

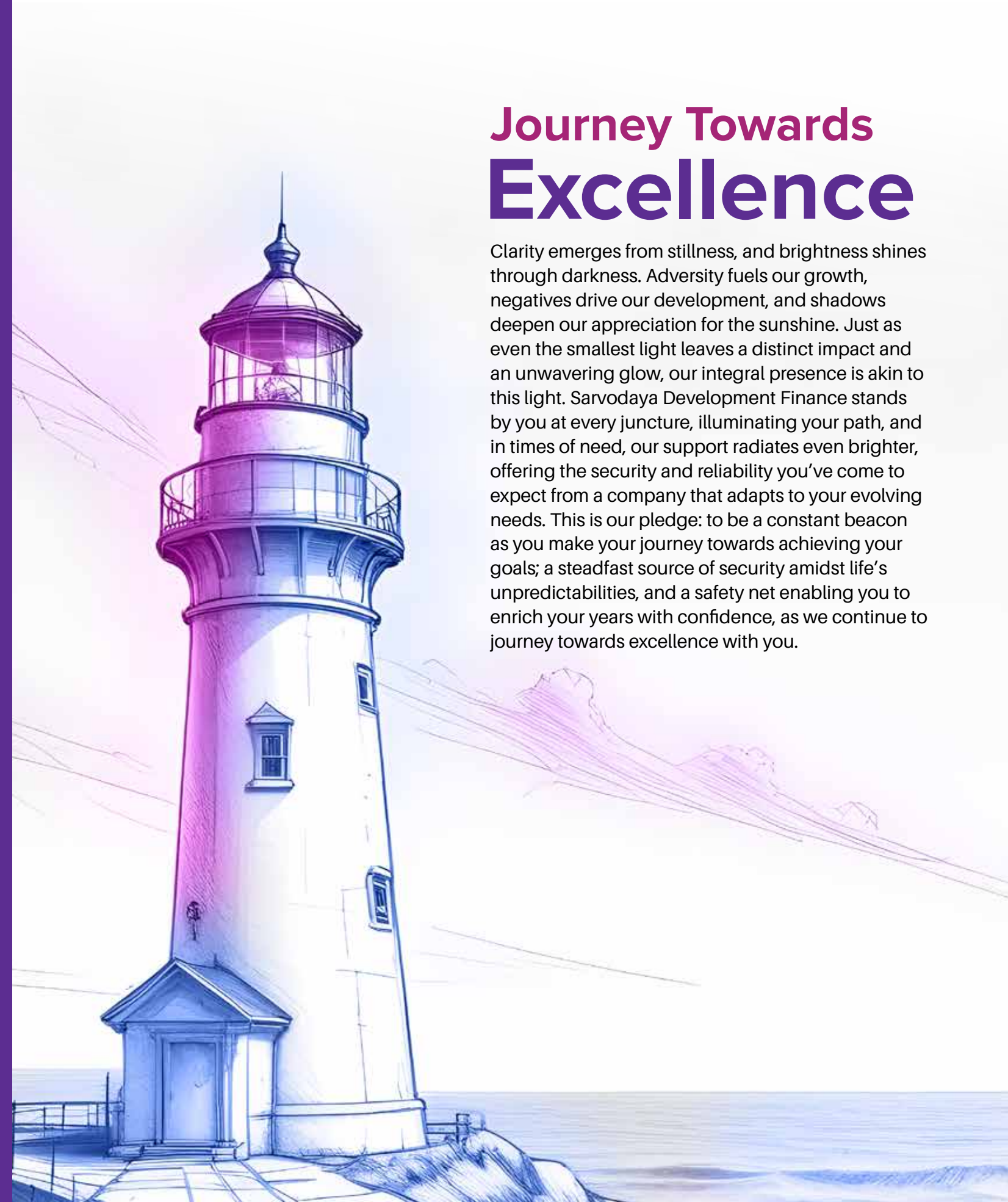
# Journey Towards Excellence



SARVODAYA DEVELOPMENT FINANCE PLC  
ANNUAL REPORT 2023/24

# Journey Towards Excellence

Clarity emerges from stillness, and brightness shines through darkness. Adversity fuels our growth, negatives drive our development, and shadows deepen our appreciation for the sunshine. Just as even the smallest light leaves a distinct impact and an unwavering glow, our integral presence is akin to this light. Sarvodaya Development Finance stands by you at every juncture, illuminating your path, and in times of need, our support radiates even brighter, offering the security and reliability you've come to expect from a company that adapts to your evolving needs. This is our pledge: to be a constant beacon as you make your journey towards achieving your goals; a steadfast source of security amidst life's unpredictabilities, and a safety net enabling you to enrich your years with confidence, as we continue to journey towards excellence with you.



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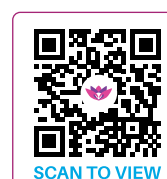
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SCAN TO VIEW

[www.sarvodayafinance.lk](http://www.sarvodayafinance.lk)



## Our Vision

To be a Catalyst in Creating an Economically Progressive Society, Living in Dignity

## Our Mission

To Foster Sustainable Development Through the Provision of Ethical Financial Services and Fulfil Expectations of all Stakeholders

## Our Values

- ✓ Purity in Service
- ✓ Diligent and Caring
- ✓ Transparent and Honest
- ✓ Passionately Committed

We journey towards excellence by promoting entrepreneurship which in turn helps communities to flourish



“

Since 2012, SDF has helped Chamila tailor her batik business from the grassroots up. Today, the impact of this relationship not only clothes and delights her customers with ready-made garments but also enables village development and employment opportunities in her community.

ABOUT SDF



OUR PROFILE

Incorporated in 2010, Sarvodaya Development Finance PLC (SDF) has grown from a deep-rooted commitment to nation-building and development, aligned with the ‘grassroots upwards’ model of the Sarvodaya Movement. Despite its relatively short existence, SDF has established itself as a leading financial institution, offering innovative and technology-driven financial services through a diverse product range that meets the financial needs of its customers.

The Sarvodaya Movement, founded in 1958, is one of the oldest non-governmental organisations in Sri Lanka, dedicated to uplifting and empowering rural communities for over six decades. SDF has capitalised on the unique brand recognition and extensive network of Sarvodaya to cater to the needs of Micro, Small, and Medium Enterprises (MSMEs) in Sri Lanka. Leveraging its linkages with Sarvodaya Societies and strategic investments in modern ICT, SDF has effectively reached rural entrepreneurs.

SDF places a significant focus on the agriculture sector, providing financial support to village-based customers to enhance their standards in agri-business. By offering tailored financial solutions, SDF helps these customers to improve their agricultural practices and increase their productivity, contributing to the overall development of rural communities.

SDF’s business focus is to fuel economic growth by channeling credit and other support services towards environmentally friendly, sustainable business models across the country. These

initiatives contribute to environmental conservation while facilitating quality of life improvements for communities as a whole.

As a financial services provider, SDF’s values for sustainable business are crucial for the growth and prosperity of Sri Lanka’s economy. SDF has developed and delivered value-added services alongside its specialised financial products to assist MSMEs in developing markets and business opportunities. This includes technical training programs and special market development events. SDF’s relentless efforts have been recognized, earning the title of “Fastest Growing Development Finance Company in Sri Lanka” at the UK-based Global Banking and Finance Review Awards in 2021.

In recognition of its excellence in reporting, SDF has won the Gold Award three times for its Annual Report, demonstrating outstanding performance in terms of corporate Transparency, Accountability, Governance, and Sustainability.

In the financial year 2021/22, SDF issued 45,454,546 shares during its Initial Public Offering (IPO) and was listed on the Colombo Stock Exchange (CSE) effective from December 14, 2021. Following the listing, the company’s status changed to Sarvodaya Development Finance PLC effective from January 6, 2022.

Sarvodaya Development Finance PLC continues to be a beacon of sustainable development and financial inclusion, empowering communities and driving economic growth across Sri Lanka.

ABOUT THIS REPORT

This is Sarvodaya Development Finance PLC’s (SDF’s) 3rd Annual Report as a public quoted company listed on the Colombo Stock Exchange.

In the first financial year as a public company (2021-22), SDF made the decision to facilitate greater transparency by reporting on its non-financial performance, extending to Environmental, Social & Governance (ESG) impacts, in addition to its annual financial performance. This report continues this practice by aligning with the integrated reporting framework and the GRI Standards.

