SERENDIB FINANCE LIMITED

(A FULLY OWNED SUBSIDIARY OF COMMERCIAL BANK OF CEYLON PLC)

PUBLICATION OF AUDITED FINANCIAL STATEMENTS AS AT 31.03.2017 AS PER SECTION 29 (2) OF FINANCE BUSINESS ACT NO 42 OF 2011

STATEMENT OF FINANCIAL POSITION

As at 31 March	2017 Rs.	2016 Rs.
ASSETS		
Cash and cash equivalents	19,291,649	4,563,249
Loans and receivables - Lease	2,508,870,665	2,387,464,627
Loans and receivables - Hire Purchase	82,874,518	172,333,940
Loans and receivables - Others	2,921,425,588	508,094,710
Financial investments - Available for sale	71,888,216	17,886,559
Property, plant and equipment	203,662,512	199,040,037
Intangible assets	8,539,738	7,987,045
Current tax assets	-	13,274,928
Other assets	9,621,495	9,695,441
Total assets	**5,826,174,381**	**3,320,340,536**
LIABILITIES		
Due to banks	4,863,279,581	2,464,655,697
Debt securities issued	-	15,000,000
Current tax liabilities	69,420	-
Deferred tax liabilities	59,532,935	21,077,988
Other liabilities	91,425,668	147,993,470
Total liabilities	**5,014,307,604**	**2,648,727,155**
SHAREHOLDERS' FUNDS		
Stated capital	580,000,001	580,000,001
Statutory reserve fund	22,028,859	15,656,516
Retained earnings	114,594,596	(11,981,191)
Other reserves	95,243,321	87,938,055
Total equity	**811,866,777**	**671,613,381**
Total liabilities and equity	**5,826,174,381**	**3,320,340,536**

Certification

We, the undersigned, being the Chief Executive Officer and the Chief Financial Officer of Serendib Finance Limited 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,

(B) The Information contained in these statements has been extracted from the audited financial statements of the Company.

……..(Sgd.)
E.M.P. Edirisinghe
Chief Executive Officer

……..(Sgd.)
C.Y.B. Weerakoon
Chief Financial Officer

Date:- 26.06.2017

STATEMENT OF PROFIT OR LOSS

For the Year ended 31 March	2017 Rs.	2016 Rs.
Interest income	748,511,173	388,572,775
Interest expenses	(438,867,529)	(172,786,297)
Net interest income	**309,643,644**	**215,786,478**
Fee and commission income	75,014,536	54,925,652
Fee and commission expenses	(14,504,739)	(19,022,959)
Net fee and commission income	60,509,797	35,902,693
Other operating income	2,268,777	3,581,307
Total operating income	**372,422,218**	**255,270,478**
Impairment for loans and other losses		
Collective impairment	(17,454,606)	(190,408,629)
Net operating income	**354,967,612**	**64,861,849**
Operating expenses		
Personnel cost	(72,106,871)	(58,820,905)
Depreciation and amortization	(10,293,456)	(9,939,330)
Other expenses	(60,438,522)	(71,181,385)
Operating profit / (loss) before value added tax on financial services	**212,128,763**	**(75,079,771)**
Value added tax on financial services	(28,064,980)	-
Profit / (loss) before taxation	**184,063,783**	**(75,079,771)**
Income tax expense	(56,616,919)	(8,677,804)
Profit / (loss) for the year	**127,446,864**	**(83,757,575)**
Earnings per share		
Basic earnings per ordinary share	**4.15**	**(3.88)**

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 March	2017 Rs.	2016 Rs.
Profit / (loss) for the year	**127,446,864**	**(83,757,575)**
Other comprehensive income		
Revaluation surplus of property, plant and equipment	17,725,391	-
Actuarial gains / (losses) on defined benefit plans	(175,455)	20,109
Net change in fair value of available-for-sale financial assets	49,729	(27,028)
Less: Tax expense / income relating to components of other comprehensive income	(4,793,133)	3,748,445
Total other comprehensive income, net of taxes	12,806,532	3,741,526
Total comprehensive income for the year, net of taxes	**140,253,396**	**(80,016,049)**

REPORT OF THE AUDITORS

KPMG

KPMG
(Chartered Accountants)
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SERENDIB FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Serendib Finance Limited ("the Company"), which comprise the statement of financial position as at March 31, 2017, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit Opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07of2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.
b) In our opinion 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 and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act No 07 of2007.

