



INTERIM FINANCIAL STATEMENTS

LANKA CREDIT AND BUSINESS FINANCE PLC



FOR THE PERIOD
ENDED 31ST
DECEMBER 2021

LANKA CREDIT AND BUSINESS FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME
Interim Financial Statements for the period ended 31 December 2021

	FOR THE 3 MONTH ENDED			FOR THE 9 MONTH ENDED		
	Unaudited		Change %	Unaudited		Change %
	31.12.2021 Rs.	31.12.2020 Rs.		31.12.2021 Rs.	31.12.2020 Rs.	
Income	105,718,008	111,197,919	-5%	392,666,362	330,597,098	19%
Interest Income	93,788,440	105,817,647	-11%	364,751,095	312,654,131	17%
Less: Interest expenses	(20,931,477)	(25,247,614)	-17%	(62,652,690)	(81,262,283)	-23%
Net interest income	72,856,964	80,570,032	-10%	302,098,405	231,391,848	31%
Fee and commission income	11,485,086	6,382,067	80%	27,252,092	18,574,302	47%
Less: Fee and commission expenses	-	-	0%	-	-	0%
Net fee and commission income	11,485,086	6,382,067	80%	27,252,092	18,574,302	47%
Net Other Operating Income/(Expense)	444,481	(1,001,795)	-144%	663,175	(631,335)	-205%
Total Operating Profit	84,786,532	85,950,305	-1%	330,013,672	249,334,815	32%
Impairment(Charge)/Reversal on Loan and Receivables	35,202,536	5,343,443	559%	(11,524,932)	(7,279,439)	58%
Net Operating Income	119,989,068	91,293,748	31%	318,488,740	242,055,377	32%
Less : Operating Expenses						
Personnel Costs	(26,250,484)	(24,147,225)	9%	(76,512,579)	(64,484,346)	19%
Depreciation and Amortization	(9,952,817)	(9,579,341)	4%	(32,212,984)	(29,526,210)	9%
Other Operating expenses	(20,069,740)	(19,856,103)	1%	(56,438,169)	(43,192,563)	31%
	(56,273,042)	(53,582,669)	5%	(165,163,731)	(137,203,119)	20%
Operating Profit before Tax on Financial Services	63,716,026	37,711,081	69%	153,325,009	104,852,258	46%
Taxes on Financial Services	(9,851,218)	(4,132,557)	138%	(20,022,482)	(15,430,795)	30%
Profit before tax	53,864,808	33,578,524	60%	133,302,528	89,421,463	49%
Less: Income tax (expense)/Reversal	(24,048,626)	-	0%	(50,813,092)	(18,615,312)	173%
Profit for the Year	29,816,182	33,578,524	-11%	82,489,435	70,806,151	17%
Other comprehensive income/ (expenses)						
Other comprehensive income that will not to be reclassified to profit or loss:						
Actuarial gain/(loss) on defined benefit plan	-	-		-	-	
Deferred tax effect on actuarial gain/(loss)	-	-		-	-	
Total comprehensive income for the year, net of tax	29,816,182	33,578,524	-11%	82,489,435	70,806,151	17%
Basic earnings per share (Rs.)	0.04	0.01		0.10	0.01	

