(24)			(24)	
Diminution for the year		<u>(4,255)</u>			<u>(3,801)</u>	
Balance as at 31st March 2005		<u>(4,279)</u>			<u>(3,825)</u>	
Dealing securities		<u>61,296</u>			<u>51,549</u>	

Notes to the Accounts

16. Investment Securities (a) Quoted

	Group			Company		
	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
		31.3.2005 Rs.'000	31.3.2005 Rs.'000		31.3.2005 Rs.'000	31.3.2005 Rs.'000
Banks, Finance & Insurance						
Seylan Bank Ltd.	5	-	-	-	-	-
National Development Bank of Sri Lanka	50	13	8	-	-	-
		<u>13</u>	<u>8</u>		<u>-</u>	<u>-</u>
Construction & Engineering						
Samuel Sons & Co. Ltd.	143,697	1,198	1,509	-	-	-
Diversified Holdings						
Aitken Spence & Co. Ltd.	66	14	25	-	-	-
Hayleys Ltd.	11	1	1	11	1	1
Hemas Holdings Ltd.	600	30	65	-	-	-
John Keells Holdings Ltd.	69	2	9	-	-	-
		<u>47</u>	<u>100</u>		<u>1</u>	<u>1</u>
Investment Trusts						
The Ceylon Investment Co. Ltd.	65	3	7	65	3	7
Manufacturing						
ACL Cables Ltd.	68	5	6	-	-	-
Royal Ceramics Lanka Ltd. (Rs.1/-)	750	2	3	-	-	-
		<u>7</u>	<u>9</u>		<u>-</u>	<u>-</u>
Plantations						
Balangoda Plantations Ltd.	4,715,400	190,098	80,162	1,665,500	68,228	28,313
Power & Energy						
Lanka IOC Ltd.	108,800	5,969	5,195	-	-	-
Stores and Supplies						
E.B.Creasy & Co. Ltd.	87	5	23	-	-	-
Debentures						
Vanik Incorporation Ltd. (11%) (URD 2007)	68	7	-	68	7	-
		<u>197,347</u>	<u>87,013</u>		<u>68,239</u>	<u>28,321</u>
(Diminution)/appreciation in value of quoted investment securities						
Balance as at 1st April 2004		(133,593)			(48,248)	
Appreciation for the year		<u>13</u>			<u>-</u>	
Balance as at 31st March 2005		<u>(133,580)</u>			<u>(48,248)</u>	
Quoted investment securities		<u>63,767</u>			<u>19,991</u>	

Notes to the Accounts

Investment securities (Contd.)

(b) Unquoted

	No of Shares	Group		No of Shares	Company	
		Cost	Cost		Cost	Cost
		31.3.2005 Rs.'000	31.3.2004 Rs.'000		31.3.2005 Rs.'000	31.3.2004 Rs.'000
Creasy Plantation Management Ltd.	-	-	600	-	-	597
Credit Information Bureau of Sri Lanka. (Rs.100/-)	4,727	473	473	4,727	473	473
Fitch Ratings Lanka Ltd.	62,500	625	625	62,500	625	625
Finance Houses Consortium (Pvt) Ltd.	20,000	200	200	20,000	200	200
Lanka Glass Manufacturing Co. Ltd.	-	-	10,050	-	-	10,050
Leisure Asia Investments Ltd.	2,000,000	20,000	20,000	2,000,000	20,000	20,000
Rajawella Holdings (Pvt) Ltd.	54,600	546	546	-	-	-
Telshan Network (Pvt) Ltd.	972,000	9,720	9,720	972,000	9,720	9,720
Zyrex Power Co. Ltd.	1,692,027	16,920	16,920	1,058,992	10,590	10,590
Unsecured convertible redeemable 5 year debentures-Serendib Hotels Ltd. (Rs.100/-)	53,619	5,362	-	53,619	5,362	-
		53,846	59,134		46,970	52,255
(Diminution)/appreciation in value of unquoted investment securities						
Balance as at 1st April		(55,517)	(94,385)		(50,137)	(91,217)
Diminution for the year		-	(15,389)		-	(13,177)
Appreciation for the year		-	13,636		-	13,636
Write off for the year		10,650	40,621		10,647	40,621
Balance as at 31st March		(44,867)	(55,517)		(39,490)	(50,137)
Unquoted investment securities		8,979	3,617		7,480	2,118
Total		72,746	61,901		27,471	22,106

Notes to the Accounts

17. Company investment in subsidiaries

	% Holding				No. of Shares		Cost	
	Group		Company		31.3.2005	31.3.2004	Rs. '000	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004			31.3.2005	31.3.2004
Quoted Investments								
Central Industries Ltd. (Rs. 175.27 million)	49.98%	49.90%	44.06%	44.06%	1,451,500	1,451,500	42,905	42,905
Central Securities Ltd (Rs. 23.98 million)	38.65%	38.65%	34.81%	34.81%	1,712,838	1,712,838	18,128	18,128
Unquoted investments								
Central Developments Ltd.	99.99%	99.99%	39.79%	39.79%	5,289,972	5,289,972	52,900	52,900
Central Concrete Industries Ltd.	73.35%	73.35%	40.00%	40.00%	32,000	32,000	350	350
Dehigama Hotels Company Ltd.	79.69%	79.69%	79.69%	79.69%	659,854	659,854	7,443	7,443
Expanded Plastic Products Ltd.	99.99%	99.99%	40.00%	40.00%	2,559,967	2,559,967	25,600	25,600
Central Mineral Industries (Pvt.) Ltd.	99.99%	99.99%	39.99%	39.99%	139,979	139,979	1,400	1,400
Central Transport & Travels Ltd.	99.99%	99.99%	39.64%	39.64%	1,169,000	1,169,000	11,690	11,690
Central Construction & Development (Pvt) Ltd.	99.90%	99.90%	0.10%	0.10%	5	5	-	-
CF Growth Fund Ltd.	99.99%	99.99%	39.87%	39.87%	6,500,000	6,500,000	65,000	65,000
Kandy Private Hospitals Ltd.	66.35%	66.23%	37.00%	37.00%	203,700	203,700	2,363	2,363
CF Insurance Brokers (Pvt.) Ltd.	99.99%	99.99%	40.00%	40.00%	4,949,997	4,949,997	49,500	49,500
Central Homes (Pvt.) Ltd.	99.99%	99.99%	38.48%	38.48%	1,315,000	1,315,000	13,151	13,151
Mark Marine Services (Pvt.) Ltd.	58.12%	58.12%	40.00%	40.00%	3,424,477	3,424,477	55,158	55,158
							345,588	345,588
(Diminution)/appreciation in value of investments								
Balance as at 1st April							(46,871)	(350)
Diminution for the year							-	(46,521)
Balance as at 31st March							(46,871)	(46,871)
Company investment in subsidiaries (net of provision)							298,717	298,717

Amounts stated within brackets correspond to market values as at 31st March 2005.

