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30 October 2019

The Board of Directors  
Citizens Development Business Finance PLC  
No.123  
Orabipasha Mawatha  
Colombo 10.

Dear Sirs,

## **ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF CITIZENS DEVELOPMENT BUSINESS FINANCE PLC**

This report has been prepared for the inclusion in the Prospectus issued in connection with the Public Offer of Rated, Subordinated, Unsecured, Listed and Redeemable Debenture of Rs. 500 million, with an option to issue up to a further Rs. 500 million in the event the initial Rs. 500 million debentures are oversubscribed and with a further option of issuing up to Rs. 250 million of said debentures in the event the further Rs.500 million debentures are oversubscribed.

We have examined the financial statements of Citizens Development Business Finance PLC ("the Company") for the financial years ended 31<sup>st</sup> March 2015 to 31<sup>st</sup> March 2019, included in the prospectus and report as follows.

### **1. INCORPORATION**

Citizens Development Business Finance PLC ("the Company") is a public limited liability company incorporated on 7th September 1995 and domiciled in Sri Lanka. The debentures of the Company have a primary listing on the Colombo Stock Exchange. It is licensed by Monetary Board of the Central Bank of Sri Lanka to provide vast range of financial services under the Finance Business Act No. 42 of 2011 and also registered under the Finance Leasing Act No. 56 of 2000. As per section 487(2) of Companies Act No 7 of 2007 the Company has been re-registered. The registered office of the Company is situated at No. 123, Orabipasha Mawatha, Colombo 10.



## 2. FINANCIAL STATEMENTS

### 2.1 Five Years Summary of Financial Statements

A summary of Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows of Citizens Development Business Finance PLC for the years ended 31<sup>st</sup> March 2015 to 31<sup>st</sup> March 2019, based on the audited financial statements of the Company are set out in Annexure 1.

Summaries presented for Operating Results, Assets, Liabilities and Shareholders' funds for financial years ended 31<sup>st</sup> March 2015 to 31<sup>st</sup> March 2019 are based on the financial statements prepared in accordance with SLFRSs and LKASs.

### 2.2 Audit Reports

We have audited the financial statements of the Company for the years ended 31<sup>st</sup> March 2015 to 31<sup>st</sup> March 2019. Unqualified audit opinions have been issued for the said financial years.

### 2.3 Application of Accounting Standards and Accounting Policies

The financial statements of the Company for the financial years ended 31<sup>st</sup> March 2015 to 31<sup>st</sup> March 2019 complied with the applicable Sri Lanka Accounting Standards.

The accounting policies of the Company are stated in detail in the audited financial statements of Citizens Development Business Finance PLC for the year ended 31<sup>st</sup> March 2019. The adoption of revised/new accounting standards and a summary of related amendments to the accounting policies of the Company from financial years ended 31<sup>st</sup> March 2015 to 31<sup>st</sup> March 2019 are given below.

Financial Year	Adoption of revised Accounting Standards and related changes in Accounting Policies
31 <sup>st</sup> March 2015	<p>The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1<sup>st</sup> April 2014.</p> <ul style="list-style-type: none"><li>(a) SLFRS 10 -Consolidated Financial Statements</li><li>(b) SLFRS 12 -Disclosure of Interests in Other Entities</li><li>(c) SLFRS 13 -Fair Value Measurement</li><li>(d) Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to SLFRS 7)</li><li>(e) Presentation of items of Other Comprehensive Income (Amendments to LKAS 1)</li></ul> <p>The nature and the effects of the changes are explained below:</p> <p><b>Fair Value Measurement</b></p> <p>In accordance with the transitional provisions of SLFRS 13, the Company has applied the new definition of fair value, prospectively. The change had no significant impact on the measurement of the Company's assets and liabilities, but the Company has included new disclosures in the Financial Statements which are required under SLFRS 13.</p> <p><b>Offsetting Financial Assets and Financial Liabilities</b></p>