CHARTERED ACCOUNTANTS
Colombo
26 June 2017

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA, T.J.S. Rajakarier FCA, Ms. S.M.B. Jayasekara ACA, G.A.U. Kumarasinha FCA, R.H. Rajini ACA, P.Y.S. Perera FCA, W.W.J.C. Perera FCA, W.K.D.C Abeysekera FCA, R.M.D.B. Rajapakse FCA, C.P. Jayatilake FCA, Ms. S. Joseph FCA, S.T.D.L. Perera FCA, Ms. B.K.D.T.N. Rodrigo FCA

Principal's - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. C.T.K.N. Perera ACA

SELECTED PERFORMANCE INDICATORS

As at 31 March	2017	2016
Regulatory Capital Adequacy		
Core capital (Tier 1 capital) (Rs. '000)	736,771	603,792
Total capital base (Rs. '000)	736,771	603,792
Core capital adequacy ratio; core capital, as % of risk weighted assets (minimum requirement, 5%)	12.99%	18.77%
Total capital adequacy ratio; total capital, as % of risk weighted assets (minimum requirement, 10%)	12.99%	18.77%
Capital funds to total deposit liabilities ratio (minimum requirement, 10%)	N/A	N/A
Assets Quality (Quality of Loan Portfolio)		
Gross non performing accommodation (Rs. '000)	453,225	448,169
Gross non performing accommodation ratio (%)	7.72%	13.13%
Net non performing accommodation ratio (%)	0.00%	0.00%
Profitability (%)		
Interest margin	7.10%	9.71%
Return on assets (before tax)	4.01%	-3.14%
Return on equity (after tax)	17.96%	-13.69%
Regulatory Liquidity (Rs. '000)		
Required minimum amount of liquid assets	147,798	1,500
Available amount of liquid assets	167,551	101,050
Required minimum amount of government securities	147,798	95,310
Available amount of government securities	148,260	96,487
Memorandum Information		
Number of employees	114	102
Number of branches	5	5
Number of service centers	6	6
Number of pawning centers	0	0

SERENDIB FINANCE
FULLY OWNED SUBSIDIARY OF COMMERCIAL BANK OF CEYLON PLC

187 , KATUGASTOTA ROAD, KANDY
☎ 081-2200272- 2213495-6

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2017	Stated capital Rs.	Capital reserve Rs.	Revaluation reserve Rs.	Statutory reserve fund Rs.	Available for sale assets reserve Rs.	General reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 01 April 2015	**380,000,000**	**50,000**	**64,075,269**	**15,656,516**	**(12,151)**	**20,097,889**	**71,761,906**	**551,629,429**
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(83,757,575)	(83,757,575)
Other comprehensive income for the year net of tax	-	-	3,746,509	-	(19,461)	-	14,478	3,741,526
Total comprehensive income	-	-	3,746,509	-	(19,461)	-	(83,743,097)	(80,016,049)
Transactions with owners of the Company								
Issue of ordinary shares	200,000,001	-	-	-	-	-	-	200,000,001
Balance as at 31 March 2016	**580,000,001**	**50,000**	**67,821,778**	**15,656,516**	**(31,612)**	**20,097,889**	**(11,981,191)**	**671,613,381**
Balance as at 01 April 2016	580,000,001	50,000	67,821,778	15,656,516	(31,612)	20,097,889	(11,981,191)	671,613,381
Comprehensive income								
Profit for the year	-	-	-	-	-	-	127,446,864	127,446,864
Other comprehensive income for the year net of tax	-	-	12,897,055	-	35,805	-	(126,328)	12,806,532
Total comprehensive income	-	-	12,897,055	-	35,805	-	127,320,536	140,253,396
Transection recognized directly in Equity								
Transfer during the year	-	-	-	6,372,343	-	-	(6,372,343)	-
Revaluation surplus transferred to retained earnings on disposal	-	-	(5,627,594)	-	-	-	5,627,594	-
Balance as at 31 March 2017	**580,000,001**	**50,000**	**75,091,239**	**22,028,859**	**4,193**	**20,097,889**	**114,594,596**	**811,866,777**