

Audited Financial Statements For The Year Ended 31st March 2020 (PUBLISHED IN ACCORDANCE WITH SECTION 29 (2) OF THE FINANCE BUSINESS ACT NO. 42 OF 2011)

STATEMENT OF FINANCIAL POSITION

As at 31st March 2020

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Assets				
Cash and bank balances	854,570,071	1,748,596,904	1,208,461,539	2,340,080,214
Reverse repurchase agreements	3,004,279,491	3,662,522,772	3,141,542,623	3,787,893,629
Placements with banks	8,182,279,883	3,603,184,778	3,826,996,141	3,513,125,045
Financial assets recognised through profit/(loss) - measured at fair value	2,072,291,864	2,112,157,240	2,228,854,997	2,116,671,777
Financial assets at amortised cost				
Loans and receivables	18,219,942,284	23,704,115,396	18,377,266,075	24,000,337,936
Lease rentals receivable & stocks out on hire	43,395,382,046	37,150,447,901	52,689,500,344	46,081,967,198
Debt & other instruments	114,822,765	187,244,522	114,822,765	187,244,522
Financial assets at fair value through other comprehensive income	4,310,479	4,310,479	67,223,703	63,107,921
Other financial assets	743,285,925	630,157,553	725,285,925	630,157,553
Inventories	65,910,298	77,133,325	65,910,298	77,133,325
Other assets	173,199,518	322,860,475	257,986,659	389,870,741
Investments in subsidiary	1,599,288,321	1,599,288,321	364,203,089	379,914,143
Investments in associates	390,000,000	390,000,000	1,698,461,370	1,448,351,320
Investment property	1,698,461,370	1,448,351,320	1,698,461,370	1,448,351,320
Property, plant and equipment	3,051,877,367	3,059,953,319	3,126,825,486	3,131,138,603
Right of use assets	649,825,707		672,158,910	
Intangible assets & goodwill	199,319,998	176,116,081	959,881,318	941,044,854
Current tax assets	311,261,563	234,306,485	336,796,145	54,594,333
Total Assets	80,360,308,948	80,110,746,831	89,862,177,386	89,142,633,114
Liabilities				
Due to banks	12,661,616,855	9,241,472,974	19,214,209,118	15,027,515,792
Due to customers	47,394,521,877	51,908,367,338	48,948,641,777	53,936,319,168
Debt instruments issued	3,349,894,465	3,011,533,608	3,349,894,465	3,011,533,608
Other financial liabilities	1,753,986,571	1,262,248,713	1,987,798,983	2,546,086,231
Other liabilities	1,319,578,082	2,139,960,092	1,462,995,410	1,398,867,679
Deferred tax liabilities	265,361,284	384,558,207	80,761,132	207,060,291
Post employment benefit obligations	298,691,827	175,608,858	321,699,082	189,283,759
Total Liabilities	67,043,650,962	68,123,749,792	75,365,999,968	76,316,666,528
Shareholders' Funds				
Stated capital	2,150,640,315	2,150,640,315	2,150,640,315	2,150,640,315
Retained earnings	7,740,420,764	6,612,084,610	8,636,374,058	7,356,688,195
Reserves	3,595,596,907	3,224,272,114	3,701,973,390	3,312,496,424
Total equity attributable to equity holders of the company	13,316,657,986	11,986,997,039	14,488,987,763	12,819,824,934
Non Controlling Interests	-	-	7,189,655	6,141,652
Total Equity	13,316,657,986	11,986,997,039	14,496,177,417	12,825,966,586
Total Liabilities and Shareholders' Funds	80,360,308,948	80,110,746,831	89,862,177,386	89,142,633,114
Commitments and Contingencies	297,435,063	964,694,781	297,435,063	964,694,781

