

# Commercial Leasing & Finance PLC FINANCIAL STATEMENTS



For the Year Ended 31<sup>st</sup> March 2018

## INCOME STATEMENT

	Group		Company	
	For the year ended 31 <sup>st</sup> March		For the year ended 31 <sup>st</sup> March	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Interest income	13,320,336	10,752,921	13,347,778	10,898,203
Interest expense	(6,994,795)	(6,125,876)	(6,994,795)	(6,125,876)
Net interest income	6,325,541	4,627,045	6,352,983	4,772,327
Other operating income	2,234,424	2,331,372	2,477,072	2,331,372
<b>Total operating income</b>	<b>8,559,965</b>	<b>6,958,417</b>	<b>8,830,055</b>	<b>7,103,699</b>
Impairment for loans and other losses				
Individual impairment	(855,169)	(554,858)	(855,169)	(554,858)
Collective impairment	(200,823)	(157,219)	(200,823)	(157,219)
<b>Net operating income</b>	<b>7,503,973</b>	<b>6,246,340</b>	<b>7,774,063</b>	<b>6,391,622</b>
Personnel expenses	(1,387,268)	(1,103,658)	(1,387,268)	(1,103,658)
Depreciation and amortization	(113,661)	(109,606)	(113,661)	(109,606)
Other expenses	(2,910,412)	(2,525,919)	(2,910,412)	(2,525,919)
<b>Operating profit before VAT on Financial services and NBT</b>	<b>3,092,633</b>	<b>2,507,157</b>	<b>3,362,722</b>	<b>2,652,441</b>
VAT on financial services and NBT	(610,955)	(457,911)	(610,955)	(457,911)
<b>Operating profit after VAT on Financial services and NBT</b>	<b>2,481,678</b>	<b>2,049,247</b>	<b>2,751,767</b>	<b>2,194,530</b>
Share of profits of associates	153,268	10,245	153,268	10,245
<b>Profit before tax</b>	<b>2,634,945</b>	<b>2,059,492</b>	<b>2,905,035</b>	<b>2,204,775</b>
Tax expenses	(760,712)	(518,471)	(760,712)	(518,471)
<b>Profit for the period from Continuing operations</b>	<b>1,874,233</b>	<b>1,541,021</b>	<b>2,144,323</b>	<b>1,686,303</b>
Discontinued operations				
Profit/ (loss) for the period from discontinued operations	(81,495)	365,209		
<b>Profit for the year</b>	<b>1,792,738</b>	<b>1,906,230</b>	<b>2,144,323</b>	<b>1,686,303</b>
Attributable to;				
Equity holders of the Company	1,792,638	1,896,644	2,144,323	1,686,303
Non-controlling interests	100	9,586		
<b>Profit for the year</b>	<b>1,792,738</b>	<b>1,906,230</b>	<b>2,144,323</b>	<b>1,686,303</b>
Basic/Diluted earnings per ordinary share (Rs.)	0.28	0.30	0.34	0.26

Figures in brackets indicate deductions.

## STATEMENT OF OTHER COMPREHENSIVE INCOME

	Group		Company	
	For the year ended 31 <sup>st</sup> March		For the year ended 31 <sup>st</sup> March	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>Profit for the period</b>	<b>1,792,738</b>	<b>1,906,230</b>	<b>2,144,323</b>	<b>1,686,303</b>
Other comprehensive income, net of tax				
Revaluation of property, plant and equipment	77,008	747,892	77,008	747,892
Actuarial gains and losses on defined benefit plans	(6,094)	(5,626)	(6,094)	(8,591)
Net change in fair value of available for sale financial assets	149,781	(42,069)	149,781	(40,107)
Effective portion of changes in fair value of cash flow hedges	(114,213)	18,493	(114,213)	18,493
Share of other comprehensive income from equity accounted investee	11,933	199	11,933	199
Income tax recognised in other comprehensive income	67,751	(26,912)	67,751	(26,082)
<b>Other comprehensive income for the period, net of taxes</b>	<b>186,167</b>	<b>691,978</b>	<b>186,167</b>	<b>691,805</b>
<b>Total comprehensive income for the period</b>	<b>1,978,905</b>	<b>2,598,208</b>	<b>2,330,490</b>	<b>2,378,108</b>
Attributable to;				
Equity holders of the Company	1,978,803	2,588,622	2,330,490	2,378,108
Non-controlling interests	102	9,586		
<b>Total comprehensive income for the period</b>	<b>1,978,905</b>	<b>2,598,208</b>	<b>2,330,490</b>	<b>2,378,108</b>

## STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at 31.03.2018		As at 31.03.2017	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>				
Cash and cash equivalents	2,150,420	2,377,558	1,487,849	
Other financial assets held-for-trading	2,715,175	153,997	2,715,175	
Other investments	16,650,125	6,505,214	15,753,954	
Loans and receivables - Leases	14,070,619	14,983,134	13,971,615	
Loans and receivables - Hire purchase	10,656	378	1,133	
Loans and receivables - Others	49,977,947	44,793,716	39,962,723	
Value Added Tax (VAT) recoverable	264,969	94,646	264,969	
Property, plant and equipment	2,120,039	1,227,576	1,975,784	
Intangible assets	5,943	3,910	5,943	
Investment properties	46,000	1,632,000	46,000	
Investment in subsidiary	-	-	1,023,302	
Equity accounted investees	83,059	1,506,850	83,059	
Goodwill on acquisition	253,211	-	-	
Other assets	542,538	229,447	469,591	
<b>Total assets</b>	<b>88,890,701</b>	<b>73,508,445</b>	<b>77,761,097</b>	
<b>Liabilities</b>				
Due to banks	1,805,044	1,353,451	1,390,807	
Derivative Liabilities	15,562	271,625	15,562	
Due to customers	18,749,265	23,485,109	15,935,942	
Other borrowings	46,317,070	28,932,662	44,266,931	
Current tax liabilities	520,758	519,887	413,645	
Deferred tax liabilities	347,867	477,339	337,045	
Amounts due to related companies	5,360,026	158,748	84,598	
Retirement benefit obligations	95,895	89,326	72,300	
Other liabilities	1,149,910	1,714,303	1,068,732	
<b>Total liabilities</b>	<b>74,361,396</b>	<b>57,002,421</b>	<b>63,585,563</b>	
<b>Equity</b>				
Stated capital	1,425,947	1,425,947	1,425,947	
Statutory reserve fund	660,370	728,842	628,919	
Retained earnings	11,417,908	13,091,600	11,039,654	
Other reserves	1,022,386	1,259,636	1,081,014	
<b>Equity attributable to shareholders of the Company</b>	<b>14,526,611</b>	<b>16,506,024</b>	<b>14,175,534</b>	
Non-controlling interests	2,694	-	-	
<b>Total equity and liabilities</b>	<b>88,890,701</b>	<b>73,508,445</b>	<b>77,761,097</b>	
Net assets value per ordinary share (Rs.)	2.28	2.59	2.22	



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Commercial Leasing and Finance PLC  
Report on the Audit of the Financial Statements

**Opinion**  
We have audited the financial statements of Commercial Leasing & Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), 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 of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 Group 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Impairment of Rentals receivable on leases & hire purchases, Loans and advances and Factoring receivables  
The Group has Rentals receivable on leases & hire purchases amounting to Rs. 14,984 Mn and Loans and advances amounting to Rs. 41,209 Mn and Factoring receivables amounting to Rs. 3,585 Mn as at 31 March 2018 (Note 17, Note 18 and Note 19 to the Financial Statements respectively). The impairment of Rentals receivable on leases & hire purchases, Loans and advances and Factoring receivables assessed by the Company on individual and collective basis.

### Risk Descriptions

**Individual impairment**  
The impairment loss allowance on an individual basis requires management to make judgments to determine whether there is objective evidence of impairment to make assumptions about the financial condition of the Rentals receivable on leases & hire purchases, Loans and advances and Factoring receivables and present value of expected future cash flows.

**Collective impairment**  
For the purposes of the collective impairment, loans which are having similar credit risk characteristics are assessed collectively for impairment testing. Collective assessment includes grouping of loans and receivables with homogeneous risk characteristics and applying historical loss rates derived based on statistical models.  
We have identified Impairment of Loans and Receivables to Customers as a key audit matter because of its significance to the financial statements and estimation uncertainty in measuring impairment.

### Our Responses

**Our audit procedures included:**  
- On sample basis, testing the accuracy of the aging computation of Loans and Receivables to Customers and testing the completeness and accuracy of the data extraction.  
- Validating the accuracy of the collective and individual impairment models by re-performing the calculations on sample basis.  
- Assessing the appropriateness of key assumptions, including collateral valuations and forecasted cash flows, based on our knowledge of the business and the actual past experience of the Group's loan portfolios on sample basis.

- Assessing the adequacy of disclosures on the financial statements in compliance with relevant accounting standards requirements.

### Accounting for loss of control in BRAC Lanka Finance PLC

As detailed in Note 12 discontinued operations, the Group interest in BRAC Lanka Finance PLC has decreased from 99.76% to 44.33% immediately after the right issue. Consequently, with effect from that, the Group's holding over BRAC Lanka Finance PLC has been transferred from Investment in subsidiary to Equity Accounted Investee.

### Risk Description

We identified the accounting for the interest in BRAC as a key audit matter because the loss of control has a significant effect on the consolidated financial statements based on the size and the judgment involved in assessing the loss of control and the significant influence.

### Our audit procedures included:

- Assessing the management's assessment of loss of control and the accounting treatment of divestment against the requirements of relevant accounting standards.  
- Assessing the appropriateness of the management assessment to account the BRAC Lanka Finance PLC under Equity Method of Accounting against the applicable accounting standards requirements.

- Assessing the accuracy of the accounting treatment for loss of control, net loss/gain attributable to discontinued operation and the equity method of accounting.  
- Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's and the Group'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.

As part of an audit in accordance with SLAuS, 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 and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.  
- Assess 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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial performance of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for managing the risk of our opinion being qualified, revised or withdrawn. We remain solely responsible for our audit opinion.

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.  
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 143 (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 Group. The financial statements of the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007. CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

18 June 2018

KPMG

KPMG  
Colombo, Sri Lanka

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