Notes to the Accounts

18. Company/Group investment in associates

Investor	Investee	% Holding		No. of shares		Value Rs.'000	
		31.3.2005	31.3.2004	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Quoted investments							
Central Finance Co. Ltd.	Tea Smallholder Factories Ltd. (Rs.245.06 million)	22.85%	22.85%	3,427,407	3,427,407	99,337	99,337
Central Finance Co. Ltd.	Nations Trust Bank Ltd. (Rs.234.81 million)	13.00%	13.00%	11,050,000	11,050,000	124,150	124,150
Central Finance Co. Ltd.	CF Venture Fund Ltd.	-	19.82%	-	2,972,700	-	31,130
Unquoted investments							
Central Finance Co. Ltd.	Capital Suisse Asia Ltd	16.29%	16.29%	2,949,000	2,949,000	29,490	29,490
						252,977	284,107
(Diminution)/appreciation in value of investments							
Balance as at 1st April						(35,737)	(30,292)
Diminution for the year						-	(6,930)
Appreciation for the year						17,010	1,485
Balance as at 31st March						(18,727)	(35,737)
Company investment in associates (net of provision)						234,250	248,370
Dehigama Hotels Co. Ltd.	CF Venture Fund Ltd.	-	0.33%	-	50,000	-	900
CF Growth Fund Ltd.	Tea Smallholder Factories Ltd. (Rs.69.13 million)	6.45%	6.45%	966,839	966,839	30,361	30,361
CF Growth Fund Ltd.	Nations Trust Bank Ltd. (Rs.83.09 million)	4.60%	4.60%	3,910,000	3,910,000	43,930	43,930
CF Growth Fund Ltd.	CF Venture Fund Ltd.	-	2.59%	-	388,700	-	4,974
CF Growth Fund Ltd.	Capital Suisse Asia Ltd	8.29%	8.29%	1,500,000	1,500,000	15,000	15,000
CF Insurance Brokers (Pvt) Ltd.	Nations Trust Bank Ltd. (Rs.43.35 million)	2.40%	2.40%	2,040,000	2,040,000	22,920	22,920
Group investment in associates (net of provision)						346,461	366,455
Group share of associate companies retained assets							
Tea Smallholder Factories Ltd.						97,353	91,808
Nations Trust Bank Ltd.						78,324	75,435
CF Venture Fund Ltd.						-	(6,638)
Capital Suisse Asia Ltd.						(3,008)	(3,040)
Group investment in associates (equity basis)						519,130	524,020

Amounts stated within brackets correspond to market values as at 31st March 2005.

CF Venture Fund Ltd. ceased to be an associate company during 2004/2005.

19. Investments in real estate

	Group		Company	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Balance as at 1st April	167,352	163,576	167,352	163,576
Additions during the year	5,381	7,224	5,381	7,224
	172,733	170,800	172,733	170,800
Disposals/transfers during the year	(43,809)	(3,448)	(43,809)	(3,448)
Balance as at 31st March	128,924	167,352	128,924	167,352

Notes to the Accounts

20. Net investment in leases

	Group		Company	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Gross investment in leases	10,019,492	9,391,258	10,019,492	9,391,258
Less: Unearned lease income	<u>(2,180,457)</u>	<u>(2,082,126)</u>	<u>(2,180,457)</u>	<u>(2,082,126)</u>
	<u>7,839,035</u>	<u>7,309,132</u>	<u>7,839,035</u>	<u>7,309,132</u>

The maturity analysis of lease receivables is given in Note 34.

21. Provision for losses on loans and advances and interest in suspense

	Company	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Provision for losses on loans and advances:		
Balance as at 1st April	963,258	935,543
Provisions made during the year	641,260	376,398
Write off of debts provided for	(423,865)	(91,800)
Recoveries/write backs during the year	<u>(416,882)</u>	<u>(256,883)</u>
Balance as at 31st March	<u>763,771</u>	<u>963,258</u>
Interest in suspense:		
Balance as at 1st April	280,696	281,497
Provisions made during the year	173,589	362,307
Write off of suspended interest	(124,551)	(26,486)
Recoveries/write backs during the year	<u>(112,226)</u>	<u>(336,622)</u>
Balance as at 31st March	<u>217,508</u>	<u>280,696</u>
Total	<u>981,279</u>	<u>1,243,954</u>
Increase/(decrease) in provision against advances over the previous year	(199,487)	27,715
Add: Transfer/(reversal) of provision charged to revenue reserves	<u>(6,735)</u>	<u>78,836</u>
Provision/(reversal of provision) charged to revenue	<u>(206,222)</u>	<u>106,551</u>
Non-performing loans and advances	1,008,384	1,282,389
Less: Interest in suspense	<u>(217,508)</u>	<u>(280,696)</u>
Net non-performing loans and advances	790,876	1,001,693
Less: Provision for losses on loans and advances	<u>(763,771)</u>	<u>(963,258)</u>
Net exposure	<u>27,105</u>	<u>38,435</u>

The Company upto now did not follow a policy to regularly write off loans, which have been fully provided but became unrecoverable over time due to changes in the borrowers financial condition, the value of the underlying security and guarantees. The exposure to these advances has been fully provided over a period of years by a corresponding provision for bad and doubtful debts and the write off of such debts with the resultant reversal of such provision has no further impact on profitability. Accordingly, during the year a sum of Rs.423.8 million was written off in delinquent accounts where collection efforts were no longer deemed useful, and which had been fully provided for over a period spanning five years.

Notes to the Accounts

22. Intangible assets

	31.3.2005 Rs.'000	Group 31.3.2004 Rs.'000
Goodwill on acquisition of subsidiary		
Cost		
At beginning of the year	<u>27,148</u>	<u>27,148</u>
At end of the year	<u>27,148</u>	<u>27,148</u>
Amortisation		
At beginning of the year	<u>18,098</u>	9,049
Amortisation charge for the year	<u>9,050</u>	<u>9,049</u>
At end of the year	<u>27,148</u>	<u>18,098</u>
Carrying value - 31st March	<u>-</u>	<u>9,050</u>

23. Property, plant and equipment

Group	Land and buildings	Furniture and office equipment	Motor vehicles and lift	Plant, machinery and other equipment	Total 2005	Total 2004
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation						
Gross book value as at 1st April	1,139,932	107,454	270,611	603,350	2,121,347	2,019,185
Additions	16,641	10,675	76,190	39,179	142,685	160,464
Disposals/transfers	-	(490)	(14,410)	(876)	(15,776)	(58,302)
As at 31st March	<u>1,156,573</u>	<u>117,639</u>	<u>332,391</u>	<u>641,653</u>	2,248,256	<u>2,121,347</u>
	Buildings	Furniture and office equipment	Motor vehicles and lift	Plant, machinery and other equipment	Total 2005	Total 2004
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation						
As at 1st April	53,649	41,924	108,500	238,483	442,556	372,859
Charge for the year	4,930	3,689	37,431	39,794	85,844	80,116
Charge to revaluation reserve	3,681	-	-	-	3,681	3,730
On disposals	-	(1,129)	(6,261)	(168)	(7,558)	(14,149)
As at 31st March	<u>62,260</u>	<u>44,484</u>	<u>139,670</u>	<u>278,109</u>	524,523	<u>442,556</u>
Net book value as at 31st March 2005	<u>1,094,313</u>	<u>73,155</u>	<u>192,721</u>	<u>363,544</u>	1,723,733	
Net book value as at 31st March 2004	<u>1,086,283</u>	<u>65,530</u>	<u>162,111</u>	<u>364,867</u>		1,678,791
Capital work-in-progress					<u>240</u>	<u>75</u>
Carrying value - 31st March					<u>1,723,973</u>	<u>1,678,866</u>

Notes to the Accounts

Property, plant and equipment (Contd.)

Company

	Land and buildings	Furniture and office equipment	Motor vehicles and lift	Other equipment	Total 2005	Total 2004
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation						
Gross book value as at 1st April	789,095	71,789	228,982	162,417	1,252,283	1,157,497
Additions	2,099	10,053	73,854	31,955	117,961	144,372
Disposals/transfers	-	(449)	(13,160)	(865)	(14,474)	(49,586)
As at 31st March	<u>791,194</u>	<u>81,393</u>	<u>289,676</u>	<u>193,507</u>	<u>1,355,770</u>	<u>1,252,283</u>
	Buildings	Furniture and office equipment	Motor vehicles and lift	Other equipment	Total 2005	Total 2004
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation						
As at 1st April	26,259	21,608	88,933	51,371	188,171	146,769
Charge for the year	2,590	2,806	33,893	16,037	55,326	47,787
Charge to revaluation reserve	1,887	-	-	-	1,887	1,936
On disposals	-	(90)	(6,260)	(168)	(6,518)	(8,321)
As at 31st March	<u>30,736</u>	<u>24,324</u>	<u>116,566</u>	<u>67,240</u>	<u>238,866</u>	<u>188,171</u>
Net book value as at 31st March 2005	<u>760,458</u>	<u>57,069</u>	<u>173,110</u>	<u>126,267</u>	<u>1,116,904</u>	
Net book value as at 31st March 2004	<u>762,836</u>	<u>50,181</u>	<u>140,049</u>	<u>111,046</u>		1,064,112
Capital work-in-progress					-	-
Carrying value - 31st March					<u>1,116,904</u>	<u>1,064,112</u>

The freehold land and buildings of the Company and Group were revalued in March 1998, November 1998, July 1999 and March 2000 by an independent qualified Valuer/Licensed Surveyor, resulting in the carrying amounts being written up by Rs.290.283 million, Rs.128.476 million and Rs.112.649 million respectively.

