

BRAC Lanka Finance PLC

FINANCIAL STATEMENTS

brac Lanka Finance

For the Year Ended 31st March 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
For the Year Ended 31st March	2018 Rs '000 (Audited)	2017 Rs '000 (Audited)	Variance %
Interest income	4,270,904	3,385,930	26%
Interest expense	(1,464,274)	(1,283,578)	14%
Net interest income	2,806,630	2,102,352	33%
Other operating income (net)	225,572	9,083	2383%
Total operating income	3,032,201	2,111,435	44%
(Impairment) / reversal of impairment for loans and other losses			
Individual impairment	79,938	(79,938)	-200%
Collective impairment	(246,204)	(29,118)	746%
Written off	(341,323)	(229,838)	49%
Net operating income	2,524,613	1,772,541	42%
Personnel expenses	(795,669)	(510,090)	56%
Other expenses	(966,271)	(785,786)	23%
Operating profit/(loss) before value added tax (VAT)	762,672	476,665	60%
VAT on financial services	(191,950)	(123,872)	55%
Profit/(loss) before tax	570,722	352,792	62%
Tax expenses	(209,035)	(132,865)	57%
Profit/(loss) for the period	361,686	219,927	64%
Other Comprehensive Income			
Actuarial gain/ (losses) on defined benefit plan	1,248	2,965	-58%
Net change in fair value of available-for-sale financial assets	26,822	(1,962)	-1467%
Income tax recognised in other comprehensive income	(349)	(830)	-58%
Total Other Comprehensive Income	27,720	173	15907%
Total Comprehensive Income	389,407	220,100	77%
Earnings per share on profit			
Basic earnings per ordinary share (Rs)	1.60	1.60	

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION			
As at 31st March	2018 (Audited) Rs. '000	2017 (Audited) Rs. '000	
Assets			
Cash and cash equivalents	260,495	87,571	
Investment in term deposits	1,165,073	349,077	
Rental receivables - Leases	578,956	99,004	
Rental receivables - Hire purchase	12,506	9,523	
Loans and Advances	12,937,845	11,015,224	
Financial investments - Available-for-sale	1,208,163	1,107,401	
Property, plant and equipment	188,546	144,255	
Inventories	-	-	
Other assets	142,097	87,639	
Total assets	16,493,681	12,899,695	
Liabilities			
Bank Overdrafts	116,587	414,237	
Due to customers	5,674,050	2,813,322	
Other borrowings	4,982,230	2,050,139	
Current tax liabilities	169,696	107,112	
Deferred tax liabilities	32,288	10,822	
Amount due to related companies	2,516,882	6,275,427	
Other liabilities	176,289	104,773	
Total liabilities	13,668,023	11,775,833	
Equity			
Stated capital	1,493,088	171,180	
Statutory reserve fund	103,732	85,648	
Retained earnings	1,204,367	869,384	
Other reserves	24,471	(2,351)	
Total equity	2,825,657	1,123,861	
Total equity and liabilities	16,493,681	12,899,695	

STATEMENT OF CHANGES IN EQUITY					
For the Year Ended 31st March	Stated Capital Rs '000	Statutory Reserve Rs '000	AFS Reserve Rs '000	Retained Earnings Rs '000	Total Equity Rs '000
Balance as at 1 April 2016	171,180	74,652	(389)	658,319	903,761
Comprehensive income for the year					
Profit for the year	-	-	-	219,927	219,927
Actuarial losses on defined benefit plan	-	-	-	2,965	2,965
Net change in fair value of available-for-sale financial assets	-	-	(1,962)	-	(1,962)
Tax on Other Comprehensive Income	-	-	-	(830)	(830)
Comprehensive income for the year	-	-	(1,962)	222,062	220,100
Transactions recorded directly in equity					
Transfer to/ (from) during the year	-	10,996	-	(10,996)	-
Total transactions recorded directly in equity	-	10,996	-	(10,996)	-
Balance as at 31 March 2017	171,180	85,648	(2,351)	869,384	1,123,861
Balance as at 1 April 2017	171,180	85,648	(2,351)	869,384	1,123,861
Comprehensive income for the year					
Profit for the Year	-	-	-	361,686	361,686
Actuarial gain on defined benefit plan	-	-	-	1,248	1,248
Net change in fair value of available-for-sale financial assets	-	-	26,822	-	26,822
Tax on Other Comprehensive Income	-	-	-	(349)	(349)
Comprehensive income for the year	-	-	26,822	362,585	389,407
Transactions recorded directly in equity					
Right Issue	1,321,907	-	-	-	1,321,907
Dividends paid during the period	-	-	-	(9,518)	(9,518)
Transfer to reserve fund	-	18,084	-	(18,084)	-
Total transactions recorded directly in equity	1,321,907	18,084	-	(27,602)	1,312,389
Balance as at 31 March 2018	1,493,088	103,732	24,471	1,204,367	2,825,657