The objectives of the SDF Annual Report 2023-24, are:

1. to disclose the wider impacts of our business operations by voluntarily adopting ESG reporting. The GRI Standards 2021 have been used to guide us in this respect.
2. to disclose material information regarding our capitals where the Integrated Reporting (IR) Framework 2021 has been used for this purpose.
3. to assist the Company to enhance positive impacts of its activities, while identifying and minimising any negative impacts.

THE COMPLIANCE FRAMEWORK OF THIS REPORT

Financial Reporting

- ☉ Sri Lanka Financial Reporting Standards ( SLFRSS) and Sri Lanka Accounting Standards (LKASs) issued by the Institute of Chartered Accountants of Sri Lanka
- ☉ Companies Act No. 07 of 2007
- ☉ Finance Business Act No. 42 of 2011



Corporate Governance Reporting

- ☉ Finance Business Act Direction No. 5 of 2021 on Corporate Governance, issued by the Central Bank of Sri Lanka
- ☉ Listing Rules of the Colombo Stock Exchange
- ☉ Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka
- ☉ Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and subsequent amendments thereto
- ☉ GRI Standards 2021



Assurance

- ☉ Sri Lanka Auditing Standards (SLAuSs)
- ☉ Sri Lanka Standard on Assurance Engagements (SLSAE) 3,000; Assurance Engagements other than Audits or Review of Historical Financial Information, issued by CA Sri Lanka

United Nations SDGs

We have voluntarily adopted SDG reporting guidelines, in addition to the above statutory reporting guidelines.



## ABOUT THIS REPORT

GRI disclosure	Response
<b>GRI 2-2</b> Entities included in the organisation's sustainability reporting	All entities in this report are included in the audited financial statements presented in this report. Also discussed about Sarvodaya movement with regards to the sustainability and its impact.
<b>GRI 2-3</b> Reporting period and frequency	This report covers the 12-month period April 1st, 2023 to March 31st 2024 and will be continued as an annual reporting activity.
<b>GRI 2-3</b> Accessing this report and feedback	This report can be downloaded from our website <a href="http://www.sarvodayafinance.lk">http://www.sarvodayafinance.lk</a> , which is also mobile phone enabled, or please scan the QR code to be directed to the page.  Please send your feedback on this report to: <b>Head of Strategic Planning</b> Sarvodaya Development Finance PLC No: 155/ A, Dr. Danister De Silva Mawatha Colombo 08, Sri Lanka. Tel: +94 115 444 666
<b>GRI 2-4</b> Restatement of information	There has been no requirement for restatement of any information from our previous annual report.
<b>GRI 2-5</b> External assurance	The sustainability reporting component of this report have received external assurance from Messrs. Ernst & Young (Chartered Accountants).
<b>GRI 2-5</b> (i) Reference to the external assurance report(s)	External assurance report for sustainability reporting is given in page no: 204 of this report
<b>GRI 2-5</b> (ii) What has been assured and on what basis, and assurance standards used, the level of assurance obtained, and any limitations of the assurance process;	Assurance is provided for the information for the period April 1st 2023 to March 31st 2024 with reference to the GRI Standards 2021, with: → Reasonable assurance on the information on financial performance → Limited assurance on other information, prepared in accordance with the GRI Standards 2021.
<b>GRI 2-5</b> (iii) Relationship between the organization and the assurance provider.	Relationship with assurance provider is, as an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements

**Statement of Responsibility**

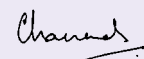
The Board of Directors of Sarvodaya Development Finance PLC (SDF) takes full responsibility for the integrity and completeness of this Integrated Annual Report for the FY 2023-24. In addition to describing our value creation process and the status of our capitals during the reporting period, we have also used the GRI Standards 2021 to guide us in identifying the most material topics for disclosure and to describe our stakeholder engagement process, and our plans and strategies. To the best of our knowledge this report complies with the IR Framework 2021.

In addition, we provide the following statements:

- Directors' Responsibility for Financial Reporting in page 200
- Directors' Statement on Internal Control over Financial Reporting in page 202

- Chief Executive Officer's and Chief Financial Officer's Responsibility Statement in page 199
- Independent Assurance Report to the Board of Directors of Sarvodaya Development Finance PLC in page 201

In addition, the financial statements presented in this report have received assurance from our External Auditors, Messrs. Ernst & Young (Chartered Accountants). The auditors report is provided on page 211 of this report.



**Channa de Silva**  
Chairman

29 May 2024



**Dhammika Ganegama**  
Senior Director

**GRI 2-1****Organisational details**

a. Legal name	Sarvodaya Development Finance PLC
b. Nature of ownership and legal form	Public Quoted Company Incorporated in Sri Lanka under the Companies Act No. 7 of 2007. A Licensed Finance Company under the Finance Business Act No. 42 of 2011. A registered Finance Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000. The Company was admitted to the official List of the Colombo Stock Exchange on 14 December 2021.
c. Location of its headquarters	No 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka
d. Countries of operation	Sri Lanka

**GRI 2-6****(a) Activities, value chain and other business relationships**

<b>i) Sector(s) in which the company is active</b>	SDF is active in the non-bank financial service sector as a licensed finance company. The principal activities of the Company consist of lending and accepting deposits. Our lending activities extend to granting: → Microfinance Loans → SME Loans → Leasing → Housing Loans → Society Bulk Loans → Gold Loans → Other credit facilities and related services.
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Please refer to the Social Capital chapter for a full list of our products.

<b>ii) Relevant business relationships</b>	SDF works with Sarvodaya Shramadana Societies as a lending channel to rural communities, and to attract customer deposits. We have agreements with the below companies to supply agricultural equipment for our customers under lease agreements. → DIMO → Hayleys Agriculture Holdings Limited → Browns Agri Solutions (Pvt) Ltd.
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SDF contracted with EDFI Management Company, Belgium for an impact fund for sustainable agriculture funded by the European Union.

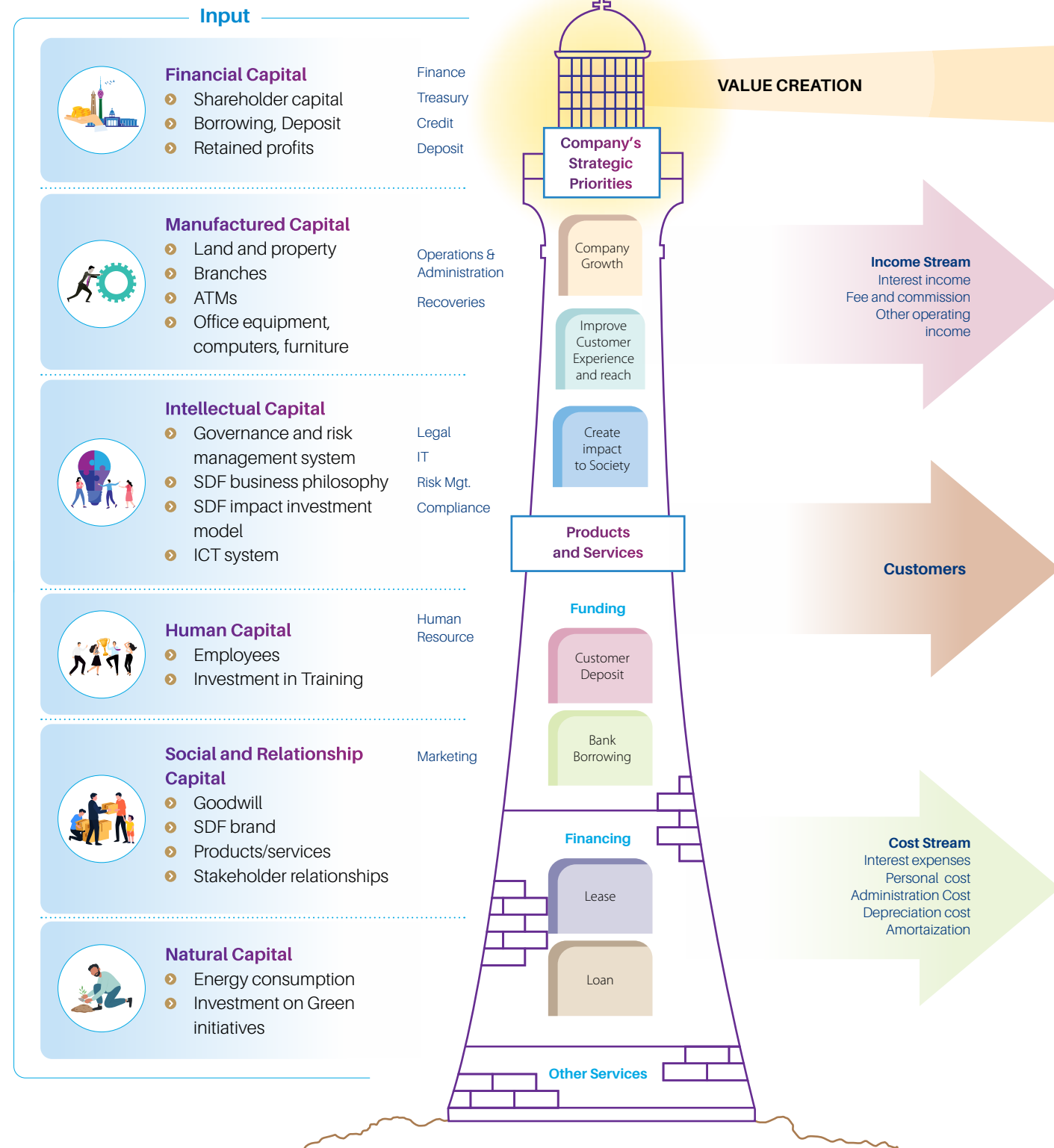
<b>(iii) Significant changes compared to the previous reporting period</b>	There are no significant changes to SDF's business activities and business relationships compared to the previous financial year.
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About US