LANKA CREDIT AND BUSINESS FINANCE PLC**STATEMENT OF FINANCIAL POSITION**

Interim Financial Statements As at 31 December 2021

	Unaudited 31.12.2021 Rs.	Audited 31.03.2021 Rs.
Assets		
Cash and Cash Equivalent	309,331,183	218,507,168
Financial Investment at amortised Cost	683,879,566	662,295,154
Financial assets at amortised Cost - Loans and Receivables	2,353,785,474	1,969,102,470
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	392,521,090	336,747,406
Other Financial Assets	17,673,391	7,763,678
Financial Assets Measured at Fair value through Profit or Loss	-	100,463,534
Income	25,638,213	315,813
Other Non Financial Assets	58,282,271	37,862,474
Property, Plant and Equipment	34,364,702	39,025,049
Right of Use Assets	41,426,073	52,982,570
Intangible Assets	39,357,259	42,186,213
Deferred Tax Asset	154,816,398	205,629,491
Total Assets	4,111,075,620	3,672,881,020
Liabilities		
Financial Liabilities at amortised Cost - Due to Banks	332,058,703	518,414,541
Financial Liabilities at amortised Cost - Due to customers	982,371,888	831,583,929
Other Financial Liabilities	55,893,770	175,135,322
Other Non Financial Liabilities	47,258,360	36,498,714
Retirement Benefits Liabilities	4,065,110	4,310,160
Total Liabilities	1,421,647,831	1,565,942,666
Equity		
Stated Capital	2,539,133,400	2,039,133,400
Reserves	41,070,101	41,070,101
Retained Earnings	109,224,288	26,734,853
Total Equity	2,689,427,789	2,106,938,354
Total Equity and Liabilities	4,111,075,620	3,672,881,020
Net Asset Per Share	3.40	3.17

The information contained in these financial statements have been extracted from the unaudited Financial Statements unless indicated as "Audited"

CERTIFICATION:

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

(Sgd.)

Kelum Wannige
AGM Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements, Signed for and on behalf of the Board of Directors by,

(Sgd.)

K G Leelananda
CEO/Director

(Sgd.)

W M A Bandara
Chairman/Director

31 January 2022
Colombo

LANKA CREDIT AND BUSINESS FINANCE PLC
STATEMENT OF CHANGES IN EQUITY
Interim Financial Statements for the period ended 31 December 2021

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Rs.	Total Equity Rs.
Balance as at 01 April 2020 (Audited)	3,231,604,341	(1,788,052,934)	39,819,924	1,483,371,331
Net Profit / (loss) for the Period	-	70,806,151		70,806,151
Other Comprehensive Income Net of Tax	-			
Transfer to Statutory Reserve Fund		(1,861,381)	1,861,381	-
Total Comprehensive Income for the period, net of Tax	-	68,944,770	1,861,381	70,806,151
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Shares issued during the period	315,633,401	-	-	315,633,401
Capital Reduction from existing capital	(1,791,604,341)	1,791,604,341	-	-
Total Transactions with Equity Holders	(1,475,970,941)	1,791,604,341	-	315,633,401
Balance as at 31 December 2020	1,755,633,400	72,496,178	41,681,304	1,869,810,882
Balance as at 01 April 2021 (Audited)	2,039,133,400	26,734,853	41,070,102	2,106,938,355
Net Profit / (loss) for the Period	-	82,489,435	-	82,489,435
Other Comprehensive Income Net of Tax	-	-	-	-
Total Comprehensive Income for the Period, Net of Tax	-	82,489,435	-	82,489,435
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Shares issued during the period	500,000,000	-	-	500,000,000
Total Transactions with Equity Holders	500,000,000	-	-	500,000,000
Balance as at 31 December 2021	2,539,133,400	109,224,288	41,070,102	2,689,427,790

LANKA CREDIT AND BUSINESS FINANCE PLC
STATEMENT OF CASH FLOWS
Interim Financial Statements for the period ended 31 December 2021