KPMG
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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Brac Lanka Finance PLC
Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Brac Lanka Finance PLC ("the Company"), 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 give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year 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.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Receivable on Hire-Purchase, Lease and Loan and Advances
The Company has Receivable on hire-purchase amounting to Rs 12.5 Mn, Receivable on lease amounting to Rs 579 Mn and Loan and advances amounting to Rs. 12,938 Mn as at 31 March 2018 (Note 15, 16 and 17 to the Financial Statements respectively). The Impairment of Receivable on hire-purchase, Lease and Loan and advances assessed by the Company on individual and collective basis.

Risk Description
Individual impairment
The estimation of 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 said receivables and present value of expected future cash flows.

Collective impairment
For the purposes of the collective impairment said receivables which are having similar credit risk characteristics are assessed collectively for impairment testing. Collective assessment includes grouping of said receivables with homogeneous risk characteristics and applying historical loss rates arrived based on statistical modules.

We have identified Impairment of Receivable on hire-purchase, Lease and Loan and advances 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 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 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. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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 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.

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 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.

The financial statements of the Company 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.

Kumari
CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

15 June 2018

M.R. Suman	P.S. Perera	C.P. Jayasinghe
M.S. Rajapaksa	M.R. Jayasinghe	M.S. Jayasinghe
M.R. Jayasinghe	M.R. Jayasinghe	M.S. Jayasinghe
M.S. Jayasinghe	M.R. Jayasinghe	M.S. Jayasinghe
M.S. Jayasinghe	M.R. Jayasinghe	M.S. Jayasinghe
M.S. Jayasinghe	M.R. Jayasinghe	M.S. Jayasinghe
M.S. Jayasinghe	M.R. Jayasinghe	M.S. Jayasinghe
M.S. Jayasinghe	M.R. Jayasinghe	M.S. Jayasinghe
M.S. Jayasinghe	M.R. Jayasinghe	M.S. Jayasinghe
M.S. Jayasinghe	M.R. Jayasinghe	M.S. Jayasinghe

SELECTED PERFORMANCE INDICATORS (as per regulatory reporting)

Item	As at 31.03.2018	As at 31.03.2017
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital), Rs '000	2,801,187	1,123,861
Total Capital Base, Rs '000	2,979,474	1,267,604
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 5%)	19.89%	9.71%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 10%)	21.15%	10.96%
Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%)	49.80%	39.95%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Accommodations, Rs.'000	227,448	62,304
Gross Non-Performing Accommodations Ratio, %	1.64%	0.55%
Net-non performing Accommodations Ratio, %	0.00%	0.00%
Profitability(%)		
Interest Margin	17.65%	15.36%
Return on Assets (before tax)	3.46%	2.73%
Return on Equity (after Tax)	18.32%	19.57%
Regulatory Liquidity (Rs. '000)		
Required minimum amount of Liquid Assets	1,165,437	1,133,295
Available amount of Liquid Assets	1,350,804	1,182,843
Required minimum amount of Government Securities	803,745	435,788
Available amount of Government Securities	1,195,880	1,104,603
Memorandum information		
Number of employees	970	729
Number of branches	16	16
Number of service centers	60	60

CERTIFICATION :

We, the undersigned, being the Directors of BRAC Lanka Finance PLC and the Chief Financial Officer of LOLC group 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 have been extracted from the unaudited financial statements of the Licensed Finance Company unless indicated as audited.

(sgd) Mr. Rohana Kumara Director / Chief Executive Officer

(sgd) Mr. R.D. Tissera Director

(sgd) Mr. Gayan Herath Assistant Manager - Finance

15th June 2018
Colombo

BRAC Lanka Finance PLC

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