

# Citizens Development Business Finance PLC

## Audited Financial Statements for the Year Ended 31st March 2017

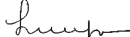
### STATEMENT OF FINANCIAL POSITION

As at 31st March	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Assets</b>				
Cash and cash equivalents	454,060,886	722,351,389	507,020,353	729,789,337
Financial Instruments held for trading	163,041,242	121,963,136	163,041,242	121,963,136
Loans and receivables to Banks	655,672,752	2,967,869,560	655,672,752	2,979,124,401
Deposits with licensed commercial banks	1,893,614,973	1,602,179,104	1,893,614,973	1,610,310,601
Loans and receivables to customers	43,189,010,000	38,538,920,189	43,605,197,173	38,753,565,171
Investment securities	3,563,432,005	3,272,075,270	3,637,044,991	3,305,826,584
Investment in subsidiaries	509,917,734	509,917,734	-	-
Investment property	20,197,977	20,197,977	20,197,977	20,197,977
Property, plant and equipment	1,839,091,339	1,606,958,136	1,841,767,912	1,610,637,819
Intangible assets	65,684,057	68,319,145	84,567,862	71,364,171
Goodwill on consolidation	-	-	244,179,431	244,179,431
Other assets	1,580,562,177	1,195,560,588	1,581,148,187	1,199,128,682
<b>Total assets</b>	<b>53,934,285,142</b>	<b>50,626,312,228</b>	<b>54,233,452,853</b>	<b>50,646,087,310</b>
<b>Liabilities</b>				
Deposits from customers	32,601,835,772	30,887,693,800	32,590,453,434	30,803,916,225
Debt securities issued	2,075,631,256	1,044,135,005	2,075,631,256	1,044,135,005
Other Interest bearing borrowings	10,957,016,763	11,301,685,401	11,117,537,538	11,309,582,401
Current tax Liabilities	178,702,459	109,133,435	179,107,537	111,020,227
Deferred tax liabilities	628,721,153	479,764,584	638,986,722	481,839,851
Retirement benefit obligation	15,793,782	53,036,495	15,860,949	53,036,495
Other liabilities	1,235,419,457	1,698,895,014	1,300,953,577	1,736,886,058
<b>Total liabilities</b>	<b>47,693,120,642</b>	<b>45,574,343,734</b>	<b>47,918,531,013</b>	<b>45,540,416,262</b>
<b>Equity</b>				
Stated capital	1,185,061,645	1,185,061,645	1,185,061,645	1,185,061,645
Reserves	2,402,087,846	1,802,100,577	2,406,392,166	1,803,892,583
Retained earnings	2,654,015,009	2,064,806,272	2,690,686,075	2,086,228,841
Total equity attributable to equity holders of the Company	6,241,164,500	5,051,968,494	6,282,139,886	5,075,183,069
Non-controlling interests	-	-	32,781,954	30,487,979
<b>Total equity</b>	<b>6,241,164,500</b>	<b>5,051,968,494</b>	<b>6,314,921,840</b>	<b>5,105,671,048</b>
<b>Total liabilities and equity</b>	<b>53,934,285,142</b>	<b>50,626,312,228</b>	<b>54,233,452,853</b>	<b>50,646,087,310</b>
Net Assets Value per Share	114.93	93.03	115.68	93.46
Contingencies and commitments	123,100,000	142,000,000	123,100,000	142,000,000

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007 and Finance Business Act No. 42 of 2011.

  
**Damith Tennakoon**  
 Director/Deputy CEO/CFO

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements. Approved and signed for and on behalf of the Board,

