

Citizens Development Business Finance PLC

Audited Financial Statements for the Year Ended 31st March 2016


STATEMENT OF FINANCIAL POSITION

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Assets				
Cash and cash equivalents	722,351,389	313,394,279	729,789,337	334,358,488
Financial Instruments held for trading	121,963,136	56,220,230	121,963,136	56,220,230
Loans and Receivables to Banks	2,967,869,560	301,700,000	2,979,124,401	301,700,000
Deposits with Licensed Commercial Banks	1,602,179,104	1,933,216,541	1,610,310,601	1,943,406,672
Loans and advances to customers	38,538,920,189	29,378,799,251	38,753,565,171	29,620,437,218
Investment securities	3,272,075,270	3,140,348,599	3,305,826,584	3,146,426,620
Investment in Subsidiaries	509,917,734	427,745,447	-	-
Investment Property	20,197,977	20,197,977	20,197,977	20,197,977
Property, Plant and equipment	1,606,958,136	1,421,342,866	1,610,637,819	1,426,432,810
Intangible assets	68,319,145	71,159,770	71,364,171	75,792,298
Goodwill on Consolidation	-	-	244,179,431	244,179,431
Other assets	1,195,560,588	949,583,620	1,199,128,682	955,914,234
Total assets	50,626,312,228	38,013,708,580	50,646,087,310	38,125,065,978
Liabilities				
Deposits from customers	30,887,693,800	27,079,133,660	30,803,916,225	27,079,133,660
Debt securities issued	1,044,135,005	1,043,481,193	1,044,135,005	1,043,481,193
Other interest-bearing borrowings	11,301,685,401	3,780,763,484	11,309,582,401	3,838,570,678
Current tax liabilities	109,133,435	111,513,609	111,020,227	117,226,977
Deferred tax liabilities	479,764,584	282,079,149	481,839,851	283,654,115
Retirement benefit obligations	53,036,495	45,298,838	53,036,495	45,425,460
Other liabilities	1,698,895,014	1,369,435,106	1,736,886,058	1,378,202,112
Total liabilities	45,574,343,734	33,711,705,039	45,540,416,262	33,785,694,195
Equity				
Stated capital	1,185,061,645	1,185,061,645	1,185,061,645	1,185,061,645
Reserves	1,802,100,577	1,663,583,860	1,803,892,583	1,664,062,266
Retained earnings	2,064,806,272	1,453,358,036	2,086,228,841	1,460,464,302
Total equity attributable to equity holders of the Company	5,051,968,494	4,302,003,541	5,075,183,069	4,309,588,213
Non-controlling interests	-	-	30,487,979	29,783,570
Total equity	5,051,968,494	4,302,003,541	5,105,671,048	4,339,371,783
Total liabilities and equity	50,626,312,228	38,013,708,580	50,646,087,310	38,125,065,978
Net assets value per ordinary share	93.03	79.22	93.46	79.36

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/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
6th June 2016, Colombo


