

## Audited Financial Statements For The Year Ended 31<sup>st</sup> March 2019 (PUBLISHED IN ACCORDANCE WITH SECTION 29 (2) OF THE FINANCE BUSINESS ACT NO. 42 OF 2011)

### STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> March 2019

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Assets</b>				
Cash and bank balances	1,748,596,904	1,695,964,449	2,340,080,214	1,746,910,928
Reverse repurchase agreements	3,662,522,772	2,210,648,881	3,787,893,629	2,302,257,521
Placements with banks	3,603,184,738	2,284,987,693	3,513,125,045	2,014,315,126
Financial assets recognised through profit or loss - measured at fair value				
Financial assets at amortised cost	2,112,157,240	2,646,859,663	2,116,671,777	2,646,859,663
Loans and receivables	23,704,115,396	35,198,129,656	24,000,337,936	35,720,435,557
Lease rentals receivable & stocks out on hire	37,150,447,901	31,707,315,784	46,081,967,199	38,310,314,585
Debt & other instruments	187,244,522	-	187,244,522	-
Financial investments - Available for sale	-	182,510,479	-	245,706,559
Financial assets at fair value through other comprehensive income	4,310,479	-	63,107,921	-
Other financial assets	630,157,554	712,714,972	630,157,554	712,714,972
Inventories	77,133,325	128,327,562	77,133,325	128,327,562
Other assets	314,795,373	205,500,478	381,805,639	299,480,930
Investments in subsidiary	1,599,288,321	1,599,288,321	-	-
Investments in associates	390,000,000	-	379,914,143	-
Investment property	1,448,351,320	1,983,431,494	1,448,351,320	1,983,431,494
Property, plant and equipment	3,059,953,319	1,765,510,672	3,131,138,603	1,812,095,231
Intangible assets & goodwill	176,116,081	166,427,661	94,044,856	923,466,906
Prepaid rent	8,065,102	8,187,907	8,065,102	8,187,907
Current tax assets	234,306,485	-	54,594,333	-
Deferred tax assets	-	1,260,138,949	-	1,264,497,849
<b>Total Assets</b>	<b>80,110,746,829</b>	<b>83,792,947,621</b>	<b>89,142,633,115</b>	<b>90,119,002,790</b>
<b>Liabilities</b>				
Due to banks	9,241,472,974	8,581,999,107	15,027,515,792	11,874,786,015
Due to customers	51,908,367,338	54,224,084,983	53,996,319,168	55,858,727,085
Debt instruments issued	3,011,533,608	2,972,221,709	3,011,533,608	2,972,221,709
Other financial liabilities	2,162,248,712	2,399,558,467	2,546,086,230	3,039,833,657
Other liabilities	1,239,960,094	520,322,162	1,398,867,679	533,896,429
Current tax liabilities	-	2,675,490,550	-	2,769,337,136
Deferred tax liabilities	384,558,207	-	207,060,291	-
Post employment benefit obligations	175,608,858	155,833,660	189,283,759	166,395,524
<b>Total Liabilities</b>	<b>68,123,749,792</b>	<b>71,529,510,638</b>	<b>76,316,666,527</b>	<b>77,215,197,555</b>
<b>Shareholders' Funds</b>				
Stated capital	2,150,640,315	2,150,640,315	2,150,640,315	2,150,640,315
Retained earnings	6,612,084,610	7,284,658,283	7,356,688,196	7,859,293,595
Reserves	3,224,272,114	2,828,138,385	3,312,496,424	2,888,463,815
<b>Total equity attributable to equity holders of the company</b>	<b>11,986,997,039</b>	<b>12,263,436,983</b>	<b>12,819,824,935</b>	<b>12,898,397,725</b>
Non Controlling Interests	-	-	6,141,652	5,407,510
<b>Total Equity</b>	<b>11,986,997,039</b>	<b>12,263,436,983</b>	<b>12,825,966,587</b>	<b>12,903,805,236</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>80,110,746,829</b>	<b>83,792,947,621</b>	<b>89,142,633,115</b>	<b>90,119,002,790</b>
Commitments and Contingencies	964,694,781	1,561,499,590	964,694,781	1,561,499,590

I certify that these financial statements are in compliance with the requirements of the companies Act No. 07 of 2007.

*J. J. Jayasinghe*  
Chief Financial Officer

The board of directors is responsible for these financial statements.