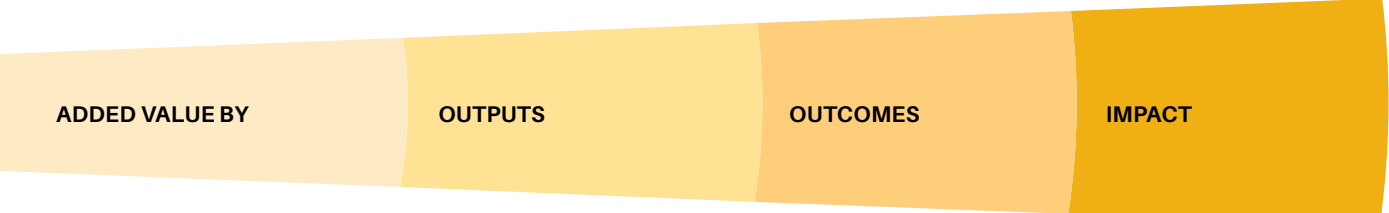
VALUE CREATION MODEL GRI 2-6

SDF is the first impact investment company to be listed on the Colombo Stock Exchange. With the foundation set by Sarvodaya, we have developed a unique value creation model - which is a sustainable mechanism to channel funds into Sri Lanka's under-developed rural interior.

- Our impact investment model utilises our capitals to design and deliver formal financial services (lending and deposit products) to the public, and small and micro entrepreneurs, most of whom live outside the Western Province.
- A large share of the profits from our business activities are distributed among our shareholders as dividends. Sarvodaya entities, including over 1,000 Sarvodaya Shramadana Societies, represent a majority 54% of our shareholder base.
- Consequently, over half of our dividend is redirected into rural communities and to rural entrepreneurs, through Sarvodaya Societies and other Sarvodaya entities. Our business model is founded on the apolitical and non-discriminatory Sarvodaya vision of creating a 'Grama Swaraj,' which is a Common State of autonomous, empowered villages.



Vision, Mission and Values



Financial Capital

Expanded funding base through bank borrowings and deposit mobilisation

Manufactured Capital

- Established Six own ATMs
- Acquired additional office equipment
- Strategically relocated certain branches
- Opened 5 New Branches

Intellectual Capital

- Strengthened governance and risk systems
- Improved core banking system
- New ICT applications
- Digital connectivity for rural customers through SSS

Human Capital

- New recruitments
- Training
- Incentives and welfare measures

Social and Relationship Capital

- Investor road shows
- Marketing and promotions
- Training and market development activities
- Extended moratorium
- Expanded business partner networks
- Bulk Loans to Sarvodaya Societies
- Engaged with other key stakeholders

Natural Capital

- Started tree planting project
- Continued to monitor natural resource consumption

Financial Capital

- Grew the number of loans
- Increased deposits
- Increased asset base
- Increased revenues
- Increased profits

Manufactured Capital

- Commenced upgrading facilities at branches
- Improved brand equity
- Increased Customer reach

Intellectual Capital

- Real time market data
- Better management decision making
- Enhanced system capacity
- Increased internal productivity

Human Capital

- Employee satisfaction
- Efficiency improvement
- Business growth
- Employee work-life balance

Social and Relationship Capital

- Acquired new customers
- Helped customers grow their businesses
- Business partners increased
- Raised investor awareness about impact investment opportunities

Natural Capital

- Reduced energy costs
- Reduced paper wastage costs

- Created Sri Lanka's 1st listed, impact investment company with potential to attract global investments

- Improve access to formal financial services

- Helped bridge rural urban digital divide
- Improved risk management and internal controls

- Employment creation

- Dividends for investors
- Customer satisfaction
- Business partner relationships
- Strengthen Society network
- Built a youth customer base
- Received a fund for Sustainable Agriculture

- Reduced environmental impact

Economic impact

- Grow and develop rural economies
- Develop export industries
- Enhance national GDP

Social impact

- Narrow the urban-rural divide
- Unify communities (Through trade networks)
- Improve health and sanitation and other social services

Governance

- Create a self-governing, Grama Swaraj



# OUR JOURNEY

**2010**  
Registered as a Public Limited Company by the name of **Deshodaya Development Finance Company Limited**

**2013**

Received the **finance licence from the Central Bank of Sri Lanka** to commence finance business

**2015**

Acquired 75.54% of George Steuart Finance PLC under the Central Bank's Consolidation Programme

Changed the Company's name to **Sarvodaya Development Finance Limited**

Enhanced the share capital by **LKR 340 Mn** Received a certificate of compliance from **CA Sri Lanka for our Annual Report 2015**

Commenced finance business with a range of new lending and deposit products

**2014**

Acquired the assets and liabilities of the Micro Finance Division of the Parent Company

**2017**

Introduced **Western Union** for money transfers

Introduced **mCash** for loan collection

Diversified business strategy from micro finance, to assets-backed lending by introducing leasing and SME loans

**2016**

Introduced a fully-integrated, centralised and a real-time core-banking system for all our business operations

Rationalised the branch network by **re-branding and relocating branches**

**2019**

Shifted the Head Office to **Colombo** for greater visibility, customer acceptance and brand positioning

Commenced digital content marketing and penetration into social media

Installed our first ATM

**2018**

Joined LankaClear and connected to over **4,000 ATMs** through LankaPay platform

Received a **Silver Award** (under LKR. 20 Bn assets category) from **CA Sri Lanka for our Annual Report**

Introduced Business Intelligence (BI) technology

**2021**

**Awarded the Fastest Growing Development Finance Company in Sri Lanka 2021** by the Global Banking and Finance Review - UK.

