



# SERENDIB FINANCE LIMITED

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

PUBLICATION OF AUDITED FINANCIAL STATEMENTS AS AT 31.03.2018 AS PER SECTION 29 (2) OF THE FINANCE BUSINESS ACT NO 42 OF 2011

## STATEMENT OF FINANCIAL POSITION

As at 31 March	2018 Rs.	2017 Rs.
<b>ASSETS</b>		
Cash and cash equivalents	226,998,250	19,291,649
Loans and receivables - Lease	2,493,675,396	2,508,870,665
Loans and receivables - Hire Purchase	43,552,048	82,874,518
Loans and receivables - Others	1,749,309,363	2,921,425,588
Financial investments - Available for sale	194,162,369	71,888,216
Property, plant and equipment	198,531,775	203,662,512
Intangible assets	7,627,227	8,539,738
Current tax assets	-	-
Other assets	18,035,054	9,621,495
<b>Total assets</b>	<b>4,931,891,482</b>	<b>5,826,174,381</b>
<b>LIABILITIES</b>		
Due to banks	3,668,025,837	4,863,279,581
Debt securities issued	-	-
Current tax liabilities	13,660,833	69,420
Deferred tax liabilities	1,209,527	59,532,935
Other liabilities	85,239,994	91,425,668
<b>Total liabilities</b>	<b>3,768,136,191</b>	<b>5,014,307,604</b>
<b>SHAREHOLDERS' FUNDS</b>		
Stated capital	1,079,999,992	580,000,001
Statutory reserve fund	22,028,859	22,028,859
Retained earnings	(23,046,820)	114,594,596
Other reserves	84,773,260	95,243,321
<b>Total equity</b>	<b>1,163,755,291</b>	<b>811,866,777</b>
<b>Total liabilities and equity</b>	<b>4,931,891,482</b>	<b>5,826,174,381</b>

### Certification

We, the undersigned, being a Director 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.)

S.R. Pushpakumara

Director

Date:- 25.06.2018

.....(Sgd.)

C.Y.B. Weerakoon

Chief Financial Officer

## STATEMENT OF PROFIT OR LOSS

For the Year ended 31 March	2018 Rs.	2017 Rs.
Interest income	911,206,864	748,511,173
Interest expenses	(572,627,069)	(438,867,529)
<b>Net interest income</b>	<b>338,579,795</b>	<b>309,643,644</b>
Fee and commission income	84,535,910	75,014,536
Fee and commission expenses	(17,275,408)	(14,504,739)
Net fee and commission income	67,260,502	60,509,797
Other operating income	3,181,877	2,268,777
<b>Total operating income</b>	<b>409,022,174</b>	<b>372,422,218</b>
<b>Impairment for loans and other losses</b>		
Collective impairment	(403,072,896)	(17,454,606)
<b>Net operating income</b>	<b>5,949,278</b>	<b>354,967,612</b>
<b>Operating expenses</b>		
Personnel cost	(73,686,663)	(72,106,871)
Depreciation and amortization	(11,342,420)	(10,293,456)
Other expenses	(76,676,891)	(60,438,522)
<b>Operating profit / (loss) before value added tax on financial services</b>	<b>(155,756,696)</b>	<b>212,128,763</b>
Value added tax on financial services	-	(28,064,980)
<b>Profit / (loss) before taxation</b>	<b>(155,756,696)</b>	<b>184,063,783</b>
Income tax expense	33,851,467	(56,616,919)
<b>Profit / (loss) for the year</b>	<b>(121,905,229)</b>	<b>127,446,864</b>

Earnings per share	2018	2017
Basic (loss) / earnings per ordinary share	(3.36)	4.15

## STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 March	2018 Rs.	2017 Rs.
<b>Profit / (loss) for the year</b>	<b>(121,905,229)</b>	<b>127,446,864</b>
<b>Other comprehensive income</b>		
Revaluation surplus of property, plant and equipment	-	17,725,391
Actuarial gains / (losses) on defined benefit plans	(516,752)	(175,455)
Net change in fair value of available-for-sale financial assets	(638,505)	49,729
Less: Tax expense / income relating to components of other comprehensive income	(9,685,865)	(4,793,133)
Total other comprehensive income, net of taxes	(10,842,122)	12,806,532
<b>Total comprehensive income for the year, net of taxes</b>	<b>(132,747,351)</b>	<b>140,253,396</b>



