

# 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 31.12.2021 AS PER SECTION 29 (2) OF THE FINANCE BUSINESS ACT NO 42 OF 2011

Fitch Rating 'A(Ika)' / Stable



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

### TO THE SHAREHOLDERS OF CBC FINANCE LIMITED

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of CBC Finance Limited ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period 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 December 2021, and of its financial performance and its cash flows for the period 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 does 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

30 March 2022

M.R. Mihular FCA  
T.J.S. Rajakar FCA  
Ms. S.M.B. Jayasekara FCA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alshakoor ACA

P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyaratne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Sharmistha FCA  
Ms. P.M.K. Sumanasekara FCA

C.P. Jayatilaka FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
Ms. P.M.K. Sumanasekara FCA

Principals - S.R.L. Perera FCMA(UK), LL.B., Attorney-at-Law, H.S. Gooneswardene ACA, W.A.A. Weerasekera CFA, ACCA, MRICS

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| Statement of Comprehensive Income   | 09 months ended<br>31 December 2021<br>Rs. | Year ended<br>31 March 2021<br>Rs. |
|---|--|------------------------------------|
| <b>Profit for the period</b>  | <b>33,243,064</b>                          | <b>64,490,579</b>                  |
| <b>Other comprehensive income</b>   |  |                                    |
| Revaluation surplus of property, plant and equipment                            | -  | -                                  |
| Actuarial losses on defined benefit plans                                       | (1,772,400)                                | (838,044)                          |
| Net change in fair value of FVOCI financial assets                              | 117,059                                    | 539,307                            |
| Less: Tax (income)/expense relating to components of other comprehensive income | 467,123                                    | 71,697                             |
| Effect on change in tax rate  | -  | 4,485,576                          |
| Total other comprehensive income, net of taxes                                  | (1,188,218)                                | 4,258,536                          |
| <b>Total comprehensive income for the period, net of taxes</b>                  | <b>32,054,846</b>                          | <b>68,749,115</b>                  |

| Selected Performance Indicators   | As at<br>31 December 2021 | As at<br>31 March 2021 |
|---|---------------------------|------------------------|
| <b>Regulatory Capital Adequacy</b>  |                           |                        |
| Core capital (Tier 1 capital) (Rs. '000)  | 3,167,519                 | 3,135,622              |
| Total capital base (Rs. '000)   | 3,167,519                 | 3,135,622              |
| Core capital adequacy ratio; core capital as % of risk weighted assets (minimum requirement - 7.0%) (31.03.2021 - 6.5%)     | 25.49%                    | 26.57%                 |
| Total capital adequacy ratio; total capital as % of risk weighted assets (minimum requirement - 11.0%) (31.03.2021 - 10.5%) | 25.49%                    | 26.57%                 |
| Capital funds to total deposit liabilities ratio (minimum requirement - 10%)  | 62.49%                    | 64.80%                 |
| <b>Assets Quality (Quality of Loan Portfolio)</b>   |                           |                        |
| Gross non performing accommodation (Rs. '000)   | 1,302,619                 | 1,270,896              |
| Gross non performing accommodation ratio (%)  | 13.14%                    | 14.08%                 |
| Net non performing accommodation ratio (%)  | 1.30%                     | 3.48%                  |
| <b>Profitability (%)</b>  |                           |                        |
| Interest margin   | 6.23%                     | 6.21%                  |
| Return on assets (before tax)   | 0.88%                     | 1.50%                  |
| Return on equity (after tax)  | 1.03%                     | 2.40%                  |
| <b>Regulatory Liquidity (Rs. '000)</b>  |                           |                        |
| Required minimum amount of liquid assets  | 533,463                   | 327,138                |
| Available amount of liquid assets   | 967,794                   | 859,160                |
| Required minimum amount of government securities  | 464,804                   | 247,734                |
| Available amount of government securities   | 836,440                   | 536,036                |
| <b>Memorandum Information</b>   |                           |                        |
| Number of employees   | 145                       | 145                    |
| 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:- 30.03.2022

.....(Sgd.)

