

SERENDIB FINANCE LIMITED

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

PUBLICATION OF AUDITED FINANCIAL STATEMENTS AS AT 31.03.2020 AS PER SECTION 29 (2) OF THE FINANCE BUSINESS ACT NO 42 OF 2011

Fitch Rating AA-(lka)

STATEMENT OF PROFIT OR LOSS

For the Year ended 31 March	2020 Rs.	2019 Rs.
Interest income	1,131,105,742	816,789,064
Interest expenses	(570,215,062)	(470,462,645)
Net interest income	560,890,680	346,326,419
Fee and commission income	60,049,624	62,075,679
Fee and commission expenses	(1,345,217)	(12,451,457)
Net fee and commission income	58,704,407	49,624,222
Other operating income	19,593,963	5,464,246
Total operating income	639,189,050	401,414,887
Impairment for loans and other losses : Collective impairment	(276,360,800)	(205,712,726)
Net operating income	362,828,250	195,702,161
Personnel cost	(92,157,135)	(73,205,334)
Depreciation and amortization	(20,718,484)	(10,341,714)
Other expenses	(72,136,610)	(77,447,528)
Operating profit before taxes on financial services	177,816,021	34,707,585
Taxes on financial services	(49,771,274)	(14,627,501)
Profit before taxation	128,044,747	20,080,084
Income tax expense	(59,068,763)	(378,244)
Profit for the year	68,975,984	19,701,840
Earnings per share:		
Basic earnings per ordinary share	0.48	0.24

STATEMENT OF FINANCIAL POSITION

As at 31 March	2020 Rs.	2019 Rs.
ASSETS		
Cash and cash equivalents	56,383,446	60,922,009
Loans and receivables - Lease	1,650,766,118	2,284,813,874
Loans and receivables - Hire Purchase	416,583	1,829,435
Loans and receivables - Others	5,159,441,421	3,339,820,602
Financial investments	274,841,377	332,084,039
Property, plant, equipment and right of use assets	251,072,103	196,582,613
Intangible assets	11,617,126	10,443,805
Deferred tax assets	146,687,202	157,006,118
Other assets	24,297,974	22,103,455
Total assets	7,575,523,350	6,405,605,950
LIABILITIES		
Due to banks	5,085,412,198	4,426,027,341
Due to customers	222,658,572	-
Current tax liabilities	34,154,410	-
Other liabilities	79,089,357	85,211,280
Total liabilities	5,421,314,537	4,511,238,621
EQUITY		
Stated capital	2,254,999,964	2,079,999,975
Statutory reserve fund	26,462,750	23,013,951
Retained earnings	(229,776,653)	(294,391,823)
Other reserves	102,525,752	85,745,226
Total equity	2,154,208,813	1,894,367,329
Total liabilities and equity	7,575,523,350	6,405,605,950


SELECTED PERFORMANCE INDICATORS

As at 31 March	2020	2019
Regulatory Capital Adequacy		
Core capital (Tier 1 capital) (Rs. '000)	1,913,527	1,661,320
Total capital base (Rs. '000)	2,071,831	1,828,769
Core capital adequacy ratio; core capital as % of risk weighted assets (minimum requirement - 6.5%) (2019 - 6%)	21.82%	23.34%
Total capital adequacy ratio; total capital as % of risk weighted assets (minimum requirement - 10.5%) (2019 - 10%)	21.82%	23.34%
Capital funds to total deposit liabilities ratio (minimum requirement - 10%)	967%	N/A
Assets Quality (Quality of Loan Portfolio)		
Gross non performing accommodation (Rs. '000)	1,775,888	1,480,025
Gross non performing accommodation ratio (%)	22.56%	22.33%
Net non performing accommodation ratio (%)	4.89%	3.71%
Profitability (%)		
Interest margin	9.25%	7.46%
Return on assets (before tax)	1.83%	0.35%
Return on equity (after tax)	3.41%	1.29%
Regulatory Liquidity (Rs. '000)		
Required minimum amount of liquid assets	266,808	238,071
Available amount of liquid assets	323,366	360,789
Required minimum amount of government securities	266,040	319,461
Available amount of government securities	266,074	319,553
Memorandum Information		
Number of employees	131	120
Number of branches	10	4
Number of service centers	0	6
Number of pawning centers	0	0

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 March	2020 Rs.	2019 Rs.
Profit for the year	68,975,984	19,701,840
Other comprehensive income		
Revaluation surplus of property, plant and equipment	22,863,247	-
Actuarial gains / (losses) on defined benefit plans	(1,270,854)	410,169
Net change in fair value of FVOCI financial assets	443,039	(396,149)
Less: Tax expense / (income) relating to components of other comprehensive income	(6,169,921)	(3,924)
Total other comprehensive income, net of taxes	15,865,511	10,096
Total comprehensive income for the year, net of taxes	84,841,495	19,711,936