The carrying value of freehold land and buildings, if carried at cost less accumulated depreciation would amount to Rs.562.70 million as at 31st March 2005. (31st March 2004 : Rs.627.28 million)

24. Deposits

	Group		Company	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Time deposits	9,374,110	9,118,182	9,396,110	9,128,082
Certificates of deposit	239,963	315,336	239,963	315,336
	<u>9,614,073</u>	<u>9,433,518</u>	<u>9,636,073</u>	<u>9,443,418</u>

The above includes a sum of Rs.56,533,548 (31.3.2004 : Rs.48,791,832) deposited with the Company by the Directors. The maturity analysis of deposits is given in Note 34.

Notes to the Accounts

25. Creditors

	Group		Company	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Interest payable on deposits	545,042	534,678	545,042	534,678
Purchase creditors	441,388	239,399	334,928	204,378
Prepaid rentals - lease finance	487,220	292,632	487,220	292,632
Prepaid rentals - lease purchase	22,063	27,125	22,063	27,125
Advances from real estate projects	66,713	19,504	66,713	19,504
Accrued expenses	88,070	42,360	50,165	17,481
Others	559,635	612,756	531,074	513,678
	<u>2,210,131</u>	<u>1,768,454</u>	<u>2,037,205</u>	<u>1,609,476</u>

The maturity analysis is given in Note 34.

26. Deferred Income

	Group	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Surplus on acquisitions		
At beginning of the year	1,582	1,582
At end of the year	<u>1,582</u>	<u>1,582</u>
Amortisation		
At beginning of the year	1,054	527
Amortised during the year	<u>528</u>	<u>527</u>
At end of the year	<u>1,582</u>	<u>1,054</u>
Carrying value - 31st March	-	528

27. Share capital

	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Authorised		
100,000,000 ordinary shares of Rs.10 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid		
12,180,000 ordinary shares of Rs.10 each	121,800	121,800
Bonus issue	<u>81,200</u>	-
Balance as at 31st March : 20,300,000 (31.3.2004 : 12,180,000) ordinary shares of Rs.10/- each	<u>203,000</u>	<u>121,800</u>

28. Capital reserves

	Group		Company	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Balance as at 1st April	732,895	757,511	436,836	459,658
Depreciation on revaluation surplus	(3,681)	(3,730)	(1,887)	(1,936)
Reserved during the year/(transfer to Profit and Loss Account)	(700)	-	-	-
Revaluation surplus transferred on disposal of land and buildings	-	(20,886)	-	(20,886)
Balance as at 31st March	<u>728,514</u>	<u>732,895</u>	<u>434,949</u>	<u>436,836</u>

Notes to the Accounts

29. Reserve Fund

	Group		Company	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Balance as at 1st April	313,500	274,500	313,500	274,500
Reserved during the year	36,000	39,000	36,000	39,000
Balance as at 31st March	<u>349,500</u>	<u>313,500</u>	<u>349,500</u>	<u>313,500</u>

30. Unrealised income reserve

	Group		Company	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000	31.3.2005 Rs.'000	31.3.2004 Rs.'000
Balance as at 1st April	103,000	294,000	103,000	294,000
Transfer to Profit and Loss Account	-	(191,000)	-	(191,000)
Balance as at 31st March	<u>103,000</u>	<u>103,000</u>	<u>103,000</u>	<u>103,000</u>

The Treasury on behalf of the Government of Sri Lanka has by letter dated 3rd February 1999 undertaken to settle the claims of the Company amounting to Rs.589 million during the year 1999, in full settlement of the liabilities due from the 57 Peoplized Bus Service Companies, which had been written off by the Company. The Company has credited this amount to unrealised income reserve in 1999 with the intention of transferring same to Profit and Loss Account on receipt. The total received on this account todate amounts to Rs.486 million.

31. Revenue reserves

	Group		Company	
	31.3.2005 Rs.'000	31.3.2004 Rs.'000	31.3.2005 Rs.'000	31.3.2004 Rs.'000
General reserve:				
Balance as at 1st April	1,934,364	1,133,618	1,923,184	1,122,438
Bonus issue	(81,200)	-	(81,200)	-
Revaluation surplus realised on disposal of land and buildings	-	6,910	-	6,910
Transfers during the year	620,000	715,000	620,000	715,000
(Provision)/reversal of provision for bad debts	(6,735)	78,836	(6,735)	78,836
	<u>2,466,429</u>	<u>1,934,364</u>	<u>2,455,249</u>	<u>1,923,184</u>
Profit and Loss Account	248,537	199,879	5,285	5,715
Balance as at 31st March	<u>2,714,966</u>	<u>2,134,243</u>	<u>2,460,534</u>	<u>1,928,899</u>

32. Secured liabilities

Bank borrowings have been secured on the mortgage of specific land and buildings, pledge of specific quoted company shares and assignment of specific lease receivables/book debts. The carrying value of the assets mortgaged/assigned as security by the Company amounted to Rs.1,702.71 million as at 31st March 2005. (31st March 2004 : Rs.1,350.10 million).

33. Deferred taxation

No provision has been made for deferred taxation on the timing differences arising on capital allowances claimed on leased assets, as there are no indications that such timing differences will reverse within the next three years commencing from 2005/2006.

Notes to the Accounts

	Timing Differences 31.3.2005 Rs.'000	Tax Effect 31.3.2005 Rs.'000	Timing Differences 31.3.2004 Rs.'000	Tax Effect 31.3.2004 Rs.'000
Amount not accounted for:				
in the current financial year	(23,735)	(7,120)	5,246	1,574
up to the beginning of the current financial year	426,949	128,085	421,703	126,511
up to the end of the current financial year	403,214	120,965	426,949	128,085

The above amounts need to be provided in the accounts if and when the Sri Lanka Accounting Standards are revised to conform to International Accounting Standards 12 (IAS 12) - Accounting for Taxes on Income.

The timing differences on property, plant and equipment are immaterial to warrant provision for deferred taxation.

34. Maturity analysis

An analysis of the total assets employed and the total liabilities of the Company as at 31st March 2005, based on the remaining period at the balance sheet date to the respective contractual maturity dates is given below:

Assets are stated net of provisions

	Up to 3 months Rs.'000	3 to 12 months Rs.'000	1 to 3 years Rs.'000	3 to 5 years Rs.'000	More than 5 years Rs.'000	Total as at 31.3.2005 Rs.'000	Total as at 31.3.2004 Rs.'000
Interest earning assets:							
Statutory investments in government securities	1,250,000	-	-	-	-	1,250,000	905,000
Statutory investments in fixed deposits with Banks	200,000	-	-	-	-	200,000	525,000
Housing and land stock	13,375	195	2,398	3,679	4,192	23,839	32,274
Stock out on hire and lease purchase	131,506	390,930	783,999	150,154	-	1,456,589	652,552
Net investment in leases	741,457	2,104,243	3,841,326	959,114	21,802	7,667,942	7,096,811
Stock of hiring vehicles	2,090,709	-	-	-	-	2,090,709	1,600,335
Amounts due from hirers	189,393	-	-	-	-	189,393	363,091
Debtors	112,698	235,340	222,177	95,917	3,199	669,331	555,186
Total interest earning assets	4,729,138	2,730,708	4,849,900	1,208,864	29,193	13,547,803	11,730,249
Non-interest earning assets:							
Bank and cash balances	137,012	-	-	-	-	137,012	258,092
Dealing securities	51,549	-	-	-	-	51,549	21
Investment securities	-	-	-	-	27,471	27,471	22,106
Investments in subsidiaries	-	-	-	-	298,717	298,717	298,717
Investments in associates	-	-	-	-	234,250	234,250	248,370
Investments in real estate	-	128,924	-	-	-	128,924	167,352
Investments in housing projects	-	118,140	-	-	-	118,140	40,358
Other debtors	162,481	21,476	127,404	19,319	359,428	690,108	709,534
Other stocks	222,753	-	-	-	-	222,753	157,890
Taxation - refund due	-	-	-	-	-	-	9,828
Property, plant and equipment	-	-	-	-	1,116,904	1,116,904	1,064,112
Total non-interest earning assets	573,795	268,540	127,404	19,319	2,036,770	3,025,828	2,976,380
Total assets	5,302,933	2,999,248	4,977,304	1,228,183	2,065,963	16,573,631	14,706,629
Percentage - 31.3.2005	32.00%	18.10%	30.03%	7.41%	12.46%	100.00%	
Percentage - 31.3.2004	38.12%	15.95%	30.24%	4.53%	11.16%		100.00%

Notes to the Accounts

Maturity analysis (Contd.)