Raised new share capital of LKR 806 Mn from private placement

**2020**

Received the **Gold Award** (under LKR 20 Bn assets category) from **CA Sri Lanka for our Annual Report**

Achieved a milestone profit target of **LKR 100 Mn**

Introduced smart POS machines to facilitate customers loan instalment and utility bill payments

Introduced new integrated workflow management system

**2024**

Received a **Gold Award** (Under LKR 20 Bn assets category) from CA Sri Lanka TAGS Awards 2023 for 3rd time and **2nd consecutive year.**

Open **5 new branches**

Signed 1st International Impact Fund Contract with EDFI

**2023**

Received a **Gold Award** (under LKR 20 Bn assets category) from CA Sri Lanka TAGS Awards 2022

Opened village based own ATMs

Enter into international impact funding

Upgrade credit rating to **BB stable**

**2022**

Raised **LKR 1 Bn** from IPO on 23 November 2021 and listed on the Main Board of the Colombo Stock Exchange on 14 December 2021

Converted 21 customer service centres in to branches

Staff strengths over **500**

Introduced ESG (GRI Standards) to the Annual Report

Introduced Common Electronic Fund Transfer Switch



# FINANCIAL HIGHLIGHTS

## Financial Highlights

	2023/24	2022/23	Change
<b>Profitability (LKR '000)</b>			
Income	3,326,774	2,597,492	28.1%
Interest Income	3,101,982	2,461,331	26.0%
Net Interest Income	1,779,528	1,239,717	43.5%
Operating Expenses	1,080,571	866,708	24.7%
Impairment Losses	332,532	63,092	427.1%
Profit Before Taxation	591,216	446,077	32.5%
Profit for the Year	249,597	221,649	12.6%

	2023/24	2022/23	Change
<b>Assets &amp; Liabilities (LKR 000)</b>			
Loans and Receivables	6,958,213	5,105,311	36.3%
Lease Rentals Receivables	5,616,318	4,674,862	20.1%
Total Assets	14,897,848	11,670,294	27.7%
Due to Customers	7,492,006	6,193,431	21.0%
Total Shareholders' Funds	3,570,718	3,449,488	3.5%

	2023/24	2022/23	Change
<b>Investor Information (LKR)</b>			
Net Assets Value per Share	23.87	23.06	3.51%
Earnings per Share - Basic	1.67	1.48	12.6%
Market Price per share	13.10	11.00	19.1%
Market capitalisation (LKR 000)	1,959,708	1,645,557	19.1%
Price earning ratio (P/E)	7.85	7.42	5.8%

	2023/24	2022/23	Change
<b>Financial Indicators (%)</b>			
Return on Assets (after tax)	1.88%	1.94%	-3.1%
Return on Equity (after tax)	7.11%	6.56%	8.4%
Cost to Income	53.91%	62.99%	-14.4%
Gross NPA Ratio	14.10%	14.39%	-2.0%
Net NPA Ratio	6.00%	8.98%	-33.1%
Growth in Total Assets	27.66%	4.44%	523.89%

	2023/24	2022/23	Change
<b>Capital Adequacy Ratios (%)</b>			
Core capital to risk weighted assets ratio (Tier I) (Minimum 8.5%)	25.84%	32.75%	-21.10%
Total risk weighted capital ratio (Tier I&II) (Minimum 12.5%)	26.00%	34.01%	-23.60%
Equity to deposits (Minimum 10%)	35.99%	55.70%	-35.4%
Liquidity ratio	16.40%	17.64%	-7.03%

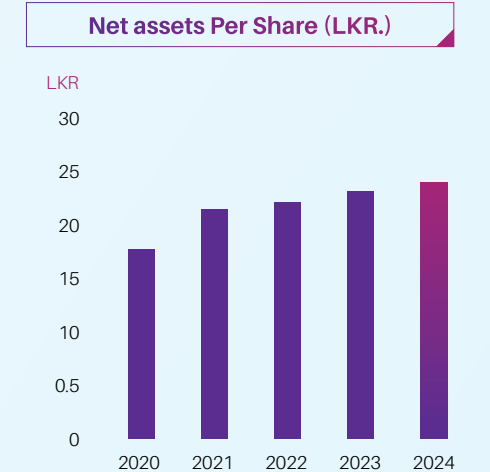
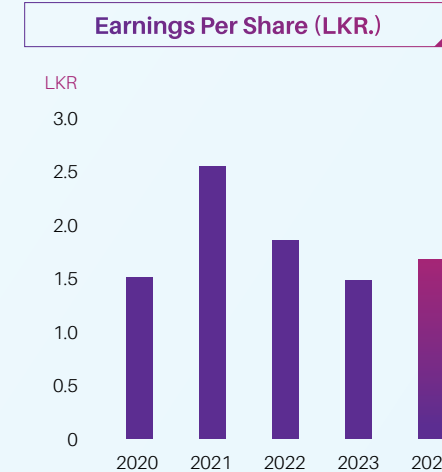
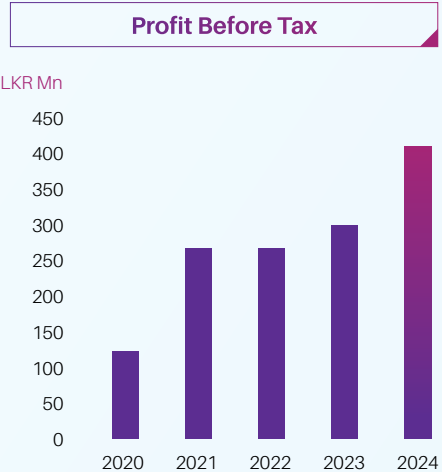
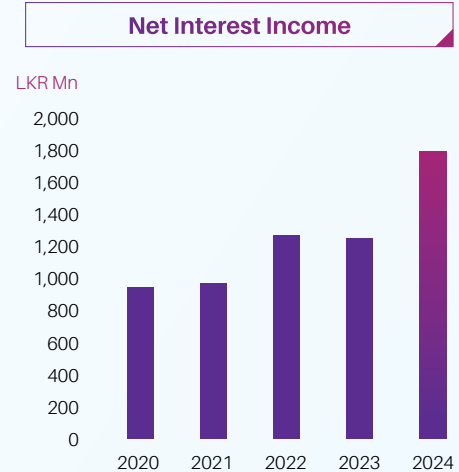
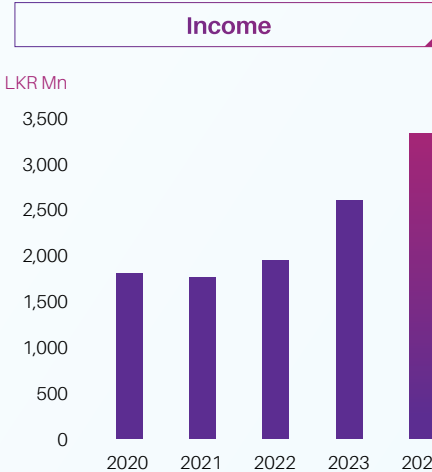
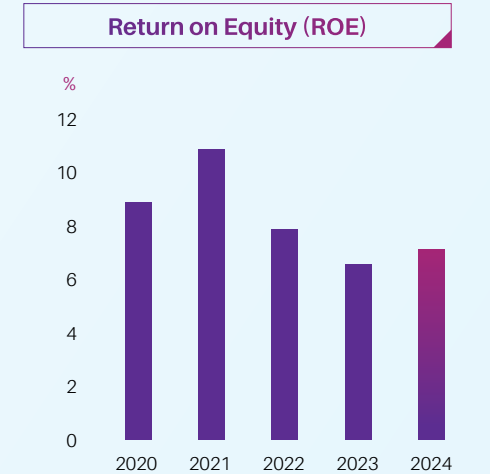
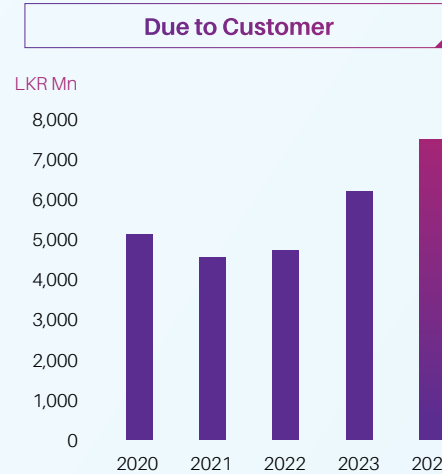
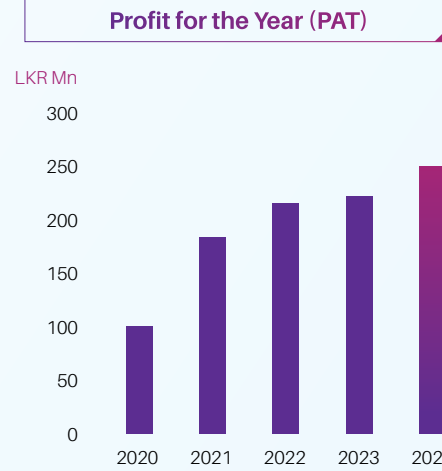
**28.1%**  
Revenue Growth