REPORT OF THE AUDITORS



KPMG
Chartered Accountants
22A, 22B, 22C, 22D, 22E, 22F, 22G, 22H, 22I, 22J, 22K, 22L, 22M, 22N, 22O, 22P, 22Q, 22R, 22S, 22T, 22U, 22V, 22W, 22X, 22Y, 22Z, 22AA, 22AB, 22AC, 22AD, 22AE, 22AF, 22AG, 22AH, 22AI, 22AJ, 22AK, 22AL, 22AM, 22AN, 22AO, 22AP, 22AQ, 22AR, 22AS, 22AT, 22AU, 22AV, 22AW, 22AX, 22AY, 22AZ, 22BA, 22BB, 22BC, 22BD, 22BE, 22BF, 22BG, 22BH, 22BI, 22BJ, 22BK, 22BL, 22BM, 22BN, 22BO, 22BP, 22BQ, 22BR, 22BS, 22BT, 22BU, 22BV, 22BW, 22BX, 22BY, 22BZ, 22CA, 22CB, 22CC, 22CD, 22CE, 22CF, 22CG, 22CH, 22CI, 22CJ, 22CK, 22CL, 22CM, 22CN, 22CO, 22CP, 22CQ, 22CR, 22CS, 22CT, 22CU, 22CV, 22CW, 22CX, 22CY, 22CZ, 22DA, 22DB, 22DC, 22DD, 22DE, 22DF, 22DG, 22DH, 22DI, 22DJ, 22DK, 22DL, 22DM, 22DN, 22DO, 22DP, 22DQ, 22DR, 22DS, 22DT, 22DU, 22DV, 22DW, 22DX, 22DY, 22DZ, 22EA, 22EB, 22EC, 22ED, 22EE, 22EF, 22EG, 22EH, 22EI, 22EJ, 22EK, 22EL, 22EM, 22EN, 22EO, 22EP, 22EQ, 22ER, 22ES, 22ET, 22EU, 22EV, 22EW, 22EX, 22EY, 22EZ, 22FA, 22FB, 22FC, 22FD, 22FE, 22FF, 22FG, 22FH, 22FI, 22FJ, 22FK, 22FL, 22FM, 22FN, 22FO, 22FP, 22FQ, 22FR, 22FS, 22FT, 22FU, 22FV, 22FW, 22FX, 22FY, 22FZ, 22GA, 22GB, 22GC, 22GD, 22GE, 22GF, 22GG, 22GH, 22GI, 22GJ, 22GK, 22GL, 22GM, 22GN, 22GO, 22GP, 22GQ, 22GR, 22GS, 22GT, 22GU, 22GV, 22GW, 22GX, 22GY, 22GZ, 22HA, 22HB, 22HC, 22HD, 22HE, 22HF, 22HG, 22HH, 22HI, 22HJ, 22HK, 22HL, 22HM, 22HN, 22HO, 22HP, 22HQ, 22HR, 22HS, 22HT, 22HU, 22HV, 22HW, 22HX, 22HY, 22HZ, 22IA, 22IB, 22IC, 22ID, 22IE, 22IF, 22IG, 22IH, 22II, 22IJ, 22IK, 22IL, 22IM, 22IN, 22IO, 22IP, 22IQ, 22IR, 22IS, 22IT, 22IU, 22IV, 22IW, 22IX, 22IY, 22IZ, 22JA, 22JB, 22JC, 22JD, 22JE, 22JF, 22JG, 22JH, 22JI, 22JJ, 22JK, 22JL, 22JM, 22JN, 22JO, 22JP, 22JQ, 22JR, 22JS, 22JT, 22JU, 22JV, 22JW, 22JX, 22JY, 22JZ, 22KA, 22KB, 22KC, 22KD, 22KE, 22KF, 22KG, 22KH, 22KI, 22KJ, 22KL, 22KM, 22KN, 22KO, 22KP, 22KQ, 22KR, 22KS, 22KT, 22KU, 22KV, 22KW, 22KX, 22KY, 22KZ, 22LA, 22LB, 22LC, 22LD, 22LE, 22LF, 22LG, 22LH, 22LI, 22LJ, 22LK, 22LL, 22LM, 22LN, 22LO, 22LP, 22LQ, 22LR, 22LS, 22LT, 22LU, 22LV, 22LW, 22LX, 22LY, 22LZ, 22MA, 22MB, 22MC, 22MD, 22ME, 22MF, 22MG, 22MH, 22MI, 22MJ, 22MK, 22ML, 22MN, 22MO, 22MP, 22MQ, 22MR, 22MS, 22MT, 22MU, 22MV, 22MW, 22MX, 22MY, 22MZ, 22NA, 22NB, 22NC, 22ND, 22NE, 22NF, 22NG, 22NH, 22NI, 22NJ, 22NK, 22NL, 22NM, 22NN, 22NO, 22NP, 22NQ, 22NR, 22NS, 22NT, 22NU, 22NV, 22NW, 22NX, 22NY, 22NZ, 22OA, 22OB, 22OC, 22OD, 22OE, 22OF, 22OG, 22OH, 22OI, 22OJ, 22OK, 22OL, 22OM, 22ON, 22OO, 22OP, 22OQ, 22OR, 22OS, 22OT, 22OU, 22OV, 22OW, 22OX, 22OY, 22OZ, 22PA, 22PB, 22PC, 22PD, 22PE, 22PF, 22PG, 22PH, 22PI, 22PJ, 22PK, 22PL, 22PM, 22PN, 22PO, 22PP, 22PQ, 22PR, 22PS, 22PT, 22PU, 22PV, 