

COMMERCIAL CREDIT AND FINANCE PLC

Audited Financial Statements For The Year Ended 31st March 2025

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

KEY FINANCIAL DATA FOR THE PERIOD ENDED 31st MARCH 2025 (AUDITED)

In Rupees Million	From 01/04/2024 to 31/03/2025			From 01/04/2023 to 31/03/2024 (Restated)		
	Company	As a % of Interest Income	Group	Company	As a % of Interest Income	Group
Interest Income	27,322	100%	27,338	29,317	100%	29,329
Interest Expenses	(9,460)	-35%	(9,454)	(14,431)	-49%	(14,431)
Net Interest Income	17,862	65%	17,884	14,886	51%	14,898
Net (loss)/gain from trading activities	(25)	0%	(25)	(3)	0%	(3)
Other Income	4,644	17%	4,629	3,888	13%	4,113
Operating Expenses (excluding impairment)	(11,210)	-41%	(11,214)	(9,025)	-31%	(9,034)
Impairment	(1,652)	-6%	(1,652)	(4,237)	-14%	(4,235)
Profit/(Loss) Before Tax	9,619	35%	9,622	5,509	19%	5,739
Taxes	(3,400)	-12%	(3,475)	(2,030)	-7%	(2,098)
Profit/(Loss) After Tax	6,219	23%	6,147	3,479	12%	3,641

KEY FINANCIAL DATA AS AT 31st MARCH 2025 (AUDITED)

In Rupees Million	As at 31 st March 2025			As at 31 st March 2024 - (Restated)		
	Company	As a % of Total Assets	Group	Company	As a % of Total Assets	Group
Assets						
Cash and Bank Balance	9,433	8%	9,439	5,799	6%	5,953
Government Securities	6,739	6%	6,739	6,883	7%	6,883
Loans (excluding due from related parties)	78,923	72%	79,266	80,129	76%	80,176
Investments in Equity	2	0%	2	-	0%	-
Investment Properties and Real Estate	4,223	4%	4,223	2,438	2%	2,438
Property, Plant and Equipment	6,691	6%	6,691	6,796	6%	6,797
Other Assets	4,092	4%	3,910	3,658	3%	3,690
Total Assets	110,103		110,270	105,703		105,937
Liabilities						
Due to Banks	15,116	14%	15,116	12,607	12%	12,607
Deposits from Customers	55,709	51%	55,682	62,121	59%	62,121
Other Borrowings	2,796	2%	2,796	1,296	1%	1,296
Other Liabilities	8,093	7%	8,174	6,667	6%	6,717
Total Liabilities	81,714	74%	81,768	82,691	78%	82,741
Equity						
Stated Capital	2,151	2%	2,151	2,151	2%	2,151
Statutory Reserve Fund	4,666	4%	4,675	4,355	4%	4,364
Retained Earnings	20,674	19%	20,778	11,181	11%	11,356
Other Reserves	898	1%	898	5,325	5%	5,325
Total Equity	28,389	26%	28,502	23,012	22%	23,196
Net Assets Value Per Share (Rs)	89.25		89.61	72.35		72.93

SELECTED KEY PERFORMANCE INDICATORS

Item	As at 31 st March 2025		As at 31 st March 2024 - (Restated)	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	25.63	10	14.87	10
Total Capital Adequacy Ratio	25.74	14	14.96	14
Capital Funds to Deposit Liabilities Ratio	43.76	10	24.49	10
Quality of Loan Portfolio (%)				
Gross Stage 3 Loans Ratio		26.07		41.75
Net Stage 3 Loans Ratio		13.39		30.52
Net Stage 3 Loans to Core Capital Ratio		46.86		188.17
Stage 3 Impairment Coverage Ratio		48.63		26.90
Total Impairment Coverage Ratio		18.10		15.18
Profitability (%)				
Net Interest Margin		16.55		14.41
Return on Assets		8.74		5.21
Return on Equity		21.91		15.12
Cost to Income Ratio		49.87		48.04
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)		402.98		182.07
Liquid Assets to External Funds		32.57		15.10
Memorandum information				
Number of Branches		133		133
External Credit Rating		BBB (Stable) (LRA)		BBB (Positive) (LRA)

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 subsidiary ("the Group"), which comprise the statement of financial position as at 31st March 2025, and the statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies set out on pages 7 to 123.

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 31st March 2025, and of their financial 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 (SLAuSs). 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 for professional Accountants 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.

Emphasis of Matter – Restatement of Comparative Balances

We draw attention to Note 56 to the financial statements which indicates that the comparative balances presented as at and for the year ended 31st March 2024 have been restated. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative balances

The financial statements of the Group and the Company as at and for the years ended 31st March 2024 and 31st March 2023, excluding the adjustments described in Note 56 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 30th May 2024 and 27th June 2023 respectively.