G.P.P. Perera

Chief Financial Officer

Date:- 30.03.2022

| Statement of Profit or Loss                                | 09 months ended<br>31 December 2021<br>Rs. | Year ended<br>31 March 2021<br>Rs. |
|--|--|------------------------------------|
| Interest income  | 867,325,363                                | 963,004,076                        |
| Interest expenses  | (334,440,001)                              | (480,981,089)                      |
| <b>Net interest income</b>                                 | <b>532,885,362</b>                         | <b>482,022,987</b>                 |
| Fee and commission income                                  | 47,139,286                                 | 61,590,055                         |
| Fee and commission expenses                                | (2,733,253)                                | (1,341,109)                        |
| <b>Net fee and commission income</b>                       | <b>44,406,033</b>                          | <b>60,248,946</b>                  |
| Other operating income                                     | 30,200,763                                 | 33,315,321                         |
| <b>Total operating income</b>                              | <b>607,492,158</b>                         | <b>575,587,254</b>                 |
| Impairment for loans and other losses                      | (308,796,124)                              | (196,479,621)                      |
| <b>Net operating income</b>                                | <b>298,696,034</b>                         | <b>379,107,633</b>                 |
| Personnel cost   | (89,536,207)                               | (104,423,835)                      |
| Depreciation and amortization                              | (27,276,191)                               | (29,804,077)                       |
| Other expenses   | (68,434,520)                               | (74,626,468)                       |
| Fair value losses on investment properties                 | -  | (7,711,634)                        |
| <b>Operating profit before taxes on financial services</b> | <b>113,449,116</b>                         | <b>162,541,619</b>                 |
| Taxes on financial services                                | (25,336,328)                               | (33,098,736)                       |
| <b>Profit before taxation</b>                              | <b>88,112,788</b>                          | <b>129,442,883</b>                 |
| Income tax expense   | (54,869,724)                               | (64,952,304)                       |
| <b>Profit for the period</b>                               | <b>33,243,064</b>                          | <b>64,490,579</b>                  |
| <b>Basic earnings per ordinary share</b>                   | <b>0.15</b>                                | <b>0.35</b>                        |

| Statement of Financial Position                     | As at<br>31 December 2021<br>Rs. | As at<br>31 March 2021<br>Rs. |
|---|----------------------------------|-------------------------------|
| <b>ASSETS</b>                                       |                                  |                               |
| Cash and cash equivalents                           | 154,599,310                      | 324,309,571                   |
| Financial investments                               | 838,541,192                      | 739,313,591                   |
| Loans and advances                                  | 8,712,636,883                    | 8,070,139,117                 |
| Investment properties                               | 25,150,000                       | 25,150,000                    |
| Property, plant & equipment and right of use assets | 329,578,292                      | 289,531,739                   |
| Intangible assets                                   | 29,393,058                       | 31,199,041                    |
| Deferred tax assets                                 | 193,579,595                      | 195,023,364                   |
| Other assets  | 29,569,726                       | 26,236,364                    |
| <b>Total assets</b>                                 | <b>10,313,048,056</b>            | <b>9,700,902,787</b>          |
| <b>LIABILITIES</b>                                  |                                  |                               |
| Due to customers                                    | 5,068,847,716                    | 4,838,979,172                 |
| Due to banks  | 1,769,503,838                    | 1,411,123,680                 |
| Current tax liabilities                             | 44,140,864                       | 101,505,099                   |
| Other liabilities                                   | 175,542,865                      | 126,336,909                   |
| <b>Total liabilities</b>                            | <b>7,058,035,283</b>             | <b>6,477,944,860</b>          |
| <b>EQUITY</b>                                       |                                  |                               |
| Stated capital                                      | 3,254,999,963                    | 3,254,999,963                 |
| Statutory reserve fund                              | 31,349,432                       | 29,687,279                    |
| Other reserves                                      | 107,642,123                      | 107,483,317                   |
| Retained earnings                                   | (138,978,745)                    | (169,212,632)                 |
| <b>Total equity</b>                                 | <b>3,255,012,773</b>             | <b>3,222,957,927</b>          |
| <b>Total liabilities and equity</b>                 | <b>10,313,048,056</b>            | <b>9,700,902,787</b>          |

During the year, the Company changed its financial year end from 31 March to 31 December with the concurrence of the Dept. of Inland Revenue in order to have a common financial year end with that of the parent company, Commercial Bank of Ceylon PLC. Accordingly, financial statements for 2021 are for the nine months ended 31 December 2021.

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A Fully Owned Subsidiary of Commercial Bank of Ceylon PLC