

# COMMERCIAL CREDIT AND FINANCE PLC

## Audited Financial Statements For The Year Ended 31<sup>st</sup> March 2022

(PUBLISHED IN ACCORDANCE WITH SECTION 29 (2) OF THE FINANCE BUSINESS ACT NO. 42 OF 2011)

### STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Company	
In Rupees Thousand	As at 31/03/22	As at 31/03/21
<b>Assets</b>		
Cash and bank balances	2,632,255	2,239,713
Reverse repurchase agreements	354,148	1,476,872
Placements with banks	1,811,884	4,487,754
Financial assets recognised through profit or loss - measured at fair value	5,087,515	5,494,634
Financial assets at amortised cost		
Loans and receivables	18,990,320	18,601,016
Lease Rentals Receivable & Stocks out on hire	55,003,014	49,966,120
Debt & other instruments	-	253,258
Financial assets at fair value through other comprehensive income	2,554	2,554
Other financial assets	461,939	644,132
Inventories	88,973	71,610
Other assets	501,655	794,384
Investment in associate	300,640	340,823
Investment property	1,493,886	1,478,919
Property, plant and equipment	4,826,749	3,457,055
Right of use assets	485,539	412,836
Intangible assets & goodwill	888,783	940,838
Deferred tax Asset	700,375	467,355
<b>Total assets</b>	<b>93,630,228</b>	<b>91,129,873</b>
<b>Liabilities</b>		
Due to banks	19,229,423	22,593,203
Due to customers	48,077,988	47,989,537
Debt instruments issued	1,295,845	1,295,845
Other financial liabilities	1,988,564	1,658,937
Other liabilities	2,317,262	1,518,374
Post employment benefit obligations	334,425	395,652
Current tax liabilities	1,193,393	281,970
<b>Total Liabilities</b>	<b>74,436,899</b>	<b>75,733,517</b>
<b>Shareholders' Funds</b>		
Stated capital	2,150,640	2,150,640
Retained earnings	12,619,873	9,048,914
Reserves	4,422,817	4,196,801
<b>Total Equity</b>	<b>19,193,329</b>	<b>15,396,356</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>93,630,228</b>	<b>91,129,873</b>
<b>Commitments and Contingencies</b>	<b>718,603</b>	<b>476,629</b>

### INCOME STATEMENT

For the period ended 31 March 2022

	Company	
In Rupees Thousand	From 01/04/21 to 31/03/22	From 01/04/20 to 31/03/21
<b>Gross Income</b>	<b>21,820,030</b>	<b>18,191,763</b>
Interest income	18,365,076	16,086,956
Interest expenses	(6,416,135)	(7,051,868)
<b>Net interest income</b>	<b>11,948,942</b>	<b>9,035,088</b>
Fee and commission income	1,797,136	1,072,791
Net income from Real estate sales	7,575	5,801
Net (loss)/gain from trading	23,275	28,156
Other operating income	1,423,847	780,744
Change in fair value of investment property	203,121	217,316
<b>Total operating income</b>	<b>15,403,895</b>	<b>11,139,895</b>
Impairment Charges of financial assets	(1,778,040)	(1,690,341)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	35,247	67,436
<b>Net operating income</b>	<b>13,661,102</b>	<b>9,516,991</b>
<b>Operating expenses</b>		
Personnel expenses	(2,786,839)	(2,454,694)
Depreciation & amortization	(536,566)	(586,687)
Other operating expenses	(2,534,817)	(2,421,659)
<b>Operating profit before Tax on financial services</b>	<b>7,802,880</b>	<b>4,053,951</b>
Value added tax	(1,400,966)	(812,380)
<b>Operating profit after Value Added Tax on financial services</b>	<b>6,401,914</b>	<b>3,241,570</b>
Share of loss of associates	(10,569)	(49,177)
<b>Profit before Taxation</b>	<b>6,391,345</b>	<b>3,192,393</b>
Income Taxation	(1,871,032)	(857,637)
<b>Profit for the year</b>	<b>4,520,313</b>	<b>2,334,756</b>
<b>Profit attributable to:</b>		
Equity holders of the company	4,520,313	2,334,756
Basic Earnings Per Share	14.21	7.34
Diluted Earnings Per Share	14.21	7.34
Dividend Per Share	2.50	-

### STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2022

	Company	
In Rupees Thousand	From 01/04/21 to 31/03/22	From 01/04/20 to 31/03/21
<b>Profit for the year</b>	<b>4,520,313</b>	<b>2,334,756</b>
Net gains/(losses) on remeasuring financial assets at fair value through other comprehensive income	-	(3,738)
<b>Total other comprehensive income to be reclassified to Statement of profit or loss</b>	<b>-</b>	<b>(3,738)</b>
Revaluation gain on land and buildings	-	181,567
Deferred tax charge relating to revaluation gain on buildings	-	(43,576)
	-	137,991
Actuarial gains/(losses) on defined benefit plans	94,535	(6,843)
Deferred tax charge/(reversal) relating to actuarial gain on defined benefit plans	(22,688)	1,642
	71,847	(5,200)
<b>Total other comprehensive income not to be reclassified to Statement of profit or loss</b>	<b>71,847</b>	<b>132,790</b>
<b>Other Comprehensive Income for the year, net of taxes</b>	<b>71,847</b>	<b>129,052</b>
<b>Total Comprehensive Income for the Year</b>	<b>4,592,160</b>	<b>2,463,809</b>

### 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"), which comprise the Statement of Financial Position as at 31 March 2022, 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 give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its 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 (SLAUS). 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 Company 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements 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 matter	How our audit addressed the key audit matter
<p><b>Impairment allowances for Loan, Lease and Hire Purchase receivables</b></p> <p>*As at 31 March 2022, Loan, Lease and Hire Purchase receivables net of impairment allowances amounted to LKR 73.9 Bn and is disclosed in notes 10 &amp; 11. These collectively contributed 79% to the Company's total assets.</p> <p>*Impairment allowances for Loan, Lease and Hire Purchase receivables is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>- materiality of the reported allowance which involved complex calculations; and</li> <li>- significant judgements used in assumptions and estimates made by the management as reflected in note 5.5.5, which in the current year was influenced by the need to assess the change in current economic conditions on forward looking information and the continuing impact of COVID-19 debt moratorium relief measures</li> </ul>	<p>Our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> <li>*We assessed the alignment of the company's impairment computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following: <ul style="list-style-type: none"> <li>*We assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management</li> <li>*We evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls</li> <li>*We checked the completeness, accuracy and classification of the underlying data used in the computation of impairment allowances by agreeing details to relevant source documents and accounting records of the Company</li> <li>*For Loan, Lease and Hire Purchase receivables assessed on a collective basis for impairment: <ul style="list-style-type: none"> <li>*We tested key calculations used in the impairment allowances.</li> <li>*We assessed whether significant judgements used in assumptions and estimate made by the management in the underlying methodology and management overlays were reasonable. We also evaluated the reasonableness of forward looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Our procedures were based on the best available information up to the date of our report</li> </ul> </li> <li>*For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> <li>*We assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on the borrower's particular circumstances</li> <li>*We checked the accuracy of the underlying individual impairment calculations</li> <li>*We evaluated the reasonableness of key inputs used in the provision for credit impairment made with the particular focus on current economic conditions.</li> <li>*Such evaluations were carried out considering value and timing of cash flow forecasts particularly relating to elevated risk industries, status of recovery action and collateral values</li> <li>*We assessed the adequacy of the related financial statement disclosures set out in notes 10 &amp; 11</li> </ul> </li> </ul> </li> </ul>
<p><b>Financial reporting related IT based internal controls</b></p> <p>A significant part of the Company's financial reporting process is primarily reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, financial reporting related IT based internal controls is considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>*We obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures.</li> <li>*We identified and tested checked relevant controls of key IT systems related to the Company's financial reporting process.</li> <li>*We evaluated the design and operating effectiveness of IT controls, including those related to user access and change management.</li> <li>*We checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations</li> </ul>
<p><b>Valuation of Investment Properties</b></p> <p>As at reporting date 31 March 2022, investment Properties carried at fair value, amounted to LKR 1.5 Bn. The fair value of such property was determined by external valuers engaged by the Company. The valuation of Investment Properties was significant to our audit due to the use of significant estimates which require significant judgement.</p> <p>Details of the valuation methodology and key inputs used in the valuation are disclosed in note 18 to the financial statements</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>*We read the professional valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property.</li> <li>*We also assessed the qualifications and expertise of the valuers and reviewed the terms of their engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.</li> <li>*We involved our internal specialised resources to review the valuation reports for the selected properties and assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and suitable for use in determining the fair value for the purpose of assessment of fair value gain/loss and disclosure of fair value in the financial statements. Our internal specialised resources also assessed the assumptions used by the third-party valuers in the valuation process.</li> <li>*We also assessed the adequacy of the disclosures included in the financial statements regarding the key assumptions which have the highest effect in the determination of the fair value of properties as disclosed in note 18</li> </ul>