**12.6%**  
Profit Growth

**27.7%**  
Total Assets Growth

**21%**  
Customer Deposit Growth

**19.1%**  
Increase Market Capitalisation



## NON-FINANCIAL HIGHLIGHTS

Category	Sub-Category	Measurement	2024	2023	2022	2021
Economic Wellbeing	Economic Value Creation	LKR. Million	3,327	2,597	1,930	2,243
	Depositors & Lenders	LKR. Million	1,322	1,222	562	623
	Employees	LKR. Million	525	464	440	882
	Government	LKR. Million	346	228	160	173
	Service Providers	LKR. Million	905	468	521	471
	Retained	LKR. Million	233	219	247	168
	Manufacture Capital	Branches	Nos	56	51	51
Branches Outside the Western Province		Nos	46	44	44	44
Branches Upgraded		Nos	1	2	2	2
Branches Relocated		Nos	5	3	2	2
New Branches		Nos	5	-	-	-
ATMs		Nos	6			
Invest in Fixed Assets		LKR. Million	114	41	14	34
Invest in ROU Assets		LKR. Million	364	364	321	271
Social & Relationship Capital	Customer Base	Nos	159,393	159,393	153,238	148,700
	Credit Rating		BB	BB	B+	B+
	Payment to Suppliers	LKR. Million	4,678	2,416	2,972	1,961
	Product Disbursement	LKR. Million	10,567	7,235	8,074	3,784
	Marketing Initiatives	LKR. Million	57	86	78	35
Employee Wellbeing	Total workforce	Nos	546	453	508	480
	New Recruitments	Nos	360	118	221	167
	Employees promoted	Nos	31	81	59	10
	Employees Trainings	Hours	7,729	9,037	6,711	7,119
	Employees Rewarded	LKR. ('000)	9,299	332	469	1,500
	Employee Remuneration and Benefits	LKR. Million	525	464		
Environment Wellbeing	Electricity Usage	kWh	466,720	516,860	539,881	562,668
	Solar Powered	kWh	86,470	78,456	61,256	62,345
	Electricity per Rs. 1Mn of Revenue	kWh	140	199	280	251
	Fuel Usage	Ltr	15,090	107,653	250,884	175,114
	Fuel per Rs. 1Mn Revenue	Ltr	5	41	130	78
	Energy cost per employee		92,449	92,449	95,283	77,578
	Trees Planned/Distributed	Nos	2,560	1,845	-	-
	Total carbon footprint	mtCO2e	333			
	Water Consumption	ml	17	14	15	
	Investment on green initiatives	LKR. ('000)	3,656	2,430	-	-

“

Since 2021, SDF has supported Madushantha, a dedicated entrepreneur from Kothmale. With SDF's financing, he purchased a small truck to collect and deliver milk from local dairy farmers to Kothmale Dairy. This upgrade has boosted his business efficiency and benefitted the entire community by ensuring fresher deliveries.

We journey towards excellence by encouraging prudent and accessible finance



CHAIRMAN'S MESSAGE

GRI 2-22



Despite significant challenges, our collective resilience and determination have enabled us to navigate these turbulent times with hope and renewed purpose.



Dear Stakeholders,

On behalf of the Board of Directors, it is my privilege to present the Integrated Annual Report of Sarvodaya Development Finance PLC (SDF) for the financial year ended 31 March 2024. This has been a milestone year, in more ways than one.

In this same year that we have achieved our best year on record, in terms of financial performance, reach, and growth, we also witnessed the passing of our greatest supporter and guide; a gentleman who transcended his own circumstances to ignite a transformational journey towards prosperity for hundreds of thousands of Sri Lankans, perhaps many more.

Thus, before we reflect on the year under review, let us take a moment to honour the memory of the late Dr. A. T. Ariyaratne, the esteemed Founder and President Emeritus of the Sarvodaya Shramadana Movement. His remarkable life, visionary contributions, and unwavering support have profoundly shaped our mission and values. Dr. Ariyaratne's dedication to uplifting communities and fostering sustainable development continues to inspire us daily. We are thus committed to building on his great legacy, ensuring his vision endures in our work, every day. May he attain the supreme bliss of Nibbana.

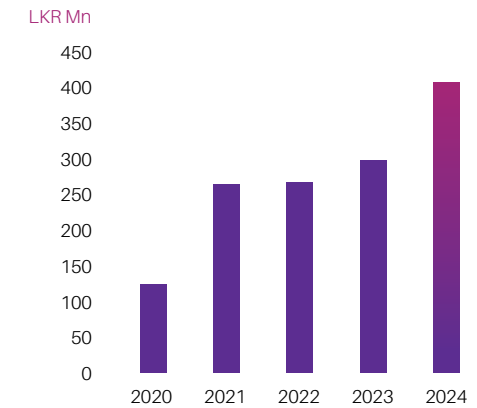
This past year marked a period of recovery for Sri Lanka and the banking industry as a whole. It was a healing journey for the country, its people, entrepreneurs, and particularly for marginalized communities, including families, youth, and young children in both rural villages and urban centres. Despite significant challenges, our collective resilience and determination have enabled us to navigate these turbulent times with hope and renewed purpose.

I am pleased to note that our ability to achieve record results, even in the face of significant challenges this past year, is a testament to our unwavering commitment to our strategic goals. Before delving into the details and outlining the strategic focus we have set for ourselves, let me provide some context regarding the environment in which we operated during the financial year ended 31 March 2024.

OPERATING ENVIRONMENT

As we all know, the economic downturn has escalated the poverty rate in Sri Lanka to unprecedented levels. Current figures indicate that about 25.9% of the population now lives below the poverty line. This threshold is defined as earning just over 600 rupees per day, a sum barely sufficient to cover basic necessities in today's economic climate. This harsh economic reality has pushed many into a state of paralysis, with high inflation and interest rates severely truncating incomes and crushing the hopes and dreams of our people.

Profit Before Tax



Thankfully, we've seen a welcome reduction in both inflation and interest rates. Notably, Treasury Bill rates—which serve as a good indicator of the country's overall interest rates—have dropped from 24.31% in 2023 to 10.28% in 2024. This drop is a positive sign, helping us to avoid slipping into what might be described as an economic hibernation or mental paralysis. When interest rates are high, it discourages business activity, with many people choosing to simply park their money in Fixed Deposits, avoiding any meaningful economic engagement.

Despite these improvements, the creation of employment opportunities, and the generation of foreign income through exports had all dwindled down to almost non-existence. Fortunately, Sri Lanka turned its course in all these indicators by the midpoint of this financial year. As a result, inflation, which soared to 69.8% in September 2022, plummeted to 0.90% in March 2024. The exchange rate too has improved, dropping from 363 to 301, signalling a recovery. However, it is important to note that the recovery of the economy will be gradual and may not progress as quickly as envisaged by some.

FINANCIAL PERFORMANCE

The Non-Performing Loan (NPL) ratio in the Non-Bank Financial Institutions (NBFI) sector that we operate in has decreased from 15.9% in April 2023 to 14.7% in March 2024. This is encouraging, yet there is still much progress needed for people to settle their dues and resume borrowing. I am pleased to report that non-performing loans at Sarvodaya Development Finance PLC are currently below the industry average.

Notably, while the industry-average asset growth was merely 7.7%, Sarvodaya Development Finance PLC achieved an impressive 27.7% growth despite difficult circumstances. Our lending portfolio expanded by 29.5%, significantly outpacing the industry growth of 4.5%. These figures are a testament to the

## CHAIRMAN'S MESSAGE

confidence our stakeholders have in us, as evidenced by our 21% deposit growth, compared to an 8.80% average growth rate across the NBFi industry.

In the realm of micro and semi-industrial sectors, Sarvodaya Development Finance PLC has demonstrated its capability to forge ahead with growth and development, continuously delivering value to its stakeholders.

**STRATEGY AND FOCUS**

We are pursuing an agenda that will foster new entrepreneurs, empower village entrepreneurs, and facilitate an alternative economic model. To this end, our organisation will continue to work closely with the Sarvodaya Movement, leveraging the deep brand loyalty that Sri Lankans have towards this esteemed 65-year-old organisation, which has tirelessly promoted the development of village sectors. We will also collaborate with over 5,000 Sarvodaya village societies across the country.

**EMPOWERING VILLAGE ENTREPRENEURS**

In this endeavour, we focus on our established practice of credit-plus lending, a strategy that remains highly relevant in today's context. This approach not only provides loans but also equips Sri Lankan village entrepreneurs with essential skills, competencies, and modern business knowledge. That includes advanced packaging techniques, current social media capabilities to promote products and establish brand names, and providing networks of connectivity by connecting the dots that operate in the system of key components, that we will take to the village to empower our entrepreneurs.