  
**D H J Gunawardena**  
 Chairman  
 5th June 2017, Colombo

  
**C M Nanayakkara**  
 Managing Director / CEO

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Revenue</b>	<b>8,591,218,471</b>	<b>7,486,004,737</b>	<b>8,703,057,323</b>	<b>7,549,279,021</b>
Interest income	7,587,180,220	6,647,024,326	7,685,823,575	6,702,884,036
Interest expense	4,699,481,882	3,588,413,274	4,707,708,328	3,591,419,119
<b>Net interest income</b>	<b>2,887,698,338</b>	<b>3,058,611,052</b>	<b>2,978,115,247</b>	<b>3,111,464,917</b>
Net fee and commission income	219,503,400	210,597,153	232,630,536	215,144,560
Other operating income	784,534,851	628,383,258	784,603,212	631,250,425
<b>Total Operating Income</b>	<b>3,891,736,589</b>	<b>3,897,591,463</b>	<b>3,995,348,995</b>	<b>3,957,859,902</b>
Less: Impairment charges and other credit losses on financial assets	226,270,633	399,389,388	232,206,084	404,555,817
<b>Net Operating Income</b>	<b>3,665,465,956</b>	<b>3,498,202,075</b>	<b>3,763,142,911</b>	<b>3,553,304,085</b>
Less: Operating expenses				
Personnel expenses	879,609,007	745,240,108	901,957,667	753,839,428
Premises, equipment and establishment expenses	1,097,754,082	979,218,342	1,112,627,095	991,812,457
Other expenses	290,685,528	350,568,816	316,153,568	356,325,850
<b>Total Operating Expenses</b>	<b>2,268,048,617</b>	<b>2,075,027,266</b>	<b>2,330,738,330</b>	<b>2,101,977,735</b>
Operating profit before value added tax (VAT), nation Building Tax (NBT) on financial services and Crop Insurance Levy (CIL)	1,397,417,339	1,423,174,809	1,432,404,581	1,451,326,350
Less: Value added tax and other taxes	169,916,213	169,231,306	172,625,626	172,859,238
<b>Profit before tax</b>	<b>1,227,501,126</b>	<b>1,253,943,503</b>	<b>1,259,778,955</b>	<b>1,278,467,112</b>
Less: Income tax expenses	220,986,176	248,790,365	234,694,679	257,692,714
<b>Profit for the year</b>	<b>1,006,514,950</b>	<b>1,005,153,138</b>	<b>1,025,084,276</b>	<b>1,020,774,398</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	1,006,514,950	1,005,153,138	1,022,774,436	1,018,620,020
Non-controlling interests	-	-	2,309,840	2,154,378
<b>Profit for the year</b>	<b>1,006,514,950</b>	<b>1,005,153,138</b>	<b>1,025,084,276</b>	<b>1,020,774,398</b>
<b>Other comprehensive income (Net of tax)</b>				
Items that will not be reclassified to profit or loss				
Net actuarial gains/(losses) on defined benefit plan	(25,934,999)	(2,606,050)	(25,934,999)	(2,479,428)
	(25,934,999)	(2,606,050)	(25,934,999)	(2,479,428)
<b>Items that are or may be reclassified to profit or loss</b>				
<b>Fair value reserve</b>				
Net gain/(loss) on available-for-sale financial assets	70,613,279	(105,113,911)	72,274,405	(104,527,481)
Net change in revaluation surplus	328,071,000	42,600,000	328,071,000	42,600,000
	398,684,279	(62,513,911)	400,345,405	(61,927,481)
<b>Other comprehensive income net of tax</b>	<b>372,749,280</b>	<b>(65,119,961)</b>	<b>374,410,406</b>	<b>(64,406,909)</b>
<b>Total comprehensive income for the year</b>	<b>1,379,264,230</b>	<b>940,033,177</b>	<b>1,399,494,682</b>	<b>956,367,489</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	1,379,264,230	940,033,177	1,397,025,041	954,144,542
Non-controlling interests	-	-	2,469,641	2,222,947
<b>Total comprehensive income for the year</b>	<b>1,379,264,230</b>	<b>940,033,177</b>	<b>1,399,494,682</b>	<b>956,367,489</b>
<b>Earnings per share</b>				
Basic/Diluted earnings per share	18.53	18.51	18.83	18.76

### Selected Performance Indicators

Indicator	Company	
	As at 31-03-2017	As at 31-03-2016
<b>Asset Quality (Rs. 000)</b>		
Gross Non- Performing Accommodations*	1,347,155	1,412,121
Gross Non- Performing Accommodations Ratio, %*	3.08%	3.62%
Net Non- Performing Accommodations Ratio, %**	1.05%	1.56%
<b>Liquidity (Rs. 000)</b>		
Required minimum amount of liquid assets	3,648,520	3,403,962
Available amount of liquid assets	4,650,390	6,664,229
Required minimum amount of government securities	2,250,269	2,068,234
Available amount of government securities	2,945,424	5,115,654
<b>Capital Adequacy (Rs. 000)</b>		
Core capital (tier 1 capital)	5,699,421	4,838,296
Total capital base	6,527,801	4,845,213
Core capital to risk weighted assets ratio (minimum 5%)	12.32%	11.72%
Total capital to risk weighted assets ratio (minimum 10%)	14.12%	11.74%
Capital funds to total deposit liabilities ratio (minimum 10%)	21.65%	15.69%
<b>Profitability</b>		
Interest margin (annualized %)	5.52%	6.90%
Return on average assets-after-tax (annualized %)	1.93%	2.27%
Return on average equity-after-tax (annualized %)	17.83%	21.5%
<b>Memorandum information</b>		
Number of employees	1,439	1,167
Number of branches	57	50
Number of service centres	11	11
Number of pawning centres	1	1

\* Net of interest in suspense \*\* Net of interest in suspense and provision

### Independent Auditors' Report



**KPMG**  
 (Chartered Accountants)  
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### TO THE SHAREHOLDERS OF CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

#### Report on the Financial Statements

We have audited the accompanying financial statements of Citizens Development Business Finance PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 242 to 353 of the annual report.

Internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above
- In our opinion:
  - 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,
  - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of Sections 151 and 153 of the Companies Act No. 07 of 2007.

#### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's

  
 Chartered Accountants  
 Colombo  
 5th June 2017

M.R. Mihular FCA  
 T.J.S. Rajakarier FCA  
 Ms. S.M.B. Jayasekara ACA  
 G.A.U. Kumaratne FCA  
 R.H. Rajan ACA

P.Y.S. Perera FCA  
 W.W.J.C. Perera FCA  
 W.K.D.C. Abeyratne FCA  
 R.M.D.B. Rajapakse FCA

C.P. Jayatilake FCA  
 Ms. S. Joseph FCA  
 S.T.D.L. Perera FCA  
 Ms. B.K.D.T.N. Rodrigo FCA

Principals - S.R.J. Perera FCA(UK), LLB, Attorney-at-Law, H.S. Goonewardena ACA  
 Ms. C.T.K.N. Perera ACA(UK)

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

**CDB**  
 Your Friend

**Citizens Development Business Finance PLC**

No. 123, Orabipasha Mawatha, Colombo 10.

Registration No. PB232PQ

Date of incorporation: 07th September 1995

Licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

Hotline: 011 7 388 388

ICRA LANKA "[SL] BBB (stable)"

2016/17 Annual Report can be accessed on our website www.cdb.lk