	Unaudited	
	31.12.2021	31.12.2020
	Rs.	Rs.
Cash Flows from /(used in)Operating Activities		
Profit before tax from continuing operations	133,302,528	89,421,463
Adjustments for		
Depreciation and Amortization	32,212,984	29,526,210
Loss/(Profit)on Disposal of Property, Plant and Equipment	-	-
Provision/(Reversal) for Defined Benefit Plans	350,000	442,027
Loss/(Profit)on sale of Investment Property	-	1,300,000
Impairment release/(Charges) for loan and receivables	11,278,002	7,149,841
Impairment release/(Charges) for Cash & Bank Balances	12,659	129,598
Write off balances	234,270	-
Operating Profit before Working Capital Changes	177,390,443	127,969,139
Working Capital Adjustments		
(Increase) / Decrease Hire Purchase Receivable	(72,965,517)	(70,891,490)
(Increase) / Decrease Loan Receivables	(379,016,103)	(158,419,003)
(Increase) / Decrease Other Financial assets	(9,909,713)	(1,867,868)
(Increase) / Decrease Other Non Financial assets	(20,419,798)	(591,441)
Increase / (Decrease) in Other Liabilities	(99,677,404)	(48,466,716)
Increase / (Decrease) in Due to Customers	150,787,959	(62,327,189)
Cash Flow from/(used in) Operating Activities	(253,810,132)	(214,594,568)
Gratuity Paid	(350,000)	(60,000)
Net Cash from Operating Activities	(254,160,132)	(214,654,568)
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(11,765,986)	(7,167,070)
Acquisition of Intangible Assets	(1,400,000)	(91,080,000)
Sales/(Acquisition) of Investments	53,556,722	(156,909,883)
Proceeds from Sales of Investment property and PPE	-	6,300,000
Net Cash Flows from/(Used in) Investing Activities	40,390,737	(157,868,033)
Cash Flows from (used in) Financing Activities		
Proceeds from Issuance of Share Capital	500,000,000	315,633,400
Proceeds from Interest Bearing Loans & Borrowings	(167,782,410)	31,173,970
Payment of Capital portion of Lease Liabilities	(9,036,549)	(6,523,315)
Net Cash used in Financing Activities	323,181,042	340,284,054
Net Increase in Cash and Cash Equivalents	109,411,646	(32,238,546)
Cash and Cash Equivalents at the beginning of the year	169,923,889	130,952,510
Cash and Cash Equivalents at the end of the year	279,335,536	98,713,964
Cash And Cash Equivalent - Cash Flow Purpose		
Cash and Cash Equivalent after deduct impairment	309,331,183	114,624,564
Add: Impairment	17,960	10,697
Cash and Cash Equivalent before deduct impairment	309,349,143	114,635,261
Bank Overdraft	(30,013,607)	(15,921,297)
	279,335,536	98,713,964

LANKA CREDIT AND BUSINESS FINANCE PLC
SEGMENTAL ANALYSIS

Interim Financial Statements for the period ended 31 December 2021

	Loans		Lease & Hire Purchase		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Income								
Interest Income	282,507,509	232,306,580	38,766,817	37,469,119	43,476,768	42,878,432	364,751,095	312,654,131
Other Income	23,963,697	16,333,020	3,288,395	2,241,283	663,175	(631,335)	27,915,267	17,942,967
Total Income	306,471,206	248,639,600	42,055,212	39,710,401	44,139,943	42,247,097	392,666,362	330,597,098
Unallocated Expenses							(259,363,834)	(241,175,636)
Profit / (Loss) Before Tax							133,302,528	89,421,462
Income Tax							(50,813,092)	(18,615,312)
Net Profit / (Loss) for the period							82,489,435	70,806,151
	31.12.2021	31.03.2021	31.12.2021	31.03.2021	31.12.2021	31.03.2021	31.12.2021	31.03.2021
Segment Assets	2,353,785,474	1,969,102,470	392,521,090	336,747,406	709,517,779	763,074,501	3,455,824,343	3,068,924,376
Unallocated Assets	-	-	-	-	-	-	655,251,277	603,956,643
Total Assets	2,353,785,474	1,969,102,470	392,521,090	336,747,406	709,517,779	763,074,501	4,111,075,620	3,672,881,020
Unallocated Liabilities							1,421,647,831	1,565,942,666
Total Liabilities							1,421,647,831	1,565,942,666

Figures in brackets indicate deductions

LANKA CREDIT AND BUSINESS FINANCE PLC
FAIR VALUE OF ASSET AND LIABILITIES
Interim Financial Statements for the period ended 31 December 2021

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy in to which the fair value measurement is categorized.