We will work strongly with a female-dominated, agrocentric, rural-based economy while also looking for entrepreneurs and youth who have a fire within themselves. We will connect them with university programmes to enhance their confidence and knowledge, providing crucial support and endorsements to help them succeed.

We provide a continuous learning environment through our alternative economic model, which is integral to our strategy. This model features hybrid financing, clustering of business engagements, mentoring, and facilitating market access—all crucial elements for entrepreneurial success. We are dedicated to continuously showcasing these entrepreneurs at various fairs and exhibitions across Sri Lanka, helping them to bring their products to the market.

Building on this model, we believe that sustained engagement rather than a sporadic approach is critical for the long-term success of these businesses. We will empower the village entrepreneur dream that our organisation has enveloped from its inception until today.

We will continue to influence policy, striving to lower current interest rates and ensuring that entrepreneurs receive reasonable and affordable rates. We also provide flexibility in every aspect of our service, while maintaining high standards at every touchpoint where customers interact with Sarvodaya Development Finance PLC, for all its effect.

In our ongoing efforts, we will continue to collaborate with international impact funding organisations to secure low-cost, long-term funding for Sri Lanka. This initiative represents a key growth area for Sarvodaya Development Finance PLC, offering significant opportunities for expansion given the impactful nature of our business. Additionally, these efforts will support the creation of an export-friendly environment, which is a crucial aspect of our strategic development.

**WOMEN'S EMPOWERMENT**

We are committed to empowering a new group of approximately 100 women entrepreneurs, helping elevate them from obscurity to notable presence within Sri Lanka. This initiative is a key focus for us as we aim to showcase these entrepreneurs and enable them to spearhead progress. By doing so, we hope to inspire many other women in society to step forward with innovative ideas and fresh perspectives, which can be transformed into tangible products and valuable services.

**REGENERATIVE AGRICULTURE**

With a strong emphasis on agriculture within our portfolio, pursuing regenerative agriculture practices remains a pivotal focus for our organisation in the ensuing financial year. This initiative is part of a broader global movement aimed at adopting the best historical practices in a deliberate and scientifically informed manner. These practices will be sustainable, avoiding the use of harmful chemicals and other dangerous toxins. Protecting the top soil, multi-cropping, and using scientifically-made organic inoculants are part of the regenerative agricultural process that we will pursue.

In this effort, we will collaborate with experts from Andhra Pradesh, India, and receive support from our international partners to enhance our agricultural products and practices. Our farmers will be introduced to these methods with hands on exposure & experiences in India. We hope to convert these farmers as champion farmers to take these sustainable farming practices across the country. We also hope to partner with the University of Colombo Institute of Agricultural Technology, to provide robust training, impart essential knowledge, and foster a movement towards a new, thoughtful, and scientific approach to agriculture and farming in Sri Lanka. We believe many groups of people interested in agriculture and sustainability will benefit from these initiatives.

Leading this significant initiative will be by both the Sarvodaya Movement and Sarvodaya Development Finance, spearheading efforts to transform and add value to the agricultural landscape of Sri Lanka.

**OUTLOOK FOR THE YEAR**

Implementing these initiatives within our well-established framework is expected to yield excellent financial results and have a profound impact, particularly in the rural and village communities where we operate. This will enhance the branding, recognition, and ongoing trust of Sarvodaya Development Finance PLC among the villagers, which is of utmost importance to us. As a valued partner, we are dedicated to the wellbeing of their families and broader rural communities, and are thus seen as a reliable and trusted entity.

This effort marks the beginning of a very promising engagement and a critical period during which we aim to instil confidence, hope, and support. These actions will contribute to the revival of a new vision for Sri Lanka's future, reinforcing our commitment to fostering sustainable and inclusive growth.

**APPRECIATIONS**

All of our achievements are made possible by the dedicated set of employees, a robust network of village societies, and support groups, all steadfastly backed by the committed Sarvodaya Movement. I extend my heartfelt gratitude to them for their vital presence and unwavering support.

We are deeply grateful to our committed sector employees who are purpose-driven, who find joy in serving others rather than pursuing purely monetary goals, especially during the most challenging times for our economy. Their presence and tireless commitment towards executing our financial strategies and maintaining a long-term vision are recognized as significant assets to our Company.

Furthermore, our Board has shown outstanding support for all these efforts, and their contributions are highly appreciated. I extend my gratitude to all our stakeholders, including the Central Bank of Sri Lanka, the Colombo Stock Exchange, and related parties, for their support.

Thanks also go to the various agencies, all the banks that support us, and the entire finance industry. Despite competitive pressures, their support comes from recognizing a shared vision of empowering villages and village entrepreneurs.

Most importantly, we thank all our customers and support groups who have provided tremendous assistance, support, and goodwill. This support has been crucial and is applauded, recognized, and deeply appreciated.

As we move forward, we are committed to working hard for an alternative economic model that connects villages across Sri Lanka. We will continue to lead the industry by demonstrating empathy, kindness, and compassion towards the entrepreneurs of our country, supporting them to convert their dreams into reality.

Sincerely,



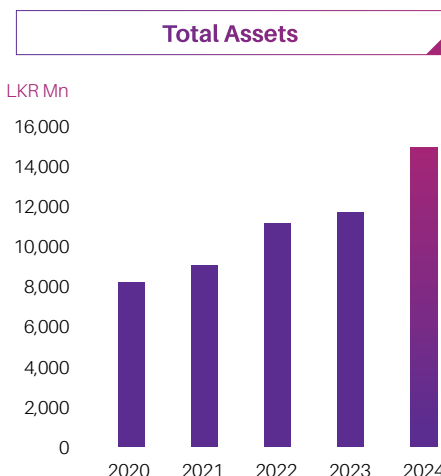
**Channa de Silva**  
Chairman

29 May 2024

CEO'S REVIEW



The year under review has been pivotal as the Sri Lankan economy showed signs of recovery. We have maintained our financial performance and recorded the highest-ever profits and growth across all business areas.



OPERATING ENVIRONMENT

The financial year 2023/24 has been another remarkable year for Sarvodaya Development Finance PLC, particularly in terms of profitability, asset growth, and customer reach. We have reported highest ever profit and successfully expanded our branch network for the first time in many years, opening five new branches within the financial year, resulting double digit growth in all key areas including total asset base. Additionally, we expanded our own-ATM network to eight locations and established connectivity with all ATMs in the country, via the LankaPay Network, significantly improving customer access to our services. As a result, customers of Sarvodaya Development Finance PLC can now access their accounts at over 5,000 LankaPay ATMs Islandwide.

Building on the successes of previous years, we continued to navigate the complex economic environment by maintaining our strategic focus on the 'Trust Network Strategy'. This approach enabled us to maintain financial stability and public trust, which are crucial for our long-term growth.

A key component of this strategy was the enhancement of our stakeholder engagement efforts. We prioritised transparent communication and collaboration with our customers, shareholders, regulatory bodies, and partners. In doing so, we were able to anticipate and respond to market shifts more effectively, resulting in our receiving several prestigious accolades, including the TAGS 'Gold Award' from the Institute of Chartered Accountants of Sri Lanka for the third time, highlighting our commitment to Transparency, Accountability, Governance and Sustainability (TAGS) in terms of corporate reporting.

Additionally, we continued to invest in advanced risk management systems and analytics to better understand and mitigate potential threats. This proactive approach allowed us to maintain a robust financial position even amidst uncertainty.

Our commitment to social responsibility also played a vital role in our strategic alignment. Through partnerships with community organisations and initiatives aimed at sustainable development, we strengthened our reputation and trust within the communities we serve. This dual focus on financial prudence and social impact has reinforced our resilience and set the foundation for future growth.

FINANCIAL HIGHLIGHTS

The year under review has been pivotal as the Sri Lankan economy showed signs of recovery. Our financial performance is detailed in the accompanying Financial Statements, which reflect double-digit growth in deposits, demonstrating both the leadership acumen of our Management Team, and the public confidence in Sarvodaya Development Finance PLC.