	Up to 3 months Rs.'000	3 to 12 months Rs.'000	1 to 3 years Rs.'000	3 to 5 years Rs.'000	More than 5 years Rs.'000	Total as at 31.3.2005 Rs.'000	Total as at 31.3.2004 Rs.'000
Interest bearing liabilities:							
Deposits	2,177,263	4,836,444	2,161,541	460,825	-	9,636,073	9,443,418
Bank overdrafts	238,766	-	-	-	-	238,766	145,969
Bank loans	923,000	-	-	-	-	923,000	499,000
Creditors	561	1,683	4,488	3,926	-	10,658	12,902
Amounts due to subsidiaries	89,400	-	-	-	-	89,400	-
Total interest bearing liabilities	<u>3,428,990</u>	<u>4,838,127</u>	<u>2,166,029</u>	<u>464,751</u>	<u>-</u>	<u>10,897,897</u>	<u>10,101,289</u>
Non-interest bearing liabilities:							
Taxation	-	71,948	-	-	-	71,948	-
Creditors	1,083,821	259,834	414,721	241,959	26,212	2,026,547	1,596,574
Amounts due to subsidiaries	26,236	-	-	-	-	26,236	104,711
Total non-interest bearing liabilities	<u>1,110,057</u>	<u>331,782</u>	<u>414,721</u>	<u>241,959</u>	<u>26,212</u>	<u>2,124,731</u>	<u>1,701,285</u>
Total liabilities	<u>4,539,047</u>	<u>5,169,909</u>	<u>2,580,750</u>	<u>706,710</u>	<u>26,212</u>	<u>13,022,628</u>	<u>11,802,574</u>
Percentage - 31.3.2005	<u>34.85%</u>	<u>39.70%</u>	<u>19.82%</u>	<u>5.43%</u>	<u>0.20%</u>	<u>100.00%</u>	
Percentage - 31.3.2004	<u>35.42%</u>	<u>41.84%</u>	<u>18.13%</u>	<u>4.61%</u>	<u>0.00%</u>		<u>100.00%</u>

35. Commitments

(a) Interest rate swaps

The Company has entered into fixed interest rate swap arrangements as follows:

Notional capital value Rs.	Tenor	Maturity date	Payments	
			2004/2005 Rs.'000	2003/2004 Rs.'000
500 million	5 years	August 2009	8,344	-
500 million	4 years	August 2008	8,343	-
500 million	4 years	June 2008	12,079	-
120 million	4 years	May 2007	3,985	3,593
			<u>32,751</u>	<u>3,593</u>

(b) Capital expenditure

Capital expenditure approved by the Board of Directors for which provision has not been made in the financial statements amount to approximately, Rs.30.149 million (2003/2004 : Rs.26.309 million).

36. Contingent liabilities

Contingent liabilities as at 31st March 2005 on guarantees issued to depositors amounted to Rs.14.589 million (31st March 2004 : Rs.14.594 million). Contingent liabilities as at 31st March 2005 on account of guarantees issued to insurance companies on account of CF Insurance Brokers (Pvt) Ltd amounted to Rs.10 million. (31st March 2004 : Rs.11 million)

37. Post Balance Sheet events

No circumstances have arisen since the Balance Sheet date which would require adjustments to, or disclosure in the accounts.

Notes to the Accounts

38. Subsidiaries not audited by Messrs.Lawrie Muthu Krishna and Co.

The subsidiaries not audited by Messrs.Lawrie Muthu Krishna and Co., are as follows:

Central Industries Ltd.
Central Securities Ltd.
Central Concrete Industries Ltd.
Dehigama Hotels Company Ltd.
Expanded Plastic Products Ltd.
Central Mineral Industries (Pvt) Ltd.
Central Transport & Travels Ltd.
Central Construction & Development (Pvt) Ltd.
CF Growth Fund Ltd.
Kandy Private Hospitals Ltd.
CF Insurance Brokers (Pvt) Ltd.
Mark Marine Services (Pvt) Ltd.

39. Directors' interests in contracts

Central Finance Company Ltd. provided office space and services such as accounting, computer facilities and human resources management to its subsidiary companies for which a charge at cost has been made.

Details of amounts received during the year 2004/2005 are as follows:

Company	2004/2005 Rs.'000	2003/2004 Rs.'000
Central Securities Ltd.	240	240
Dehigama Hotels Company Ltd.	42	42
Central Transport & Travels Ltd.	24	24
CF Insurance Brokers (Pvt) Ltd.	<u>4,379</u>	<u>1,863</u>
	<u>4,685</u>	<u>2,169</u>

Mr.C.Wijenaik, Mr.E.H.Wijenaik and Mr.S.V.Wanigasekera, Directors of the Company are Directors of Central Securities Ltd., to which interest amounting to Rs.5,046,584 (2003/2004 : Rs. 2,528,144) has been paid for the year ended 31st March 2005 and an amount of Rs.62,156,674 (31st March 2004 : Rs.72,125,671) remains as a short term deposit as at 31st March 2005.

Mr.C.Wijenaik, Mr.E.H.Wijenaik, Mr.G.S.N.Peiris and Mrs.C.Kiriella, Directors of the Company are Directors of Dehigama Hotels Company Ltd., from which the Dehigama building has been rented out and a rental of Rs.5,528,400 (2003/2004 : Rs.5,528,400) has been paid for the year ended 31st March 2005. An amount of Rs.25,941,608 has been placed as a rent deposit as at 31st March 2005. (31st March 2004 : Rs.26,400,000)

Mr.C.Wijenaik, Mr.E.H.Wijenaik and Mr.G.S.N.Peiris, Directors of the Company are Directors of Central Transport & Travels Ltd., to which hire charges amounting to Rs.3,603,666 (2003/2004 : Rs.3,776,946) has been incurred for the year ended 31st March 2005. An amount of Rs.11,302,405 (31st March 2004 : Rs.8,413,497) remains outstanding as on that date . An amount of Rs.18,474,583 (31st March 2004 : Rs.18,474,583) has been placed as a hiring charge deposit.

Mr.C.Wijenaik, Mr.E.H.Wijenaik, Mr.M.S.Wijenaik, Mr.G.S.N.Peiris, Mrs.C.Kiriella and Mr.R.E.Rambukwelle, Directors of the Company are Directors of CF Insurance Brokers (Pvt) Ltd. with whom the Company had the following transactions:

* Central Finance Co. Ltd. as per agreement dated 15th July 1996 had undertaken to collect on behalf of CF Insurance Brokers (Pvt) Ltd. insurance premia due from the customers. Amounts collected aggregated to Rs.419,372,757(2003/2004 : Rs.233,972,283) for the year under review.

* Sums aggregating Rs.39,308,303 (2003/2004 : Rs.27,700,017) being direct and indirect expenditure applicable to CF Insurance Brokers (Pvt) Ltd. have been charged.

* CF Insurance Brokers (Pvt) Ltd has paid Rs.15,750,000 (2003/2004 : Rs.11,733,718) to Central Finance Company Ltd. being service charges on collection of insurance premia.