	Unaudited 31-Dec-21 Rs.				Audited 31-Mar-21 Rs.					
	Carrying value	Fair value measurement using			Carrying value	Fair value measurement using				
FINANCIAL ASSETS		Level 01	Level 02	Level 03	Total	Level 01	Level 02	Level 03	Total	
Financial Assets Measured at Fair value through P&L	-		-		-	100,463,534		100,463,534	-	100,463,534
Financial Investment as Fair Value through OCI	25,638,213			25,638,213	25,638,213	315,813	-	-	315,813	315,813
Financial Investment at amortised Cost	683,879,566		683,879,566		683,879,566	662,295,154	-	662,295,154	-	662,295,154
Financial assets at amortised Cost - Loans and Receivables	2,353,785,474		1,882,916,522		1,882,916,522	1,969,102,470	-	1,575,188,399	-	1,575,188,399
Financial assets at amortised Cost - Lease and HP	392,521,090		336,415,214		336,415,214	336,747,406	-	288,613,665	-	288,613,665
	3,455,824,343	-	2,903,211,301	25,638,213	2,928,849,514	3,068,924,376	-	2,626,560,752	315,813	2,626,876,565
FINANCIAL LIABILITIES										
Due to Customers	982,371,888		1,002,019,326		1,002,019,326	831,583,929	-	856,531,447		856,531,447
	982,371,888	-	1,002,019,326	25,638,213	1,002,019,326	831,583,929	-	856,531,447	315,813	856,531,447

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

	31-Dec-21		31-Mar-21	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Financial Assets				
Cash and Cash Equivalent	309,331,183	309,331,183	218,507,168	218,507,168
Financial Investment at amortised Cost	683,879,566	478,715,696	662,295,154	533,931,081
Other Financial Assets	17,673,391	17,673,391	7,763,678	7,763,678
Total Financial Assets	1,010,884,139	805,720,269	888,566,000	760,201,928
Financial Liabilities				
Financial Liabilities at amortised Cost - Due to Banks	332,058,703	332,058,703	518,414,541	518,414,541
Other Financial Liabilities	55,893,770	55,893,770	175,135,322	175,135,322
	387,952,473	387,952,473	693,549,863	693,549,863

The management of company believes that the Fair value of the financial assets which matured within 1 year are equal to its amortized cost.

LANKA CREDIT AND BUSINESS FINANCE PLC
EXPLANATORY NOTES
Interim Financial Statements for the period ended 31 December 2021

01 Basis of Preparation

These Interim Financial Statements have been prepared in compliance with the requirements of Sri Lanka Accounting Standards - LKAS 34 Interim Financial Reporting.

The Accounting policies followed in preparing the above Interim Financial Statements are the same as those disclosed in our audited financial statements for the financial year ended 31 March 2021.

02 Events after the Reporting Date

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

03 Commitments and Contingencies

The City Finance Deposits as at 31 December 2021 was Rs. 93.96 Mn. In addition to that as at 31 December 2021 the Company has given Letters of Guarantee amounting to Rs.85.1Mn (Rs.58.1Mn as at 31 March 2021).

04 Credit Rating

The Company obtained and improved credit rating of (SL) B+(Stable) from (SL) B(Stable) Assigned by ICRA Lanka Limited.

05 Significant Unusual Events or Transactions affecting Assets, Liabilities, Equity, Net Income or Cash Flows

The Management of the Company in line with its Business Continuity Plan had focussed more towards the continuous safety of its staff members, customer service and the ongoing business operations in compliance with the standards and directions issues by various regulatory authorities.

This outbreak and the related developments had impacted our staff, customers and our business operations because of the travel restrictions and the economic downturn. Despite all these the Company is determined to support its stakeholders impacted by the COVID 19 pandemic staying inline with the directions and guidelines issued by the various governmental institutions. The adverse effects of the pandemic had affected on the earnings and the impairment on Loans and Advances of the Company.