Therefore, it is my pleasure to report that the Company has delivered exceptionally well across a range of financial performance indicators, despite a myriad of market challenges. Accordingly, Sarvodaya Development Finance PLC was able to record a 43.5% growth in Net Interest Income, even as income expenses rose, together with a 45.7% growth in Total Operating Income, amidst an inflationary environment that witnessed rising operating expenses. Meanwhile, Profit Before Tax grew by 32.5%, while Profit After Tax rose by 12.6% year-on-year, subdued by changes to the tax concession we enjoyed as a listed entity within a stipulated period from listing, coupled with the emergent high-tax environment necessitated by the economic turbulence of 2022.

Despite the various challenges, our focus on strong leadership, value creation, and prudent risk management empowered the Company to deliver sustainable growth for our stakeholders. Accordingly, the Company's Net Asset Value Per Share improved to LKR 23.87, compared with LKR 23.06 at the end of the previous financial year. Total Assets too rose by 27.7% year-on-year.

Thus, having continued to strengthen our financial base during the year, we are now well poised to capitalise on the emerging economic recovery.

MARKET CONDITION AND ANALYSIS

The economic environment in the past year has improved, with the Sri Lankan economy showing a GDP growth of 1.6% in the last quarter. This recovery has created a conducive market environment allowing Sarvodaya Development Finance PLC to record unprecedented growth based on our solid performance during the period. In particular, the agricultural sector, which is a focused sector for us, posted a growth of 2.6% in 2023, despite the industrial sector contracting, together with a marginal contraction in the services sector.

Decisive policy adjustments and structural reforms implemented by the Government and the Central Bank have helped restore macroeconomic stability. Inflation was brought under control through rapid disinflation measures, and exchange rate stability was restored. Additionally, gross official reserves increased, thereby building much-needed external buffers, while the financial sector demonstrated its resilience with high levels of crisis preparedness.

Market interest rates declined significantly in 2023 from the notably high levels recorded in 2022. This reduction was driven by the accommodative monetary policy measures implemented since June 2023. A broad-based reduction in market lending rates was further supported by administrative measures and moral suasion targeting the reduction of excessive market interest rates, as well as a decline in risk premia attached to

yields on Government securities following the Domestic Debt Optimization (DDO).

This favourable interest rate environment provided additional support for economic recovery and growth, particularly in the agricultural and small business sectors. We expect this trend to continue and stabilise during the present financial year, potentially creating several opportunities for growth.

#### OPERATIONAL HIGHLIGHTS

At the beginning of the year, the Company strengthened its operational functions relinquishing my day to day operations by recruiting a Chief Operating Officer in order to provide dedicated operational oversight. This has allowed me to focus more on strategy development and stakeholder engagement, making for much more efficient progress. As a result, the Company was able to implement several operational and strategic initiatives during the period under review. During the year, we were also able to reach out to the Global Alliance for Banking on Values and apply for associate membership, opening new doors for impactful local and global initiatives. In addition, my participation in AFIFORUM in Thailand facilitated the attraction of more impact-oriented credit lines, with discussions progressing positively.

We, together with our parent movement are facilitating educational transformation of our farming community towards regenerative agriculture practices. This initiative is in collaboration with Andhra Pradesh, India, and field visits were conducted to advance these practices in Sri Lanka, which will be beneficial to our agricultural sector.

As a result of all these efforts, our operational efficiency improved significantly, concurrently with our improved growth trajectory driven by strategic collaboration and manoeuvring. This is reflected in our Profit and Loss Account and key efficiency ratios, including the cost-to-income ratio. In particular, our ROA moderated to 1.9% against 2.0% in the previous year, while ROE rose to 7.1% over 6.4% in the year prior. At the same time, our Efficiency Ratio stood at 65%, improving from 66% amidst an environment of escalating costs in all areas of business.

#### FUTURE OUTLOOK

Looking ahead, we plan to further enhance our reach and accessibility for customers, by strategically expanding our branch and ATM network with the aim of providing improved access to finance, particularly for community-level businesses and economically active societies. Concurrently, we aim to attract low-cost funds from overseas, leveraging our status as a development finance company focused on Sustainable Development Goals (SDG) and Environmental, Social, and Governance (ESG) criteria. This will enable us to expand financial

support for farmers and community development activities, particularly in the agricultural sector, which is experiencing a genuine resurgence as the wider economy recovers.

Our key objectives for the next financial year include, Entrepreneurship Development by improving access to finance and enhancing market access for MSMEs, Youth and Women's Empowerment by collaborating with the Lanka Jathika Sarvodaya Sharamadana Sangamaya and other community groups to support and groom hundreds of youth and women entrepreneurs. Accordingly, we firmly expect our Asset Base to surpass LKR 20 billion in the coming year, building on our current assets base of LKR 15 billion, marking a significant milestone in our growth trajectory.

#### APPRECIATIONS

I extend my heartfelt gratitude to our valued customers, shareholders, the Chairman, the Board of Directors, and all Sarvodaya-related parties for their unwavering support. I also take this opportunity to commend our management team, regional and branch managers, and all of Sarvodaya Development Finance PLC's staff for their dedication and hard work. None of our achievements would be possible without their steadfast support and unwavering loyalty.

Special thanks to the President of the Lanka Jathika Sarvodaya Shramadana Sangamaya, Dr Vinya Ariyaratne, for his partnership and support. I also wish to extend a very special note of appreciation to our late Founder, Dr A T Ariyaratne, for setting a great philosophy which is valid forever and driving us towards achieving the Company's Mission which we believe as paramount important for the whole nation. May he attain the supreme bliss of nibbana.

On behalf of Sarvodaya Development Finance PLC, it is also my responsibility to express our gratitude to the Central Bank of Sri Lanka and the Colombo Stock Exchange for their continued guidance and support.

Building on what we have achieved in 2023/24, I look forward to continued success and growth in the coming financial year. Thank you.