* Central Finance Company Ltd. has placed a deposit of Rs.25,000,000 on 30th September 2002 with CF Insurance Brokers (Pvt) Ltd., as an advance against reimbursable expenses and services bearing an interest rate of 10% per annum (2003/2004 : 10%)

Notes to the Accounts

Mr.C.Wijenaika, Mr.E.H.Wijenaika and Mr.S.V.Wanigasekera, Directors of the Company are Directors of CF Growth Fund Ltd. in which a current account balance of Rs.23,178,192 was due as at 31st March 2005. (31st March 2004 : Rs.12,921,777).

Mr.C.Wijenaika, Mr.E.H.Wijenaika, Mr.G.S.N.Peiris and Mrs.C.Kiriella, Directors of the Company are Directors of Central Homes (Pvt) Ltd. to which management fees amounting to Rs.360,000 (2003/2004 : Rs.360,000) were paid during the year and in which a current account balance of Rs.2,450,873 was due as at 31st March 2005. (31st March 2004: Rs.3,080,923).

Mr.E.H.Wijenaika and Mr.G.S.N.Peiris, Directors of the Company are Directors of Central Mineral Industries (Pvt) Ltd. which has placed a fixed deposit of Rs.500,000 (2003/2004 : Rs.900,000) during the year and the interest paid on such fixed deposit for the year amounted to Rs.12,513 (2003/2004 : Rs.28,553). This fixed deposit had been uplifted as at 31st March 2005.

Mr.C.Wijenaika, Mr.E.H.Wijenaika and Mr.G.S.N.Peiris, Directors of the Company are Directors of Kandy Private Hospitals Ltd. which has placed a fixed deposit of Rs.18,000,000 (31st March 2004 : Rs.9,000,000) with the Company and the interest paid on such fixed deposit for the year amounted to Rs.1,381,869. (2003/2004 : Rs.541,560).

Mr.C.Wijenaika, Mr.E.H.Wijenaika, Mr.S.V.Wanigasekera and Mr.G.S.N.Peiris, Directors of the Company are Directors of Central Industries Ltd. with which the Company has entered into operating lease contracts and amounts aggregating Rs.681,202 (2003/2004 : Rs.547,662) was received during the year ended 31st March 2005.

Mr A. K.Gunaratne and Mr.R.E.Rambukwelle, Directors of the Company are Directors of Mark Marine Services (Pvt) Ltd. which has placed a fixed deposit of Rs.4,000,000 (31st March 2004 : Rs.7,000,000) with the Company and the interest paid on such fixed deposit for the year amounted to Rs.376,605 (2003/2004 : Rs.437,577).

Mr. G.S.N.Peiris, Director of the Company has entered into a contract for the purchase of two condominium apartments being constructed by the Company at Dudley Senanayake Mawatha, Colombo 8 for a total purchase consideration of Rs.14,522,720.

The Directors have no direct or indirect interest in any other contract with the Company.

40. Related party transactions

Mr.C.Wijenaika, Mr.E.H.Wijenaika and Mrs.C.Kiriella, Directors of the Company are Directors of Nations Trust Bank Ltd. from which the Company has obtained banking facilities in the ordinary course of business. A limit of Rs.150 million for working capital financing on the security of a mortgage over specific land and buildings has been approved, with an amount of Rs.112.299 million being outstanding as at 31st March 2005 (31st March 2004 : Rs.99 million).

An amount of Rs.350 million which forms part of the Company's statutory investments in government securities, has been invested in Treasury Bills under repurchase agreements with Nations Trust Bank Ltd. as at 31st March 2005 (31st March 2004 : Rs.420 million). An amount of Rs.200 million which forms part of the Company's statutory investments in liquid assets has been invested in fixed deposits with Nations Trust Bank Ltd. as at 31st March 2005 (31st March 2004 : Rs.225 million).

The Company has entered into a fixed interest rate swap arrangement with Nations Trust Bank Ltd. for a notional capital value of Rs.120 million for a four year tenor, maturing in May 2007. During the year under review, amounts aggregating Rs.3,984,632 (2003/2004 : Rs.3,593,093) was paid to Nations Trust Bank Ltd. in this respect.

Amounts aggregating Rs.4,169,175 (2003/2004 : Rs.5,357,493) was received from Nations Trust Bank Ltd., in respect of operating lease contracts during the year ended 31st March 2005.

Mr.G.C.B.Wijeyesinghe, Director of the Company is a Director of NDB Bank Ltd., from which the Company has obtained banking facilities in the ordinary course of business. A limit of Rs.150 million for working capital financing on the security of specific lease receivables has been approved, with an amount of Rs.150 million being outstanding as at 31st March 2005 (31st March 2004 : Nil).

An amount of Rs.150 million which forms part of the Company's statutory investments in liquid assets has been invested in Treasury Bills under repurchase agreements with NDB Bank Ltd. as at 31st March 2005 (31st March 2004 : Nil).

Amounts aggregating Rs.2,706,228 (2003/2004 : Rs.2,775,440) was received from NDB Bank Ltd., in respect of operating lease contracts during the year ended 31st March 2005.

Mr.G.C.B.Wijeyesinghe, Director of the Company is a Director of Singer (Sri Lanka) Ltd., with which the Company has entered into operating lease contracts and amounts aggregating Rs.1,533,704 (2003/2004 : Rs.1,577,520) was received in respect of such contracts during the year ended 31st March 2005.

Notes to the Accounts

Mr.U.L.Kadurugamuwa, Director of the Company is a Director of Corporate Services Ltd., which functions as trustee of the Company Employee Share Ownership Scheme.

The Company has entered into operating lease contracts with Corporate Services Ltd. and amounts aggregating Rs.379,776 (2003/2004 : Rs.605,680) was received in respect of such contracts during the year ended 31st March 2005.

Mr.U.L.Kadurugamuwa, Director of the Company is a Director of Smarased Property Holdings (Pvt) Ltd., from which amounts aggregating Rs.3,393,420 (2003/2004 : Rs.3,393,420) was received in respect of loan repayments during the year ended 31st March 2005.

Amounts aggregating Rs.1,979,481 (2003/2004 : Rs.1,910,848) was received from Smarased Property Holdings (Pvt) Ltd., in respect of finance and operating lease contracts during the year ended 31st March 2005.

Mr.U.L.Kadurugamuwa, Director of the Company is a Director of Shan Teas (Pvt) Ltd., with which the Company has entered into operating lease contracts and amounts aggregating Rs.1,111,086 (2003/2004 : Nil) was received in respect of such contracts during the year ended 31st March 2005.

Mr.C.Wijenaikē and Mr.E.H.Wijenaikē, Directors of the Company are Directors of Tea Smallholder Factories Ltd., with which the Company has entered into operating lease contracts and amounts aggregating Rs.955,304 (2003/2004 : Nil) was received in respect of such contracts during the year ended 31st March 2005.

Mr.C.Wijenaikē, Mr.E.H.Wijenaikē, Mr.M.S.Wijenaikē and Mr.A.K.Gunaratne, Directors of the Company are Directors of Capital Suisse Asia Ltd., with which the Company has entered into operating lease contracts and amounts aggregating Rs.1,114,165 (2003/2004 : Rs.171,410) was received in respect of such contracts during the year ended 31st March 2005.

There are no related parties or related party transactions other than those disclosed above.