C M Nanayakkara
Managing Director / CEO

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Revenue	7,486,004,737	6,907,077,362	7,549,279,021	6,940,752,486
Interest income	6,647,024,326	6,251,533,117	6,702,884,036	6,285,172,241
Interest expense	3,588,413,274	3,381,455,430	3,591,419,119	3,389,183,278
Net interest income	3,058,611,052	2,870,077,687	3,111,464,917	2,895,988,963
Net fee and commission income	210,597,153	171,042,479	215,144,560	171,042,479
Other Operating income	628,383,258	484,501,766	631,250,425	484,537,765
Total Operating Income	3,897,591,463	3,525,621,932	3,957,859,902	3,551,569,207
Less: Impairment charge on financial assets	399,389,388	680,943,423	404,555,817	678,624,063
Net Operating Income	3,498,202,075	2,844,678,509	3,553,304,085	2,872,945,144
Less:				
Personnel expenses	745,240,108	601,721,927	753,839,428	602,916,858
Premises, Equipment and Establishment Expenses	979,218,342	892,543,376	991,812,457	900,793,282
Other expenses	350,568,816	306,361,521	356,325,850	306,361,521
Total Operating Expenses	2,075,027,266	1,800,626,824	2,101,977,735	1,810,071,661
Operating Profit before value added tax on financial services (VAT), Nation Building Tax (NBT) and Crop Insurance Levy (CIL)	1,423,174,809	1,044,051,685	1,451,326,350	1,062,873,483
Less: Value added tax and other taxes	169,231,306	92,631,221	172,859,238	94,622,484
Profit before tax	1,253,943,503	951,420,464	1,278,467,112	968,250,999
Less: Income tax expense	248,790,365	249,686,559	257,692,714	257,828,764
Profit for the year	1,005,153,138	701,733,905	1,020,774,398	710,422,235
Profit attributable to:				
Equity holders of the Company	1,005,153,138	701,733,905	1,018,620,020	709,451,620
Non-controlling interests	-	-	2,154,378	970,615
Profit for the year	1,005,153,138	701,733,905	1,020,774,398	710,422,235
Other comprehensive income:				
Items that will never be reclassified to profit or loss				
Remeasurements of defined benefit liability/ (asset)				
Net Actuarial gains/(losses) on Defined benefit plan	(14,465,131)	(27,065,583)	(14,338,509)	(26,987,033)
Expected return on plan asset	11,859,081	10,509,949	11,859,081	10,509,949
	(2,606,050)	(16,555,634)	(2,479,428)	(16,477,084)
Items that are or may be reclassified to profit or loss				
Fair value reserve				
Net change in fair value of available-for-sale financial assets	(105,113,911)	164,518,800	(104,527,481)	164,518,800
Net change in Revaluation surplus	42,600,000	38,307,978	42,600,000	38,307,978
	(62,513,911)	202,826,778	(61,927,481)	202,826,778
Other comprehensive income net of tax	(65,119,961)	186,271,144	(64,406,909)	186,349,694
Total comprehensive income	940,033,177	888,005,049	956,367,489	896,771,929
Total comprehensive income attributable to:				
Equity holders of the Company	940,033,177	888,005,049	954,144,544	895,790,522
Non-controlling interests	-	-	2,222,945	981,407
Total comprehensive income	940,033,177	888,005,049	956,367,489	896,771,929
Earnings per share				
Basic earnings per share	18.51	12.92	18.76	13.06

Selected Performance Indicators

Indicator	Company	
	As at 31-03-2016	As at 31-03-2015
Asset Quality (Rs. 000)		
Gross Non- Performing Accommodations*	1,412,121	1,727,617
Gross Non- Performing Accommodations Ratio, %*	3.62%	5.78%
Net Non- Performing Accommodations Ratio, %**	1.56%	3.19%
Liquidity (Rs. 000)		
Required minimum amount of liquid assets	3,403,962	2,977,502
Available amount of liquid assets	6,664,229	4,262,267
Required minimum amount of government securities	2,068,234	1,679,439
Available amount of government securities	5,115,654	2,322,464
Capital Adequacy (Rs. 000)		
Core capital (tier 1 capital)	4,838,296	4,130,931
Total capital base	4,845,213	5,031,161
Core capital to risk weighted assets ratio (minimum 5%)	11.72%	12.79%
Total capital to risk weighted assets ratio (minimum 10%)	11.74%	15.57%
Capital funds to total deposit liabilities ratio (minimum 10%)	15.69%	18.58%
Profitability		
Interest margin (annualized %)	6.90%	8.00%
Return on average assets-before-tax (annualized %)	2.83%	2.65%
Return on average equity-after-tax (annualized %)	21.49%	17.81%
Memorandum information		
Number of employees	1167	1136
Number of branches	50	47
Number of service centers	11	11
Number of pawning centers	1	1

* Net of Interest in suspense ** Net of Interest in suspense and provision

Independent Auditors' Report



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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 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 198 to 279 of the annual report.

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.

Auditor's 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

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 2016, 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 2016, 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.


Chartered Accountants
Colombo
6th June 2016