*J. J. Jayasinghe*  
Chairman

26 June 2019  
Colombo

*J. J. Jayasinghe*  
Director/Chief Executive Officer

### STATEMENT OF PROFIT OR LOSS

Year ended 31<sup>st</sup> March 2019

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Gross Income</b>	<b>21,883,625,959</b>	<b>22,410,629,644</b>	<b>24,439,351,532</b>	<b>23,872,880,610</b>
Interest income	19,266,812,489	20,141,562,070	22,125,265,906	21,724,831,839
Interest expenses	(8,770,625,499)	(9,306,955,840)	(9,659,742,709)	(9,773,137,444)
<b>Net interest income</b>	<b>10,856,186,990</b>	<b>10,834,606,230</b>	<b>12,465,523,197</b>	<b>11,951,694,395</b>
Fee and commission income	1,336,533,359	1,133,700,659	1,432,368,091	1,209,328,198
Net income from Real estate sales	24,023,559	25,971,410	24,023,559	25,971,410
Net gain from trading	(35,984,919)	64,676,565	(35,984,919)	64,676,565
Other operating income	723,444,622	798,282,227	684,882,046	601,635,886
Change in fair value of investment property	208,796,848	246,352,651	208,796,848	246,352,651
<b>Total operating income</b>	<b>13,113,000,460</b>	<b>13,103,589,742</b>	<b>14,779,608,824</b>	<b>14,099,659,105</b>
Impairment Charges of loans and advances, lease, hire purchase and other financial assets	(2,878,363,710)	(3,198,672,986)	(3,070,193,910)	(3,271,060,494)
Net gains/(losses) from financial instruments at fair value through profit or loss	-	-	(1,512,603)	-
Losses from disposal of repossessed vehicles	-	-	-	(17,851,562)
<b>Net operating income</b>	<b>10,234,636,750</b>	<b>9,904,916,756</b>	<b>11,707,902,311</b>	<b>10,810,747,048</b>
<b>Operating expenses</b>				
Personnel expenses	(3,127,611,455)	(2,593,316,835)	(3,406,725,185)	(2,741,442,155)
Depreciation of Property, Plant and Equipment	(326,295,068)	(298,600,411)	(356,129,159)	(320,611,266)
Other operating expenses	(2,949,711,222)	(2,645,235,108)	(3,196,148,835)	(2,868,411,160)
<b>Operating profit before Tax on financial services</b>	<b>3,831,019,006</b>	<b>4,367,764,402</b>	<b>4,748,899,133</b>	<b>4,880,282,467</b>
Value Added Tax	(767,693,905)	(887,945,671)	(913,235,428)	(1,010,997,042)
Debt repayment levy	(221,553,566)	-	(262,719,550)	-
<b>Operating profit after Value Added Tax on financial services</b>	<b>2,841,771,535</b>	<b>3,479,818,731</b>	<b>3,572,944,155</b>	<b>3,869,285,425</b>
Share of profit of associates	2,841,771,535	3,479,818,731	3,572,944,155	3,869,285,425
<b>Profit before Taxation</b>	<b>2,841,771,535</b>	<b>3,479,818,731</b>	<b>3,572,944,155</b>	<b>3,869,285,425</b>
Income Taxation	(763,092,956)	(1,129,125,218)	(927,272,453)	(1,327,227,317)
<b>Profit for the year</b>	<b>2,078,678,579</b>	<b>2,350,693,513</b>	<b>2,635,585,845</b>	<b>2,542,058,108</b>
<b>Profit attributable to:</b>				
Equity holders of the company	2,078,678,579	2,350,693,513	2,633,406,657	2,540,571,760
Non - controlling interests	-	-	2,179,188	1,486,348
<b>Total Profit</b>	<b>2,078,678,579</b>	<b>2,350,693,513</b>	<b>2,635,585,845</b>	<b>2,542,058,108</b>
Basic earnings per share	6.54	7.39	8.28	7.99
Diluted earnings per share	6.54	7.39	8.28	7.99
Dividend per share	0.75	1.0	-	-



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TO THE SHAREHOLDERS OF COMMERCIAL CREDIT AND FINANCE PLC

Report on the audit of the financial statements

Opinion

Key audit matters

Key audit matters common to both Group and Company

Key audit matter

How our audit addressed the KAM

1. Allowance for impairment of loans, leases and stock - out on hire including Group's Transition to SLRS 9

Our audit procedures focused on assessing the reasonableness of allowance for impairment, including the following procedures:

• We evaluated the design effectiveness of key internal controls over estimation of impairment for Lease, Loan and other receivable, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management, the subjectivity associated with management's impairment estimation and transition to Sri Lanka Financial Reporting Standard 9 - Financial Instruments (SLFRS 9) unduly assessed for impairment; considering it as a Key Audit Matter.

• We tested the underlying calculations and data used in such calculations.

• In addition to the above, following focused procedures were performed:

- For those individually assessed for impairment: we assessed the main criteria used by the management for determining whether an impairment event had occurred

- where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and

- we compared the actual recoveries against previously estimated amounts of future recoveries.

For those collectively assessed for impairment: we tested the completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT systems.

By using a set of procedures similar to those enumerated above, we validated the quantitative impact of transition.

- we assessed the adequacy of the related financial statement disclosures as set out in notes 6, 10 and 11 of the financial statements.

2. Valuation of Investment Properties

Our audit procedures focused on the valuations performed by external valuers engaged by the Group, and included the following:

• evaluating the competence, capabilities and objectivity of the Valuers;

• Read the external valuer's report and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property;

• Engaged our internal specialist resources to assess the reasonableness of the valuation technique, per price and value per square foot.

We also assessed the adequacy of the disclosures made in note 19 to the financial statements relating to the valuation technique and estimates used by the external valuers.

3. Other information included in the 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAUs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

• Obtain an understanding of internal controls in the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that we consider to be of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.

26 June 2019  
Colombo

*J. J. Jayasinghe*

Ernst & Young

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### SELECTED PERFORMANCE INDICATORS

Year ended 31<sup>st</sup> March 2019

	As at 31/03/2019		As at 31/03/2018	
	LKR'000	%	LKR'000	%
<b>Regulatory Capital Adequacy</b>				
Core Capital (Tier 1 Capital)	7,721,715	10.964,840	10,964,840	10.964,840
Total Capital Base	9,006,127	11,194,655	11,194,655	11,194,655
"Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)"	11.43%	16.09%	16.09%	16.09%
"Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)"	12.93%	16.42%	16.42%	16.42%
"Capital Funds to Deposit Liabilities Ratio (Minimum Requirement, 10%)"	23.08%	22.62%	22.62%	22.62%
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Gross Non - Performing Accommodations	5,014,592	4,895,468	4,895,468	4,895,468
Gross Non - Performing Accommodations Ratio %	6.51%			