Consolidated Value Added Statement

For the year ended 31st March	2005 Rs.'000	%	2004 Rs.'000	%
Value Added				
Operating income earned by providing financial services	2,938,972		2,812,533	
Cost of services	(1,438,463)		(1,587,087)	
Value added by financial services	1,500,509		1,225,446	
Other income	153,309		222,902	
Provision for losses on loans, advances and assets and bad debts written off	(222,188)		(230,954)	
(Diminution)/appreciation in value of dealing securities	(4,255)		3,145	
Share of associate companies' profits before tax	69,865		70,489	
	<u>1,497,240</u>		<u>1,291,028</u>	
Value Allocated				
To employees as remuneration	329,352	22.00	283,637	21.97
To providers of capital				
Dividends to shareholders	57,855	3.86	48,720	3.77
Minority interest	49,116	3.28	40,586	3.14
To government revenue				
Income tax	257,000	17.17	42,854	3.32
Turnover tax and Debits Tax	2,955	0.20	4,875	0.38
VAT on financial services	23,188	1.55	16,694	1.29
To expansion and growth				
Retained income	691,930	46.21	773,546	59.92
Depreciation	85,844	5.73	80,116	6.21
	<u>1,497,240</u>	<u>100.00</u>	<u>1,291,028</u>	<u>100.00</u>
Consolidated Sources and Utilisation of Income				
For the year ended 31st March	2005 Rs.'000	%	2004 Rs.'000	%
Sources of Income				
Interest and operating income	2,938,972	92.94	2,812,533	90.55
Other income	153,309	4.85	222,902	7.18
Share of associate companies' profits before tax	69,865	2.21	70,489	2.27
	<u>3,162,146</u>	<u>100.00</u>	<u>3,105,924</u>	<u>100.00</u>
Utilisation of Income				
Interest expenses	1,067,745	33.77	1,126,926	36.28
Remuneration to employees	329,352	10.42	283,637	9.13
Other operating expenses including provision for bad debts, diminution in value of investments and depreciation	683,005	21.60	768,086	24.73
Taxation	283,143	8.95	64,423	2.07
Dividends to shareholders	57,855	1.83	48,720	1.57
Retained income	691,930	21.88	773,546	24.91
Minority interest	49,116	1.55	40,586	1.31
	<u>3,162,146</u>	<u>100.00</u>	<u>3,105,924</u>	<u>100.00</u>

Share Information

1. Stock Exchange

The ordinary shares of the Company are listed on the Colombo Stock Exchange.

The audited Income Statements for the year ended 31st March 2005 and the audited Balance Sheets of the Company and of the Group as at that date have been submitted to the Colombo Stock Exchange within six months of the Balance Sheet date.

2. Ordinary Shareholders as at 31st March 2005

Number of shareholders (as at 31.3.2004 : 1,731)

2,528

No. of shares held	Residents			Non-residents			Total		
	No. of share holders	No of shares	%	No. of share holders	No of shares	%	No. of share holders	No of shares	%
1 - 1,000	1,714	598,642	2.95	23	6,873	0.03	1,737	605,515	2.98
1,001 - 5,000	520	1,225,054	6.04	11	34,178	0.17	531	1,259,232	6.21
5,001 - 10,000	90	660,620	3.25	5	31,980	0.16	95	692,600	3.41
10,001 - 50,000	114	2,656,655	13.09	7	174,606	0.86	121	2,831,261	13.95
50,001 - 100,000	23	1,673,401	8.24	-	-	-	23	1,673,401	8.24
100,001 - 500,000	14	2,729,748	13.45	1	130,253	0.64	15	2,860,001	14.09
500,001 - 1,000,000	3	2,416,316	11.90	-	-	-	3	2,416,316	11.90
Over 1,000,000	3	7,961,674	39.22	-	-	-	3	7,961,674	39.22
	<u>2,481</u>	<u>19,922,110</u>	<u>98.14</u>	<u>47</u>	<u>377,890</u>	<u>1.86</u>	<u>2,528</u>	<u>20,300,000</u>	<u>100.00</u>

There were 1,686 resident and 45 non-resident shareholders as at 31st March 2004.

Categories of shareholders	31st March 2005			31st March 2004		
	No. of share holders	No of shares	%	No. of share holders	No of shares	%
Individuals	<u>2,395</u>	<u>12,103,375</u>	<u>59.62</u>	1,634	7,143,859	58.65
Institutions	<u>133</u>	<u>8,196,625</u>	<u>40.38</u>	97	5,036,141	41.35
	<u>2,528</u>	<u>20,300,000</u>	<u>100.00</u>	<u>1,731</u>	<u>12,180,000</u>	<u>100.00</u>

As per Rule No.8.7 (h) of the Colombo Stock Exchange, the percentage of public holding as at 31st March 2005 was 46.49%. (44.22% as at 31.3.2004)

3. Twenty largest shareholders as at 31st March 2005

	31st March 2005		• 31st March 2004	
	No. of shares	%	No. of shares	%
Corporate Services Ltd.	4,627,951	22.80	3,019,773	24.79
Mr.E.H.Wijenaika	2,958,540	14.57	1,755,124	14.41
Sri Lanka Insurance Corp.Ltd. - Life Fund	2,158,333	10.63	1,295,000	10.63
Mrs.A.J.Wijenaika	633,166	3.12	379,900	3.12
Mrs.N.W.Wijegoonawardene	418,520	2.06	251,112	2.06
J.B.Cocoshell (Pvt) Ltd.	358,166	1.76	192,300	1.58
Mrs.N.M.Gunawardena	237,480	1.17	142,488	1.17
Mrs.P.R.Munasinghe	237,480	1.17	142,488	1.17
Mrs.C.R.Dunuwille	236,316	1.16	140,190	1.15
E-Fortune Overseas Ltd.	198,066	0.98	-	-
Mrs.P.M.Wijenaika	196,680	0.97	118,008	0.97
Mrs.N.M.Wahab	133,360	0.66	80,016	0.66
Estate of late Mr.C.A.C.Marikkar	133,320	0.66	79,992	0.66
Dr.K.G.Jayasekara	130,253	0.64	78,152	0.64
Mr.E.J.D.Divototawela	127,606	0.63	76,564	0.63
Mr.M.M.Udeshi	124,293	0.61	74,559	0.61
Mr.G.S.N.Peiris	113,428	0.56	65,091	0.53
Ms.M.Dunuwille	109,200	0.54	65,520	0.54
Mr.S.V.Wanigasekera	105,833	0.52	50,000	0.41
Mrs.C.Kiriella	97,332	0.48	58,400	0.48
	13,335,323	65.69	8,064,677	66.21
Others	6,964,677	34.31	4,115,323	33.79
Total	<u>20,300,000</u>	<u>100.00</u>	<u>12,180,000</u>	<u>100.00</u>

• Comparative shareholdings as at 31st March 2004 of the twenty largest shareholders as at 31st March 2005.

Share Information

4. Market Value

The market value of Central Finance Co.Ltd. ordinary shares

	2004/2005 Rs.	2003/2004 Rs.	2002/2003 Rs.
Highest	315.00 (on 24.11.2004)	325.00 (on 26.9.2003)	120.00 (on 8.1.2003)
Lowest	140.00 (on 30.3.2005)	100.00 (on 3.4.2003)	44.00 (on 7.8.2002)
Year End	143.75	224.50	100.00

5. Dividend Payments

First Interim Dividend	- 10.00%	tax free, paid on 26th January 2005
Second Interim Dividend	- 10.00%	tax free, paid on 10th June 2005
Final Dividend	- <u>12.50%</u>	proposed for payment on 31st August 2005.
	<u>32.50%</u>	

6. Share Trading

	2004/2005	2003/2004	2002/2003
No.of shares traded	1,741,700	3,352,500	4,109,508
Value of shares traded (Rs.'000)	414,797	708,380	363,765
Market Capitalisation (Rs.'000)	2,918,125	2,734,410	1,218,000