STATEMENT OF PROFIT OR LOSS

Year ended 31st March 2020

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Gross Income	19,885,681,797	21,883,625,959	22,958,817,657	24,439,351,531
Interest income	19,869,129,159	19,826,812,489	20,835,015,310	22,122,265,906
Interest expenses	(8,939,146,453)	(8,770,625,499)	(9,922,872,300)	(9,659,742,709)
Net interest income	9,972,981,706	10,856,186,990	10,912,143,782	12,465,523,198
Fee and commission income	1,267,296,634	1,336,533,359	1,319,142,520	1,432,368,091
Net (loss)/gain from Real estate sales	(6,829,903)	24,023,559	6,925,903	24,023,559
Net (loss)/gain from trading	(10,350,171)	(35,989,919)	(10,350,171)	(35,989,919)
Other operating income	600,849,246	723,444,622	753,252,066	684,802,045
Change in fair value of investment property	54,828,026	208,796,848	54,828,026	208,796,848
Total operating income	11,292,535,341	13,113,000,360	13,035,945,126	14,779,608,823
Operating charges of financial assets	(2,713,980,811)	(2,878,365,710)	(3,404,582,022)	(3,070,193,910)
Net fair value gains/(losses) from financial instruments at fair value through profit/(loss)	-	-	-	-
Net operating income	8,578,554,533	10,234,636,750	17,895,675	(1,512,630)
Operating expenses				
Personnel expenses	(2,511,368,853)	(3,127,611,455)	(2,705,526,210)	(3,406,725,185)
Depreciation & amortization	(541,158,028)	(326,295,068)	(580,608,111)	(356,129,159)
Other operating expenses	(2,865,048,634)	(2,949,711,222)	(3,180,842,243)	(3,196,148,535)
Operating profit before tax on financial services	2,660,979,018	3,831,019,006	3,182,282,215	4,748,899,132
Debt repayment levy	(269,463,668)	(221,553,566)	(676,610,427)	(262,719,550)
Value Added Tax on financial services	(594,028,190)	(767,693,905)	(304,892,097)	(913,235,428)
Operating profit after Value Added Tax on financial services	1,797,487,160	2,841,771,535	2,200,779,691	3,572,944,154
Share of loss of associates	(1,797,487,160)	(2,841,771,535)	(1,797,487,160)	(2,841,771,535)
Profit before taxation	1,797,487,160	2,841,771,535	2,185,068,637	3,562,859,297
Income Taxation	(133,588,055)	(763,092,956)	(178,452,933)	(927,272,453)
Profit for the year	1,663,899,075	2,078,678,579	2,006,615,705	2,635,586,844
Profit attributable to:				
Equity holders of the company	1,663,899,075	2,078,678,579	2,005,362,994	2,633,406,656
Non - controlling interests	-	-	1,252,711	2,179,188
Basic Earnings Per Share	5.23	6.54	6.30	8.28
Diluted Earnings Per Share	5.23	6.54	6.30	8.28
Dividend Per Share	1.00	0.75	-	-

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF COMMERCIAL CREDIT AND FINANCE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Commercial Credit and Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020 and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of its performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters common to both Group and Company

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

We considered the impairment allowance for loans & receivables and lease rentals receivable & stock out on hire as a key audit matter. Significant judgments and assumptions were used by management to determine the impairment allowance and complex calculations were involved in its estimation. Probable impacts of COVID-19 outbreak on the economically impacted customers and related government relief measures on the key assumptions, the higher level of estimation uncertainty involved, and materiality of amounts reported in the Group's financial statements, underpinned our basis for considering it as a Key Audit Matter.

As at 31 March 2020, 77% of the total assets of the Group consisted of loans & advances and receivables from lease & stock out on hire amounting to LKR 20.7 Bn and LKR 56.8 Bn respectively (Note 10 and 11), net of impairment allowance of LKR 18.38Bn and LKR 52.6 Bn (Note 10 and 11).

The Note 5.5.5 of the financial statements describes the basis of impairment allowance and assumptions used by the management in its calculations.

2. Management's Assessment of probable impacts of the COVID-19 outbreak on the operation of the Group

Management has assessed the probable impacts of COVID-19 outbreak on the operations of the group focusing on the cash flow projections for the period not less than 12 months as more fully disclosed in Note 42 to the financial statements.