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## STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2018	Stated capital	Capital reserve	Revaluation reserve	Statutory reserve fund	Available for sale assets reserve	General reserve	Retained earnings	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April 2016</b>	<b>580,000,001</b>	<b>50,000</b>	<b>67,821,778</b>	<b>15,666,516</b>	<b>(31,612)</b>	<b>20,097,889</b>	<b>(11,981,191)</b>	<b>671,613,381</b>
<b>Comprehensive income</b>								
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
<b>Total comprehensive income</b>								
Transactions 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	-
<b>Balance as at 31 March 2017</b>	<b>580,000,001</b>	<b>50,000</b>	<b>75,091,239</b>	<b>22,028,859</b>	<b>4,193</b>	<b>20,097,889</b>	<b>114,594,596</b>	<b>811,866,777</b>
<b>Balance as at 01 April 2017</b>	<b>580,000,001</b>	<b>50,000</b>	<b>75,091,239</b>	<b>22,028,859</b>	<b>4,193</b>	<b>20,097,889</b>	<b>114,594,596</b>	<b>811,866,777</b>
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	-	-	(121,905,229)	(121,905,229)
Other comprehensive income for the year net of tax	-	-	(10,009,617)	-	(460,444)	-	(372,061)	(10,842,122)
<b>Total comprehensive income</b>								
Transactions with owners of the Company								
Issue of ordinary shares	499,999,991	-	-	-	-	-	-	499,999,991
Dividends to equity holders - 2016/17	-	-	-	-	-	-	(15,364,126)	(15,364,126)
<b>Balance as at 31 March 2018</b>	<b>1,079,999,992</b>	<b>50,000</b>	<b>65,081,622</b>	<b>22,028,859</b>	<b>(456,251)</b>	<b>20,097,889</b>	<b>(23,046,820)</b>	<b>1,163,755,291</b>

## REPORT OF THE AUDITORS



KPMG  
(Chartered Accountants)  
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### INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SERENDIB FINANCE LIMITED

Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Serendib Finance Limited ("the Company"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other 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 March 31, 2018, 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.

#### Other Information

Management is responsible for the other information. These financial statements do not comprise other information.

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

#### 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slas.com/srilanka/auditandresponsibilities>. This description forms part of our auditor's report.

#### 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.

*KPMG*

CHARTERED ACCOUNTANTS  
Colombo, Sri Lanka  
25 June 2018

AKR (UK) PCCA  
T.S.R. Rajaratnam PCCA  
M. S.M.A. Jayasinghe PCCA  
G.A.L. Kumaran PCCA  
R.J. Rajan PCCA

P.T.B. Perera PCCA  
M.W.G. Perera PCCA  
W.D.C. Abeyratne PCCA  
M.D.B. Subasinghe PCCA  
M.H.A. Sharmila PCCA

C.P. Jayatilaka PCCA  
M. S. Anura PCCA  
R.T.L. Perera PCCA  
M. S.A.C.A. Ranasinghe PCCA  
M.H.A. Sharmila PCCA  
S.B. Jayasinghe PCCA  
S.B. Jayasinghe PCCA  
M.S. Gunaratne PCCA

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

## SELECTED PERFORMANCE INDICATORS

As at 31 March	2018	2017
<b>Regulatory Capital Adequacy</b>		
Core capital (Tier 1 capital) (Rs. '000)	1,099,130	736,771
Total capital base (Rs. '000)	1,099,130	736,771
Core capital adequacy ratio; core capital as % of risk weighted assets (minimum requirement, 5%)	24.48%	13.03%
Total capital adequacy ratio; total capital as % of risk weighted assets (minimum requirement, 10%)	24.48%	13.03%
Capital funds to total deposit liabilities ratio (minimum requirement, 10%)	N/A	N/A
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Gross non performing accommodation (Rs. '000)	1,355,428	453,225
Gross non performing accommodation ratio (%)	26.86%	7.72%
Net non performing accommodation ratio (%)	7.46%	0.00%
<b>Profitability (%)</b>		
Interest margin	6.86%	7.10%
Return on assets (before tax)	-2.94%	4.01%
Return on equity (after tax)	-13.41%	17.96%
<b>Regulatory Liquidity (Rs. '000)</b>		
Required minimum amount of liquid assets	273,849	147,798
Available amount of liquid assets	497,298	167,551
Required minimum amount of government securities	273,849	147,798
Available amount of government securities	274,953	148,260
<b>Memorandum Information</b>		
Number of employees	111	114
Number of branches	5	5
Number of service centers	6	6
Number of pawning centers	0	0