The pandemic is still evolving continuously and the future will depend on the removal of restrictions and the economic recovery to pre-COVID 19 situation in the Country. The Company has enforced aggressive cost controlling both in revenue and capital expenditure to smoothen the business impact. There weren't any other unusual events and transactions affecting the Company's financial performance , position, equity and the cash flows due to the size, nature and incidence of these events for the period ended on 31 December 2021.

06 Selected Performance Indicators

	As at	
	31.12.2021	31.12.2020
<u>Capital Adequacy</u>		
Tier 1 Capital Adequacy Ratio (Minimum 7%)	54.92%	35.77%
Total Capital Adequacy Ratio (Minimum 11%)	54.92%	35.86%
Capital Funds to Deposit Liabilities Ratio (Minimum 10%)	266.72%	159.00%
<u>Profitability</u>		
Return on Equity (After Tax)	3.07%	3.79%
Return on Assets (Before Tax)	3.24%	2.62%
<u>Asset Quality</u>		
Gross Non- Performing Loans Ratio	14.38%	23.45%
Net Non- Performing Loans Ratio	0.82%	-2.07%
<u>Liquidity</u>		
Available Liquid Assets to Required Liquid Assets	318.82%	342.19%
Liquid Assets to External Funds	35.40%	21.04%

LANKA CREDIT AND BUSINESS FINANCE PLC

ADDITIONAL NOTES

Interim Financial Statements for the period ended 31 December 2021

07 Traded Price Per Share		31 December 2021	31 December 2020
Highest	Rs.	8.00	N/A
Lowest	Rs.	3.50	N/A
Closing	Rs.	3.90	N/A

08 Market Capitalization		As At 31.12.2021	As At 31.12.2020
Market Capitalization	Rs.	3,081,658,242	N/A

09 Twenty Largest Shareholders

Shareholder Name	Number of shares	Shareholding %
Lanka Credit And Business Limited	569,538,406	72.08%
Helios Ventures (Pvt) Ltd	39,541,000	5.00%
Nation Lanka Finance Plc	13,850,000	1.75%
K.I.Weerasinghe	12,500,000	1.58%
People'S Merchant Finance Plc/Maweli Finance Priva	9,800,000	1.24%
V.R.Ramanan	6,000,000	0.76%
W.A.I. Kumarasinghe	3,071,268	0.39%
A.P.Manawadu	2,632,500	0.33%
W.Jinadasa	1,757,500	0.22%
S.L.Muthuhetti Gamage	1,757,500	0.22%
R.Ranaweera	1,618,500	0.20%
People'S Merchant Finance Plc/D.S. Deerasinghe	1,371,147	0.17%
Merchant Bank Of Sri Lanka & Finance Plc/T.V.T. Kamanika	1,300,000	0.16%
I.A.D.Nadawa	1,255,670	0.16%
K.D.Jayasundara	1,250,000	0.16%
Maskeliya Tea Exports Pvt Ltd	1,187,654	0.15%
A.U.De Silva	1,000,600	0.13%
T.B.A.Jayasekara	987,500	0.12%
C.P.Thambawita	915,170	0.12%
Commercial Micro Credit Investment Trust (Pvt) Ltd	882,500	0.11%
	<hr/>	
	672,216,915	85.07%
Others	117,951,865	14.93%
Total	<hr/> 790,168,780 <hr/>	100%

10 Directors' holding in shares as at 31 December 2021

Name	Number of shares	Shareholding %
Mr. K.I. Weerasinghe	12,500,000	1.58%
Prof. W. M. A. Bandara	270,000	0.03%

LANKA CREDIT AND BUSINESS FINANCE PLC

ADDITIONAL NOTES

Interim Financial Statements for the period ended 31 December 2021

- 11 The Company has collected IPO funds LKR 500,000,000/- for the said objectives of the prospectus. Current status of the fund utilization are tabulated as below;