Decade at a Glance

Year ended 31st March	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trading Results										
Group Turnover	4,545,553	4,620,683	5,160,612	6,116,424	6,613,734	6,568,916	7,020,775	7,511,877	9,646,033	10,370,028
Group profit before provision of interest and diminution in value of investments	805,902	902,798	1,076,368	1,118,472	1,142,506	1,261,396	1,413,798	1,562,508	1,917,032	2,058,036
Interest on deposits	(501,019)	(616,483)	(820,090)	(788,394)	(827,578)	(833,116)	(1,078,306)	(1,026,175)	(1,045,773)	(966,721)
Interest on bank and other short term borrowings	(139,524)	(111,379)	(46,747)	(106,002)	(167,663)	(238,007)	(126,804)	(102,335)	(81,153)	(101,024)
Group profit before diminution in value of investments	165,359	174,936	209,531	224,076	147,265	190,273	208,688	433,998	790,106	990,291
(Diminution)/appreciation in value of dealing securities	(42,605)	(20,084)	2,479	(13,208)	326	(4,186)	24,894	5,054	3,145	(4,255)
Investments written off	-	-	-	-	-	(952)	-	-	-	-
Receipt of dues from the General Treasury of the Government of Sri Lanka	-	-	-	-	10,000	-	10,000	275,000	191,000	-
Share of associate companies' profits before tax	7,029	6,390	38,812	(14,453)	43,096	43,880	6,859	29,103	70,489	69,865
Profit before income tax	129,783	161,242	250,822	196,415	200,687	229,015	250,441	743,155	1,054,740	1,055,901
Provision for taxation	(5,028)	(9,512)	(16,539)	(10,874)	(8,422)	(19,137)	(24,403)	(22,141)	(42,854)	(257,000)
Profit after income tax	124,755	151,730	234,283	185,541	192,265	209,878	226,038	721,014	1,011,886	798,901
Minority interest	(10,884)	(5,159)	(5,946)	2,843	282	(10,888)	(20,828)	(28,401)	(40,586)	(49,116)
Profit before diminution in value of long term investments	113,871	146,571	228,337	188,384	192,547	198,990	205,210	692,613	971,300	749,785
Diminution in value of long term investments	-	-	-	-	-	(64,572)	(9,483)	(126,318)	(149,034)	-
Net profit for the year	113,871	146,571	228,337	188,384	192,547	134,418	195,727	566,295	822,266	749,785
Balance Sheet										
Share capital	30,450	30,450	60,900	60,900	60,900	121,800	121,800	121,800	121,800	203,000
Share premium	88,149	88,257	88,393	88,393	88,393	88,393	88,393	88,393	88,393	88,393
Capital reserves	225,789	240,750	566,846	695,322	807,971	735,555	761,491	757,511	732,895	728,514
Reserve fund	121,500	152,000	192,500	203,000	211,000	216,500	223,500	274,500	313,500	349,500
Special reserve	25,000	25,000	-	-	-	-	-	-	-	-
Unrealised income reserve	-	-	-	589,000	579,000	579,000	569,000	294,000	103,000	103,000
Revenue reserves	479,191	581,288	688,462	763,510	861,043	1,008,421	840,219	1,352,965	2,134,243	2,714,966
Preliminary and deferred expenditure	1,794	(2,655)	(12,763)	(7,608)	(3,011)	-	-	-	-	-
Shareholders' funds	971,873	1,115,090	1,584,338	2,392,517	2,605,296	2,749,669	2,604,403	2,889,169	3,493,831	4,187,373
Minority interest	109,197	112,470	114,225	110,824	98,638	95,162	127,264	213,787	192,321	246,077
	1,081,070	1,227,560	1,698,563	2,503,341	2,703,934	2,844,831	2,731,667	3,102,956	3,686,152	4,433,450

Decade at a Glance

Year ended 31st March	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Cash and statutory deposits	499,296	574,504	864,330	914,794	996,787	1,054,505	1,287,214	1,448,803	1,715,819	1,659,363
Dealing securities	63,717	52,991	83,431	55,279	41,061	30,294	28,121	19,830	21	61,296
Investment securities	385,953	384,014	573,064	555,264	459,395	348,688	324,942	199,156	61,901	72,746
Investments in subsidiaries and associates	101,994	140,547	246,939	530,969	536,510	557,543	557,356	601,433	524,020	519,130
Other investments	-	-	-	-	-	-	-	-	7,751	1,031
Advances to customers	3,037,464	3,653,623	4,258,768	5,081,758	5,874,146	6,038,354	5,859,843	7,223,095	9,406,020	11,072,885
Other assets	941,643	1,035,565	1,450,425	2,346,409	2,312,657	2,534,739	2,537,698	2,394,390	2,242,096	2,512,188
Property, plant and equipment	616,088	701,963	1,046,573	1,274,428	1,432,315	1,368,793	1,365,466	1,646,372	1,678,866	1,723,973
Total Assets	5,646,155	6,543,207	8,523,530	10,758,901	11,652,871	11,932,916	11,960,640	13,533,079	15,636,494	17,622,612
Liabilities										
Deposits	3,165,107	3,951,106	5,495,198	5,634,314	6,156,041	6,408,224	7,241,743	8,112,617	9,433,518	9,614,073
Bank borrowings	727,436	499,898	200,922	1,322,609	1,457,245	1,297,439	504,699	794,679	715,316	1,217,252
Other liabilities	672,542	864,643	1,128,847	1,298,637	1,335,651	1,382,422	1,482,531	1,522,827	1,801,508	2,357,837
Total Liabilities	4,565,085	5,315,647	6,824,967	8,255,560	8,948,937	9,088,085	9,228,973	10,430,123	11,950,342	13,189,162
Key Indicators										
Earnings per share (Rs.) *	5.61	7.22	11.25	9.28	9.49	6.62	9.64	27.90	40.51	36.94
Net assets per share (Rs.) *	47.88	54.93	78.05	117.86	128.34	135.45	128.30	142.32	172.11	206.27
Adjusted market value per share (Rs.) *	43.50	36.38	55.50	48.90	44.63	18.00	30.00	60.00	134.70	143.75
Price earnings ratio	7.75	5.04	4.93	5.27	4.70	2.72	3.11	2.15	3.33	3.89
Gross dividends paid (Rs.'000)	12,180	13,702	19,488	21,315	21,924	18,270	21,315	36,540	48,720	57,855
Effective rate of dividend (%)	10.0	11.2	16.0	17.5	18.0	15.0	17.5	30.0	40.0	28.5
Dividend cover (times covered)	9.35	10.70	11.72	8.84	8.78	7.36	9.18	15.50	16.88	12.96
Market price per share (Rs.)	290.00	242.50	185.00	163.00	148.75	30.00	50.00	100.00	224.50	143.75

* Earnings, net assets and adjusted market value per share are based on the 20,300,000 shares in issue as at 31st March 2005.

Employees of the Year

CITY OFFICE - 2004/2005



April
Mrs. P. Seneviratne



May
Mr. P. L. Luxman



June
Mrs. J. M. C. N. Kariyawasam



July
Mr. S. Thimbiripola



August
Mrs. S. Dassanayake



September
Mrs. P. S. Dissanayake



October
Mr. A. H. Krishantha



November
Mrs. D. Edirisinghe



December
Mrs. A. Jagodage



January
Mrs. N. Munasinghe



February
Mrs. S. Fernando



March
Mr. J. Tennakoon



Branch Employee of the quarter

April, May, June 2004
Panadura Branch

Mrs. T. Gamage



Branch Employee of the quarter

July, August, September 2004
Anuradhapura Branch

Mrs. M. Keerthiratne

Employees of the Year

HEAD OFFICE - 2004/2005



April
Mrs. W. D. Amunugama



May
Mr. A. M. S. U. Kumara



June
Mr. S. D. H. Jayasinghe



July
Mr. P. M. C. K. Chandraratne



August
Mrs. L. A. Yapathilaka



September
Mrs. C. Bowathdeniya



October
Mr. W. T. Abeyratne



November
Mr. S. B. D. Jayathilaka



December
Mrs. P. Kongahage



January
Mr. C. Ratnayake



February
Ms. K. W. G. T. K. Jayaratne



March
Mr. S. A. G. K. Samaraweera



Branch Employee of the quarter

October, November,
December 2004
Kurunegala Branch

Mr. K. Madawala

Branch Employee of the quarter

January, February, March 2005

The award was given to the Manager and staff of Galle Branch due to the valiant effort made by them to re-build the branch after it was destroyed by the Tsunami.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the forty seventh Annual General Meeting of Central Finance Company Ltd., will be held at the Registered Office of the Company, 84, Raja Veediya, Kandy on Wednesday, 31st August 2005 at 11.00 a.m. for the following purpose:

1. To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st March 2005 together with the Report of the Auditors thereon.
2. To declare a final dividend of 12.50% to the shareholders of the Company as recommended by the Board of Directors.
3. To re-elect Mr.A.K.Gunaratne, who retires by rotation in terms of Article 105 of the Articles of Association as a Director of the Company.
4. To re-elect Mr.C.Wijenaike as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 182 of the Companies Act No.17 of 1982 of the intention to propose the following resolution as an ordinary resolution.

