

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March	2024 LKR	2023 LKR
Income	3,326,773,595	2,597,491,955
Interest Income	3,101,982,284	2,461,331,443
Interest Expenses	(1,322,454,402)	(1,221,614,731)
Net Interest Income	1,779,527,882	1,239,716,712
Net Fee and Commission Income	172,887,634	114,185,258
Other Operating Income	51,903,677	21,975,253
Total Operating Income	2,004,319,193	1,375,877,224
Impairment Charges for Loans and Other Losses	(332,531,900)	(63,092,109)
Net Operating Income	1,671,787,293	1,312,785,115
Operating Expenses		
Personnel Expenses	(524,561,526)	(464,026,483)
Depreciation of Property, Plant and Equipment	(35,974,055)	(29,034,587)
Amortisation of Right of Use Assets	(80,014,671)	(70,140,299)
Amortisation of Intangible Assets	(509,435)	(1,164,233)
Other Operating Expenses	(439,511,271)	(302,342,543)
Operating Profit before Tax on Financial Services	591,216,335	446,076,970
Tax on Financial Services	(181,956,153)	(145,945,075)
Profit before Taxation	409,260,182	300,131,895
Income Tax Expenses	(159,663,528)	(78,482,446)
Profit for the Year	249,596,654	221,649,449
Other Comprehensive Income		
Actuarial Gains/(Losses) on Defined Benefit Plans	(2,596,400)	(2,939,318)
Gain/(Loss) due to changes in Assumptions	(20,502,138)	(144,710)
Deferred Tax (Charge)/Reversal on above items	6,929,561	925,208
Net Other Comprehensive Income/(Expenses) not to be Reclassified to Profit or Loss	(16,168,977)	(2,158,820)
Surplus from Revaluation of Property, Plant & Equipment	-	-
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment	-	-
Net Other Comprehensive Income not to be Reclassified to Profit or Loss	-	-
Other Comprehensive Income/(Expenses) for the Year, Net of Tax	(16,168,977)	(2,158,820)
Total Comprehensive Income for the Year	233,427,677	219,490,629
Earning per Share- Basic	1.67	1.48
Dividend per Share	-	0.75

* Calculated based on profit/(loss) for the year

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 31.03.2024 (Audited)		As at 31.03.2023 (Audited)	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy				
Tier 1 Capital Adequacy Ratio	25.84	8.50	32.75	8.50
Total Capital Adequacy Ratio	26.00	12.50	34.01	12.50
Capital Funds to Deposit Liabilities Ratio	47.66	10.00	53.66	10.00
Quality of Loan Portfolio (%)				
Gross Stage 3 Loans Ratio	12.72		18.87	
Net Stage 3 Loans Ratio	9.24		17.19	
Net Stage 3 Loans to Core Capital Ratio	33.67		51.96	
Stage 3 Impairment Coverage ratio	18.18		10.76	
Total Impairment Coverage ratio	4.20		4.12	
Profitability %				
Net Interest Margin	11.58		11.01	
Return on Assets	1.88		1.94	
Return on Equity	7.11		6.56	
Cost to Income Ratio	53.91		62.99	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	158.36		181.20	
Liquidity Assets to External Funds	12.49		15.93	
Memorandum information				
Number of Branches	56		51	
External Credit Rating	Lanka Ratings (SL) BB Stable		Lanka Ratings (SL) BB Stable	

STATEMENT OF FINANCIAL POSITION

As at 31 March	2024 LKR	2023 LKR
Assets		
Cash and Cash Equivalents	544,919,606	664,043,703
Financial Investments	772,478,191	576,027,374
Other Financial Assets	50,960,718	874,494
Financial Assets at Amortised Cost - Loans and Receivables	6,958,212,710	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	5,616,318,355	4,674,862,363
Other Non Financial Assets	238,195,920	155,939,726
Investment Property	246,710,000	234,257,500
Property, Plant and Equipment	224,485,283	147,095,459
Right-of-use Lease Assets	185,152,504	105,241,220
Intangible Assets	4,176,618	4,686,053
Deferred Tax Assets	56,237,769	1,954,498
Total Assets	14,897,847,674	11,670,293,558
Liabilities		
Due to Banks and Other Institutions	3,005,408,260	1,508,114,678
Financial Liability at Amortised Cost - Due to Customers	7,492,005,969	6,193,431,026
Lease Liability	202,487,184	119,947,887
Other Non Financial Liabilities	425,290,696	291,925,223
Current Tax Liabilities	144,945,144	71,709,569
Post Employment Benefit Obligation	56,992,064	35,677,457
Total Liabilities	11,327,129,316	8,220,805,840
Shareholders' Funds		
Stated Capital	2,696,113,032	2,696,113,032
Reserves	194,927,853	182,448,021
Retained Earnings	679,677,472	570,926,665
Total Shareholders' Funds	3,570,718,357	3,449,487,718
Total Liabilities and Shareholders' Funds	14,897,847,674	11,670,293,558
Commitments and Contingencies	6,048,100	7,433,330
Net Assets Value per Share	23.87	23.06

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)
Mahesh Jayasanka
Head of Strategic Planning/Acting Head of Finance

(Sgd.)
Nilantha Jayanetti
Chief Executive Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board of Directors by:

(Sgd.)
Channa de Silva
Chairman

(Sgd.)
Dammika Ganegama
Senior Director

29 May 2024
Colombo



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@k.ey.com
ey.com

HLF/WDPL/RMD/JJ

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SARVODAYA DEVELOPMENT FINANCE PLC

Report on the audit of the financial statements

OPINION

We have audited the financial statements of Sarvodaya Development Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, 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 for Professional Accountants 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 the audit of the financial statements of the current period. These matters were addressed in the context of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowances for Impairment Charges for Loans and Lease Rentals Receivables: Allowances for Impairment Charges for Loans and Lease Rentals Receivables amounting to LKR 697 Mn arising from Financial Assets at Amortised Cost (Loans and Lease Rental Receivables of LKR 13.2 Bn (Note 20 & 21) is determined by the management based on the accounting policies described in Note 20 & 21. This was a key audit matter due to, • the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and • the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination. Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty	In addressing the adequacy of the allowances for expected credit losses of financial assets, our audit procedures included the following key procedures: • Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report. • Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management. • Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company. • Evaluated the reasonableness of credit quality assessments and related stage classifications. • Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages. • Assessed the adequacy of the related financial statement disclosures set out in Notes 09, 20 and 21.
Information Technology (IT) systems related internal controls over financial reporting. Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: • Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures. • Involved our internal specialized resources and; ◦ Obtained and understanding IT Governance Structure of the Company ◦ Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management. ◦ Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks. • Tested source data of the reports used to generate disclosures for accuracy and completeness.

OTHER INFORMATION INCLUDED IN THE COMPANY'S 2024 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 controls.
- 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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3755.

(Sgd.)
31 May 2024
Colombo

Partners: D K Hulgungamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

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