Objective as per Prospectus	Amount Allocated as per Prospectus (LKR Mn)	Proposed Date of Utilisation as per Prospectus	Amount Allocated from Proceeds (LKR Mn) (A)	% of Total Proceeds	Amounts Utilised (LKR Mn) (B)	% of Utilisation against Allocation (B/A)	Clarification if not Fully Utilised including where the funds are invested (e.g. whether lent to related parties etc.)
Meet the minimum core capital requirements stipulated by the CBSL							Rs. 500 Mn new capital raised from the IPO and same we have fulfilled CBSL core capital requirement of Rs 2.5 Bn before 31 December 2021.
Part finance the growth in the loan portfolio of the Company	500	By March 31, 2022	500	100%	150	30%	Unutilized funds have been temporary invested on Fixed Deposits and Commercial Papers

12. Public Holding as at 31st December, 2021

	As At 31.12.2021	As At 31.12.2020
Issued Share Capital (No. of Shares)	790,168,780	N/A
Public Holding as % of Issued Share Capital	16.91%	N/A
Total Number of Shareholders	4,562	N/A
Number of Shareholders representing the Public Holding	4,397	N/A
Number of Shares representing the Public Holding	133,628,449	N/A
Float Adjusted Market Capitalization - (LKR)	521,150,951	N/A

In terms of the rule 7.13.1 of the Listing Rules of the Colombo Stock Exchange, the Company Qualifies under option two (02) of the minimum public holding requirement.

LANKA CREDIT AND BUSINESS FINANCE PLC

Corporate Information

Name of the Company

Lanka Credit and Business Finance PLC

Legal Form of the Company

A company incorporated in Sri Lanka on March 03, 1962 and re-registered as a public limited liability company under the Companies Act on March 10, 2008.

The Limited Company was registered as as Public Quoted Company on 21st January 2022 by listing its shares on CSE.

The Company is a Licenced Finance Company, licensed by the Monetary Board of the Central Bank of Sri Lanka.

Company Registration Number

PB 222 (Before Listing)
PQ 00251997

Registered Office

Lanka Credit and Business Finance PLC
No. 76, S. De. S. Jayasinghe Mawatha, Kohuwala
Tel : +94 11 2825404 – 6
Fax : +94 11 2825405

Company Secretary

P.R. Secretarial Services (Private) Limited
No. 59, Gregory's Road, Colombo 7
Tel : +94 11 2671439
Fax : +94 11 2671440

Auditors to the Company

M/s Ernst & Young Chartered Accountants
No. 201, De Saram Place Colombo 10
Tel : +94 11 2463500
Fax : +94 11 2697369

Central Bank License No.

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Tax Payer Identity Number (TIN)

124004284

No of Branches

As At 31/12/2021	09
As At 31/01/2022	11

Board of Directors

Emeritus Professor W. M. Abeyrathne Bandara
Chairman / Non-Executive / Independent
Mr. Kandegoda Gamage Leelananda
Chief Executive Officer / Executive / Non-Independent
Mr. Ranjan Lal Masakorala
Non-Executive Director / Non-Independent
Mr. Ahalape Gamage Maheen Priyantha
Non-Executive Director / Non-Independent
Mr. Vijitha Lokunarangoda
Non-Executive Director / Non-Independent
Mr. Kapila Indika Weerasinghe
Non-Executive Director / Non-Independent
Mr. Ukwatta Kankanamge Harith Ruwan Ranasinghe
Non-Executive Director / Non-Independent
Mr. Sathyananda Wijesekara Subasinghe
Non-Executive Director / Independent
Mr. Gayan Kalhara Nanayakkara
Non-Executive Director / Non-Independent
Mr. Dushmantha Thotawatte
Non-Executive Director / Independent
Mr. Ashvin Welgama Nanayakkara
Non-Executive Director / Non-Independent
Mr. Mahesh Katulanda
Non-Executive Director / Independent

Board Committees

Board Audit Committee
Human Resource and Remuneration Committee
Related Party Transactions Review Committee
Integrated Risk Management Committee
The Board Credit Committee

Bankers to the Company

Sampath Bank PLC
People's Bank
Cargills Bank Ltd
Pan Asia Bank
DFCC Bank PLC
Bank of Ceylon

Accounting Year-End

31st March