

CBC FINANCE LIMITED

Formerly known as Serendib Finance Limited

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

PUBLICATION OF AUDITED FINANCIAL STATEMENTS AS AT 31.03.2021 AS PER SECTION 29 (2) OF THE FINANCE BUSINESS ACT NO 42 OF 2011

Fitch Rating 'A(Ika)' / Stable

STATEMENT OF PROFIT OR LOSS		
For the Year ended 31 March	2021 Rs.	2020 Rs.
Interest income	963,004,076	1,131,105,742
Interest expenses	(480,981,089)	(572,366,015)
Net interest income	482,022,987	558,739,727
Fee and commission income	61,590,055	60,049,624
Fee and commission expenses	(1,341,109)	(1,345,217)
Net fee and commission income	60,248,946	58,704,407
Other operating income	33,315,321	19,593,963
Total operating income	575,587,254	637,038,097
Impairment for loans and other losses :		
Collective impairment	(196,479,621)	(276,360,800)
Net operating income	379,107,633	360,677,297
Personnel cost	(104,423,835)	(92,157,135)
Depreciation and amortization	(29,804,077)	(20,718,484)
Other expenses	(74,626,468)	(69,985,657)
Fair value losses on investment properties	(7,711,634)	-
Operating profit before taxes on financial services	162,541,619	177,816,021
Taxes on financial services	(33,098,736)	(49,771,274)
Profit before taxation	129,442,883	128,044,747
Income tax expense	(64,952,304)	(59,068,763)
Profit for the year	64,490,579	68,975,984
Basic earnings per ordinary share	0.35	0.48

STATEMENT OF FINANCIAL POSITION		
As at 31 March	2021 Rs.	2020 Rs.
ASSETS		
Cash and cash equivalents	324,309,571	56,383,446
Financial investments	739,313,591	274,841,377
Loans and advances	8,070,139,117	6,810,624,122
Investment properties	25,150,000	-
Property, plant, equipment and right of use assets	289,531,739	251,072,103
Intangible assets	31,199,041	11,617,126
Deferred tax assets	195,023,364	146,687,202
Other assets	26,236,364	24,297,974
Total assets	9,700,902,787	7,575,523,350
LIABILITIES		
Due to customers	4,838,979,172	222,658,572
Due to banks	1,411,123,680	5,085,412,198
Current tax liabilities	101,505,099	34,154,410
Other liabilities	126,336,909	79,089,357
Total liabilities	6,477,944,860	5,421,314,537
EQUITY		
Stated capital	3,254,999,963	2,254,999,964
Statutory reserve fund	29,687,279	26,462,750
Other reserves	107,483,317	102,525,752
Retained earnings	(169,212,632)	(229,779,653)
Total equity	3,222,957,927	2,154,208,813
Total liabilities and equity	9,700,902,787	7,575,523,350

STATEMENT OF COMPREHENSIVE INCOME			
For the Year ended 31 March	2021 Rs.	2020 Rs.	
Profit for the year	64,490,579	68,975,984	
Other comprehensive income			
Revaluation surplus of property, plant and equipment	-	22,863,247	
Actuarial losses on defined benefit plans	(838,044)	(1,270,854)	
Net change in fair value of FVOCI financial assets	539,307	443,039	
Less: Tax (income) / expense relating to components of other comprehensive income	71,697	(6,169,921)	
Effect on change in tax rate	4,485,576	-	
Total other comprehensive income, net of taxes	4,258,536	15,865,511	
Total comprehensive income for the year, net of taxes	68,749,115	84,841,495	

SELECTED PERFORMANCE INDICATORS		
As at 31 March	2021	2020
Regulatory Capital Adequacy		
Core capital (Tier 1 capital) (Rs. '000)	3,135,622	2,071,831
Total capital base (Rs. '000)	3,135,622	2,071,831
Core capital adequacy ratio; core capital as % of risk weighted assets (minimum requirement - 6.5%) (2020 - 6.5%)	26.57%	21.82%
Total capital adequacy ratio; total capital as % of risk weighted assets (minimum requirement - 10.5%) (2020 - 10.5%)	26.57%	21.82%
Capital funds to total deposit liabilities ratio (minimum requirement - 10%)	66.60%	967.49%
Assets Quality (Quality of Loan Portfolio)		
Gross non performing accommodation (Rs. '000)	1,270,896	1,775,888
Gross non performing accommodation ratio (%)	14.08%	22.56%
Net non performing accommodation ratio (%)	3.48%	9.07%
Profitability (%)		
Interest margin	6.21%	8.35%
Return on assets (before tax)	1.50%	1.83%
Return on equity (after tax)	2.40%	3.41%
Regulatory Liquidity (Rs. '000)		
Required minimum amount of liquid assets	327,138	266,808
Available amount of liquid assets	859,160	323,366
Required minimum amount of government securities	247,734	266,040
Available amount of government securities	536,036	266,074
Memorandum Information		
Number of employees	145	131
Number of branches	10	10
Number of service centers	0	0
Number of pawning centers	0	0

Certification

We, the undersigned, being the Managing Director / Chief Executive Officer and the Chief Financial Officer of CBC 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:- 28.06.2021

.....(Sgd.)

G.P.P. Perera

Chief Financial Officer

Date:- 28.06.2021



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CBC FINANCE LIMITED (FORMERLY KNOWN AS SERENDIB FINANCE LIMITED)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CBC Finance Limited (formerly known as Serendib Finance Limited), ("the Company"), which comprise the statement of financial position as at 31 March 2021, 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 31 March 2021, 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 include the other information.

Our opinion on the financial statements do not cover the other information and we do 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 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

28 June 2021

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