As part of our audit of the financial statements as at and for the year 31st March 2025, we audited the retrospective adjustments described in Note 56 to the financial statements as at and for the year ended 31st March 2024 and the statement of comparative balances as at and for the year ended 31st April 2023. For we were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31st March 2024 or 31st March 2023 (not presented herein) or to the statement of financial position as at 1st April 2023, other than with respect to the retrospective adjustments described in Note 56 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on comparative balances. However, in our opinion, the adjustments described in Note 56 are appropriate and have been properly applied.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Allowance for impairment losses on loans and receivables, lease rental receivables and stock out on hire

Risk Description

As disclosed in Notes 10 and 11 to the financial statements, the Company/Group has recorded an impairment provision of LKR 2,037 Mn relating to loans and receivables and LKR 13,410 Mn relating to lease rental receivables and stock out on hire as at 31st March 2025.

The determination of allowance for impairment losses using the expected credit loss method involves number of complex calculations, such as the calculation of probability of default (PD), loss given default (LGD), stage allocation and exposure at default (EAD) which are reliant on large volume of data and certain key assumptions and judgments including but not limited to macroeconomic scenarios including their weighting and judgment over the appropriateness of the period of input data used.

Additionally, the determination of impairment on individually assessed balances is carried out through the identification of exposures based on set thresholds and estimating the recoverable values considering the related values of assets pledged as securities with an appropriate discount.

Significant management judgement is involved in the selection of those models and the application of assumptions.

Accordingly, impairment allowance on loans and receivables, lease rental receivables and stock out on hire was considered as a key audit matter due to the significance to the financial statements and estimation uncertainty associated with the management assumptions and judgments used in the impairment allowance calculation.

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls related to the measurement of allowance for impairment.
- Evaluating the appropriateness of the accounting policies related to ECL and underlying methodology applied based on the requirements of SLFRS 9 with the involvement of IT systems specialists and our business understanding.
- Evaluating the completeness of customers/facilities assessed individually based on the criteria set for the same and checked the accuracy of the allowance for impairment for such identified individually significant exposures.
- Assessing the appropriateness of estimated overlay by the management for model limitations and independently calculating the stages of loans based on the set criteria for the collectively assessed exposures.
- Assessing the appropriateness of key parameters and assumptions particularly related to the macroeconomic scenarios used in the expected credit loss model.
- Testing the mathematical accuracy of the calculation of allowance for impairment.
- Evaluating the completeness, accuracy and relevance of underlying data used for the calculation of impairment allowance on a sample basis by agreeing to the source documents and IT systems.
- Assessing the adequacy and appropriateness of disclosures made in the financial statements with reference to the requirements of relevant accounting standards.

2. IT systems and controls over financial reporting

Risk Description

The Company's key financial accounting and reporting processes are highly dependent on the automated controls over its information systems. Automated accounting processes, calculations and controls over IT environment, which include IT governance, controls over programme changes, access to programmes, data and IT operations, are required to be designed and operated effectively to ensure accurate financial reporting.

System calculations related to interest income/expenses, impairment and integrations between business systems and financial reporting systems are key areas that could result in the financial records being materially misstated.

We identified IT systems and controls over financial reporting as a key audit matter because the Company's financial accounting and reporting systems are fundamentally reliant on complex IT systems and controls which are driven by significant transaction volumes caused by the size of the customer base.

We used our IT Audit specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting.
- Examining the framework of governance over the Company's IT organisation and the controls over programme changes, access to programmes, data and IT operations, including compensating controls where required.
- Evaluating the design, implementation and operating effectiveness of the IT general controls and IT application controls related to significant accounts and system calculations that are relevant to the Company's financial reporting activities.

3. Valuation of Investment properties, land and buildings under property, plant and equipment

Risk Description

As at 31st March 2025, land and buildings carried at fair value classified as property, plant and equipment and investment properties amounted to LKR 5,395 Mn and LKR 4,223 Mn respectively for the Company/Group.

Management's assessment of the fair value of land and buildings under property, plant and equipment and investment properties is based on valuations performed by a qualified independent property valuers in accordance with recognised industry standards.

We identified valuation of land and buildings under property, plant and equipment and investment properties as a key audit matter due to the significance of the value to the financial statements and the determination of the fair values involves significant judgments and estimation, particularly determining the appropriate valuation methodology to be used, and in estimating the key assumptions applied. These key assumptions includes but not limited to replacement cost per square feet, estimated rental income and current market price taking into consideration for differences such as location, size and condition of the property. A change in the key assumptions will have a significant impact on the fair value of land and buildings under property, plant and equipment and investment properties.

Our audit procedures included:

- Assessing the competency, objectivity and capabilities of the independent external valuers engaged by the management.
- Assessing the reasonableness of the valuers' assumptions and methods used in the valuation and comparing the same with evidence of current market values.
- Engaging our own internal resources to assess the reasonability of the valuation technique, per perch and per square feet prices determined by the management specialist.
- Assessing the adequacy of disclosures made in relation to the valuation of investment properties, revaluation of land and buildings under property, plant and equipment in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' 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 identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 Company's and 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 SLAuSs 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 SLAuSs, 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 Company and the Group's internal control.
- 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.

We also provide 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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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 133 (2) of the Companies Act No. 07 of 2007, we have obtained 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 3029.

Chartered Accountants
Colombo, Sri Lanka

14th July 2025



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