22PW, 22PX, 22PY, 22PZ, 22QA, 22QB, 22QC, 22QD, 22QE, 22QF, 22QG, 22QH, 22QI, 22QJ, 22QK, 22QL, 22QM, 22QN, 22QO, 22QP, 22QQ, 22QR, 22QS, 22QT, 22QU, 22QV, 22QW, 22QX, 22QY, 22QZ, 22RA, 22RB, 22RC, 22RD, 22RE, 22RF, 22RG, 22RH, 22RI, 22RJ, 22RK, 22RL, 22RM, 22RN, 22RO, 22RP, 22RQ, 22RR, 22RS, 22RT, 22RU, 22RV, 22RW, 22RX, 22RY, 22RZ, 22SA, 22SB, 22SC, 22SD, 22SE, 22SF, 22SG, 22SH, 22SI, 22SJ, 22SK, 22SL, 22SM, 22SN, 22SO, 22SP, 22SQ, 22SR, 22SS, 22ST, 22SU, 22SV, 22SW, 22SX, 22SY, 22SZ, 22TA, 22TB, 22TC, 22TD, 22TE, 22TF, 22TG, 22TH, 22TI, 22TJ, 22TK, 22TL, 22TM, 22TN, 22TO, 22TP, 22TQ, 22TR, 22TS, 22TT, 22TU, 22TV, 22TW, 22TX, 22TY, 22TZ, 22UA, 22UB, 22UC, 22UD, 22UE, 22UF, 22UG, 22UH, 22UI, 22UJ, 22UK, 22UL, 22UM, 22UN, 22UO, 22UP, 22UQ, 22UR, 22US, 22UT, 22UU, 22UV, 22UW, 22UX, 22UY, 22UZ, 22VA, 22VB, 22VC, 22VD, 22VE, 22VF, 22VG, 22VH, 22VI, 22VJ, 22VK, 22VL, 22VM, 22VN, 22VO, 22VP, 22VQ, 22VR, 22VS, 22VT, 22VU, 22VV, 22VW, 22VX, 22VY, 22VZ, 22WA, 22WB, 22WC, 22WD, 22WE, 22WF, 22WG, 22WH, 22WI, 22WJ, 22WK, 22WL, 22WM, 22WN, 22WO, 22WP, 22WQ, 22WR, 22WS, 22WT, 22WU, 22WV, 22WW, 22WX, 22WY, 22WZ, 22XA, 22XB, 22XC, 22XD, 22XE, 22XF, 22XG, 22XH, 22XI, 22XJ, 22XK, 22XL, 22XM, 22XN, 22XO, 22XP, 22XQ, 22XR, 22XS, 22XT, 22XU, 22XV, 22XW, 22XX, 22XY, 22XZ, 22YA, 22YB, 22YC, 22YD, 22YE, 22YF, 22YG, 22YH, 22YI, 22YJ, 22YK, 22YL, 22YM, 22YN, 22YO, 22YP, 22YQ, 22YR, 22YS, 22YT, 22YU, 22YV, 22YW, 22YX, 22YY, 22YZ, 22ZA, 22ZB, 22ZC, 22ZD, 22ZE, 22ZF, 22ZG, 22ZH, 22ZI, 22ZJ, 22ZK, 22ZL, 22ZM, 22ZN, 22ZO, 22ZP, 22ZQ, 22ZR, 22ZS, 22ZT, 22ZU, 22ZV, 22ZW, 22ZX, 22ZY, 22ZZ

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER 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 31 March 2020, 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 financial position of the Company as at 31 March 2020, 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 (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 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 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'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 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.
- 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.

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.


CHARTERED ACCOUNTANTS
 Colombo, Sri Lanka
 29 June 2020

Certification

We, the undersigned, being the Managing Director / 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.)

D.M.U.N. Dissanayake
Managing Director / Chief Executive Officer
Date:- 29.06.2020

.....(Sgd.)

G.P.P. Perera
Chief Financial Officer
Date:- 29.06.2020

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