RESOLVED that Mr.C.Wijenaike who has reached the age of 78 on 25th January 2005 be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 181 of the Companies Act No.17 of 1982 shall not apply to the said Director in accordance with Section 182 of the Companies Act No.17 of 1982.

5. To re-elect Mr.S.V.Wanigasekera as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 182 of the Companies Act No.17 of 1982 of the intention to propose the following resolution as an ordinary resolution.

RESOLVED that Mr.S.V.Wanigasekera who has reached the age of 81 on 9th April 2005 be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 181 of the Companies Act No.17 of 1982 shall not apply to the said Director in accordance with Section 182 of the Companies Act No.17 of 1982.

6. To re-elect Mr.M.S.Wijenaike as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 182 of the Companies Act No.17 of 1982 of the intention to propose the following resolution as an ordinary resolution.

RESOLVED that Mr.M.S.Wijenaike who has reached the age of 72 on 14th February 2005 be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 181 of the Companies Act No.17 of 1982 shall not apply to the said Director in accordance with Section 182 of the Companies Act No.17 of 1982.

7. To re-elect Mr.G.C.B.Wijeyesinghe as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 182 of the Companies Act No.17 of 1982 of the intention to propose the following resolution as an ordinary resolution.

RESOLVED that Mr.G.C.B.Wijeyesinghe who has reached the age of 71 on 19th February 2005 be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 181 of the Companies Act No.17 of 1982 shall not apply to the said Director in accordance with Section 182 of the Companies Act No.17 of 1982.

8. To re-appoint Lawrie Muthu Krishna & Co. as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
9. To authorise the Directors to determine contributions to charities.

By Order of the Board,

SECRETARIES AND REGISTRARS LIMITED

Sgd.

Secretaries

Colombo

8th August 2005

Note:

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy who need not be a member, to attend instead of him/her. A proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.
- (ii) A form of proxy is enclosed in this Report.
- (iii) The completed form of proxy should be deposited at the Registered Office of the Company at 84, Raja Veediya, Kandy not less than 48 hours before the time for holding the Meeting.
- (iv) Provided that the recommended dividend is approved, it is proposed that dividend warrants be dispatched on 31st August 2005.
- (v) In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 18th August 2005.

Form of Proxy

I/We

 of
 being * a member/members of CENTRAL FINANCE COMPANY LIMITED, do hereby appoint

- | | |
|--|-----------------|
| 1. CHANDRA WIJENAIKE | or failing him, |
| 2. ERANJITH HARENDRA WIJENAIKE | or failing him, |
| 3. STANLEY VINCENT WANIGASEKERA | or failing him, |
| 4. GERARD SHAMIL NIRANJAN PEIRIS | or failing him, |
| 5. CHARMAINE KIRIELLA | or failing her, |
| 6. MAHANAGAGE SIDANTHA WIJENAIKE | or failing him, |
| 7. UDAYA LANKADIKARI KADURUGAMUWA | or failing him, |
| 8. GAMINI CHRISTOPHER BERNARD WIJEYESINGHE | or failing him, |
| 9. RAVINDRA ERLE RAMBUKWELLE | or failing him, |
| 10 ARJUNA KAPILA GUNARATNE | or failing him, |

..... of

 as *my/our proxy to vote for *me/us on *my/our behalf at the 47th Annual General Meeting of the Company to be held at the Registered Office of the Company, 84, Raja Veediya, Kandy on the 31st day of August 2005 at 11.00 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
(i) To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st March 2005 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To declare a final dividend of 12.50% to be payable on 31st August 2005.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Mr.A.K.Gunaratne as a Director in terms of Article 105 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To re-elect Mr.C.Wijenaik as a Director in terms of Section 182 of the Companies Act No.17 of 1982.	<input type="checkbox"/>	<input type="checkbox"/>
(v) To re-elect Mr.S.V.Wanigasekera as a Director in terms of Section 182 of the Companies Act No.17 of 1982.	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To re-elect Mr.M.S.Wijenaik as a Director in terms of Section 182 of the Companies Act No.17 of 1982.	<input type="checkbox"/>	<input type="checkbox"/>
(vii) To re-elect Mr.G.C.B.Wijeyesinghe as a Director in terms of Section 182 of the Companies Act No.17 of 1982.	<input type="checkbox"/>	<input type="checkbox"/>
(viii) To re-appoint retiring Auditors Lawrie Muthu Krishna & Co. and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
(ix) To authorise the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Five.

.....
 *Signature/s

Note:

- (1) *Please delete the inappropriate words.
- (2) Instructions as to completion are noted on the reverse hereof.
- (3) If you wish your proxy to speak at the meeting you should interpolate the words "and to speak" immediately after the words "to vote".

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name, address and sign in the space provided. Please fill in the date of signature.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy who need not be a member, to attend and vote instead of him. The proxy may not speak at the meeting unless expressly authorised by the instrument appointing him.
3. In the case of a Corporate member, the form of proxy must be completed under its common seal, which should be affixed and attested in the manner prescribed by the Articles of Association.
4. If the form of proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed form of proxy, in the manner prescribed by the Articles of Association.
5. The completed form of proxy should be deposited at the Registered Office of the Company, 84, Raja Veediya, Kandy not less than forty eight (48) hours before the appointed time for the meeting.

Corporate Information

NAME OF COMPANY

Central Finance Company Limited

LEGAL FORM

Quoted Public Company with limited liability incorporated in Sri Lanka on 5th December 1957 Registered under Finance Companies Act No.78 of 1988.

Approved Credit Agency under:

* Mortgage Act No.6 of 1949.

* Trust Receipt Ordinance No.12 of 1947

COMPANY REGISTRATION NUMBER

PVS 1725 PBS

TAX PAYER IDENTIFICATION NUMBER (TIN)

104017258

DIRECTORS

C.Wijenaik	- Chairman
E.H.Wijenaik	- Managing Director
S.V.Wanigasekera	- Director (Consultant)
G.S.N.Peiris	- Director (Finance)
Mrs.C.Kiriella	- Director (Legal)
M.S.Wijenaik	-
U.L.Kadurugamuwa	-
G.C.B.Wijeyesinghe	-
R.E.Rambukwelle	- Director (Marketing)
A.K.Gunaratne	- Director (Group Co-ordination)

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

HEAD AND REGISTERED OFFICE

84, Raja Veediya, Kandy.
Telephone : 0812227000
Facsimile : 0812232047

CITY OFFICE

270, Vauxhall Street,
Colombo 2.
Telephone : 2300555
Facsimile : 2300441
E-mail : cenfin@cf.lk
Website : www.cf.lk

BANKERS

Bank of Ceylon
Citibank N.A.
Commercial Bank of Ceylon Limited
DFCC Vardhana Bank
Hatton National Bank Limited
Hongkong & Shanghai Banking Corporation Limited
Nations Trust Bank Limited
NDB Bank Limited
People's Bank
Public Bank Berhad
Sampath Bank Limited
Seylan Bank Limited
Standard Chartered Bank plc.

AUDITORS

Lawrie Muthu Krishna & Co.,
Chartered Accountants,
81-1/7, Ashika Building,
1st Floor, Prince Street,
Colombo 11.

LEGAL ADVISERS

F.J. & G. De Saram,
Attorneys-at-Law,
P.O.Box 212,
Colombo.

COMPANY SECRETARIES

Secretaries & Registrars Limited,
32, 2nd Floor,
Galle Face Court 2,
Colombo 3.
Telephone : 2325761, 2472971-3

ADMINISTRATION

Please direct any queries about the administration of shareholdings to the company secretaries. If you receive more than one copy of the Annual Report at the same address we will appreciate the same being informed to the company secretaries in order to update the mailing list.