Other information included in the 2022 Annual Report

Other information consists of the information included in the Company's 2022 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 management and those charged with governance for the financial statements

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company'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:

1. 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.
2. 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 Company'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 Company to cease to continue as a going concern.
5. 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.

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 were 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 2199.

13 June 2022  
Colombo

*Ernst & Young*

### SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

As at 31 March 2022

Item	As at 31/03/2022		As at 31/03/2021	
	Actual	Required	Actual	Required
<b>Regulatory Capital Adequacy</b>				
Core Capital (Tier 1 Capital), Rs. '000	17,152,793		13,016,331	
Total Capital Base, Rs. '000	18,720,043		14,067,803	
"Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7%)"	17.61	7	13.45	6.5
"Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 11%)"	19.22	11	14.55	10.5
"Capital Funds to Deposit Liabilities Ratio (Minimum Requirement, 10%)"	39.92	10	32.08	10
<b>Asset Quality(Quality of Loan Portfolio)</b>				
Gross Non-Performing Accommodations, Rs. '000	3,768,719		4,043,174	
Gross Non-Performing Accommodations Ratio, %	4.67		5.39	
Net Non-Performing Accommodations Ratio, %	(4.09)		(2.94)	
<b>Profitability (%)</b>				
Net Interest Margin			14.8	11.2
Return on Assets			6.92	3.53
Return on Equity			36.96	15.62
<b>Regulatory Liquidity (Rs. '000)</b>				
Required minimum amount of Liquid Assets	5,008,594		3,021,373	
Available amount of Liquid Assets	8,098,312		10,150,224	
Required Minimum amount of Government Securities	5,179,060		3,271,045	
Available amount of Government Securities	5,418,244		5,298,761	
<b>Memorandum information</b>				
Number of Employees	2,883		2,928	
Number of Branches	129		126	
External Credit Rating	BBB (Stable)		BBB (Negative)	

### CERTIFICATION:

We, the undersigned, being the Chief Executive Officer, the Financial Controller and the Compliance Officer of Commercial Credit and Finance PLC certify jointly that:

- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka (CBSL);
- (b) the information contained in these statements have been extracted from the unaudited financial statements of the Licensed Finance Company unless indicated as audited.

(Sgd.)

R.S.Egoda

Director/Chief Executive Officer

Date: 13/06/2022

(Sgd.)

M.A.D.J. Deshapriya

Financial Controller

Date: 13/06/2022

(Sgd.)

M.V.M.Perera

Compliance Officer

Date: 13/06/2022



**COMMERCIAL CREDIT**

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