The cash flow projections were based on significant management's assumptions and estimations of future cash inflows and outflows taking into consideration of the probable impacts of COVID-19 outbreak on the economically impacted customers and probable impacts of relief measures offered by the government. Due to the use of significant management judgments, estimates and assumptions in cash flow projections referred to above, this was considered as key audit matter.

3. Valuation of Investment Properties

As at reporting date 31 March 2020, Investment Properties carried at fair value, amounted to LKR 1698 Mn. The fair value of such property was determined by external valuers engaged by the Group. The valuation of investment properties was significant to our audit due to the use of significant estimates which require significant judgment. Details of the valuation methodology and key inputs used in the valuation are disclosed in note 19 to the consolidated financial statements.

Other information included in the 2020 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 during the audit, or 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 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 SLASUs 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 SLASUs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control 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 disclose this in our auditor's report, unless the uncertainty is considered to be immaterial to the financial statements, or 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.
- Communicate with those charged with governance about the overall results of the audit, the scope and timing of the audit, significant findings, including any deficiencies in internal control, and other matters that we believe to be important for 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 things, 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 communicate with those charged with governance about compliance 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.

The financial matters communicated with those charged with governance in our audit reports are those that we consider to be most significant for 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 not communicating in our report because of 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 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 expressed 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.

Ranjana Jayasinghe
29 June 2020
Colombo

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

Chief Financial Officer
The Board of Directors is responsible for these financial statements.

Chairman
Director/Chief Executive Officer

29 June 2020
Colombo

SELECTED PERFORMANCE INDICATORS

	As at 31/03/2020		As at 31/03/2019	
	LKR'000	LKR'000	LKR'000	LKR'000
Regulatory Capital Adequacy				
Core Capital (Tier 1 Capital)	11,778,012	11,148,321	11,778,012	11,148,321
Total Capital Base	12,457,896	12,425,511	12,457,896	12,425,511
"Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 6.5%)	14.14%	13.02%	14.14%	13.02%
"Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10.5%)	14.95%	14.52%	14.95%	14.52%
"Capital Funds to Deposit Liabilities Ratio (Minimum Requirement, 10%)	27.80%	23.08%	27.80%	23.08%
Assets Quality (Quality of Loan Portfolio)				
Gross/Non - Performing Accommodations	6,546,153	4,284,638	6,546,153	4,284,638
Gross/Non - Performing Accommodations Ratio %	9.85%	6.51%	9.85%	6.51%
Net Non - Performing Accommodations Ratio %	2.72%	(1.08%)	2.72%	(1.08%)
Profitability (%)				
Interest Margin	12.93%	13.37%	12.93%	13.37%
Return on Assets (Before Tax)	2.24%	3.47%	2.24%	3.47%
Return on Equity (after Tax)	13.15%	16.94%	13.15%	16.94%
Regulatory Liquidity				
Required minimum amount of Liquid Assets	5,403,082	5,678,546	5,403,082	5,678,546
Available amount of Liquid Assets	7,045,435	9,318,322	7,045,435	9,318,322
Required minimum amount of Government Securities	4,571,121	4,778,922	4,571,121	4,778,922
Available amount of Government Securities	4,895,377	5,717,460	4,895,377	5,717,460
Memorandum information				
Number of employees	2,863	3,210	2,863	3,210
Number of branches	63	63	63	63
Number of service centers	55	55	55	55
Number of pawning centers	1	1	1	1

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March 2020

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Profit for the year	1,663,899,075	2,078,678,579	2,006,615,705	2,635,586,844
Net losses on Available-for-sale financial assets reclassified to profit/(loss)	-	-	119,340	-
Net gains / (losses) on remeasuring at fair value through other comprehensive income	-	(19,601,987)	112,255	(18,292,527)
Total other comprehensive income to be reclassified to Statement of profit/(loss)	-	(19,601,987)	112,255	(18,292,527)
Revaluation gain on land and buildings	53,534,692	-	53,534,692	-
Deferred tax charge relating to revaluation gain on buildings	(14,989,714)	-	(14,989,714)	-
	38,544,978	-	38,544,978	-
Actuarial gains on defined benefit plans	(75,984,355)	17,043,754	(79,040,628)	17,139,305