Sincerely,



**Nilantha Jayanetti**  
Chief Executive Officer

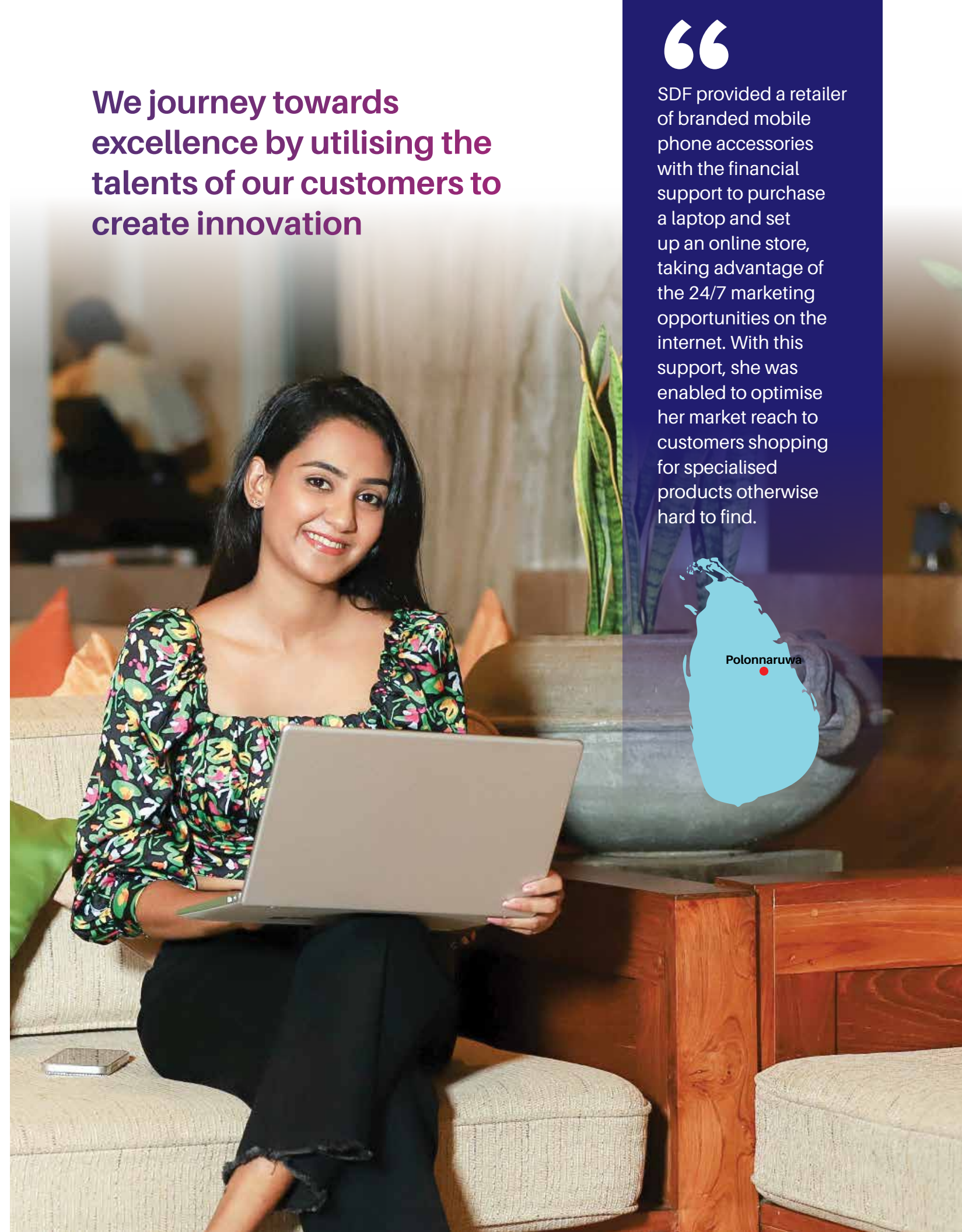
29 May 2024

## We journey towards excellence by utilising the talents of our customers to create innovation

“

SDF provided a retailer of branded mobile phone accessories with the financial support to purchase a laptop and set up an online store, taking advantage of the 24/7 marketing opportunities on the internet. With this support, she was enabled to optimise her market reach to customers shopping for specialised products otherwise hard to find.

Polonnaruwa



## A TRIBUTE TO THE FOUNDER OF SARVODAYA MOVEMENT



# Celebrating the Life of Dr A T Ariyaratne

Dr. A.T. Ariyaratne, the esteemed Founder and President Emeritus of the Sarvodaya Shramadana Movement, recently passed away, leaving behind a profound legacy. The Sarvodaya Shramadana Movement, a grassroots humanitarian organization, was founded on the principle of “sharing of labour, thought, and energy for the awakening of all.” Since its inception in 1958, Sarvodaya has been a beacon of hope and development throughout Sri Lanka, persevering through numerous challenges over the years.



Born on 5 November 1931 in Unawatuna village in the south of Sri Lanka, Dr. Ariyaratne’s journey began with his primary education at Buona Vista College, followed by secondary education at Mahinda College, Galle, and higher education at Vidyodaya University. His career started in education, teaching at Nalanda College, Colombo. It was during his tenure there that Dr. Ariyaratne embarked on a transformative educational tour with forty high school students and twelve teachers to an outcaste village. This first shramadana work camp, where he guided his students and fellow teachers in developing the village, marked the birth of the Sarvodaya Shramadana Movement.

Dr. Ariyaratne envisioned the Sarvodaya Shramadana Movement as an implementation of the Buddha’s Teachings for Sustainable Development and Peace. He demonstrated how these teachings could enhance the spiritual, moral, cultural, social, economic, and political life of communities. Dr. Ariyaratne ingeniously integrated teachings such as the Four Brahma Viharas, Four Sangraha Vastus, Dasa Raja Dharma, Dasa Paramita, Sapta Aparihaniya Dharma, Four Noble Truths, Noble Eightfold Path, and numerous sutras into the daily lives of 15,000 village communities, including those of non-Buddhist faiths like Hindu, Muslim, and Christian communities.

Together with his colleagues, Dr. Ariyaratne developed a comprehensive Theory and Practice to awaken all - Sarvodaya - at six levels: Paurushodaya (Human Personality Awakening), Kutumbodaya (Family Awakening), Gramodaya (Village Community Awakening), Nagarodaya (Urban Community Awakening), Deshodaya (National Awakening), and Vishvodaya (World or Universal Awakening).

Dr. Ariyaratne’s contributions to the villages of Sri Lanka were unparalleled. He championed numerous social service projects that significantly uplifted rural communities. His efforts included the establishment of community wells and sanitation facilities, the construction of schools, roads, and community centers. Under his leadership, the Sarvodaya Shramadana Movement initiated programs for healthcare, education, and economic development, focusing on self-reliance and community empowerment. Dr. Ariyaratne also advocated for the rights of marginalized groups, ensuring that the voices of the poorest and most disadvantaged were heard and addressed.

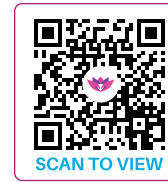
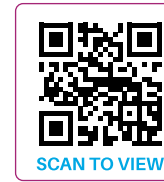
Dr. Ariyaratne was also conferred honorary degrees, including a Doctor of Letters (D.Litt.) from Vidyodaya University and a Doctor of Humanities (D.H.) from Emilio Aguinaldo College in the Philippines.

Dr. Ariyaratne’s vision and tireless efforts have indelibly shaped the lives of countless individuals and communities across Sri Lanka. His legacy of compassion, service, and dedication to sustainable development and peace will continue to inspire and guide us. We honor his memory and strive to carry forward the mission he so passionately championed.



For over sixty-three years, Sarvodaya has continued its mission as the largest non-governmental movement in Sri Lanka.

Dr. Ariyaratne’s unwavering dedication to the nation and its people earned him numerous national and international accolades. Among these are the highest national and International awards.



Interview with Dr. A.T. Ariyaratne, Founder Sarvodaya Movement

Nobel Peace Prize

For his exceptional contribution to peace and harmony, Dr. A.T. Ariyaratne got nominated for the prestigious NOBEL PEACE PRIZE three times.

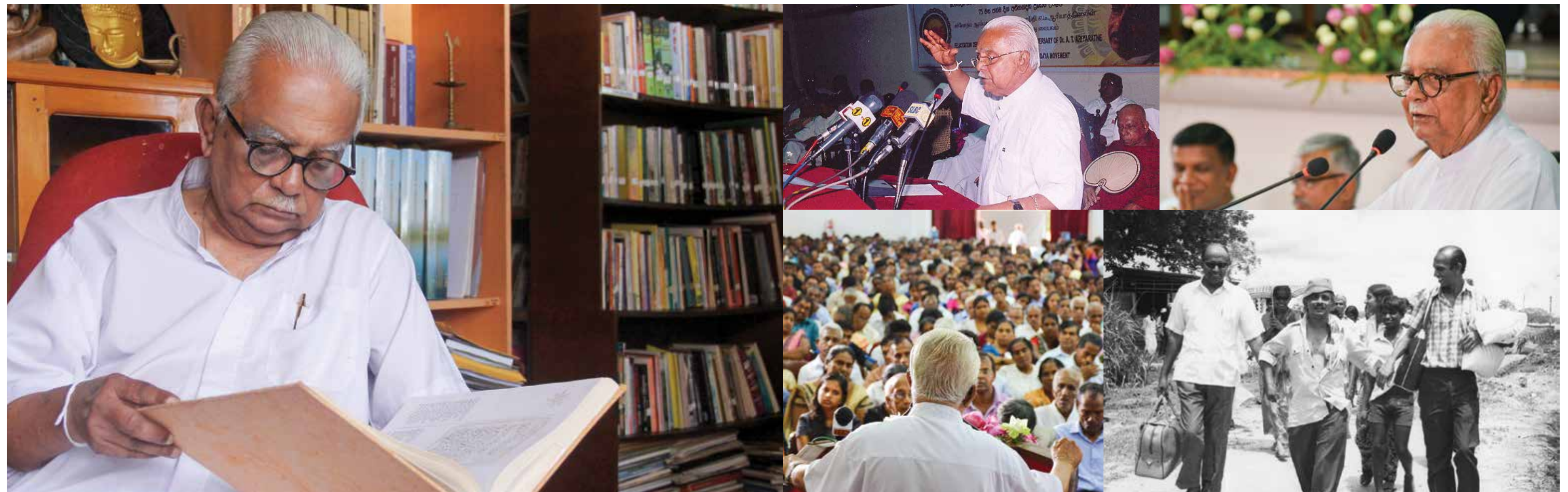
He is also a recipient of the highest Sri Lankan award SRILANKABHIMANYA and Gandhi Peace Award from the government of India.

International Awards

- 1969 Ramon Magsaysay Award for Community Leadership: Philippines
- 1982 King Baudouin International Development Prize: Belgium
- 1986 Alan Shawn Feinstein World Hunger Award, Brown University: USA
- 1990 August Forel World Temperance Award: Denmark
- 1990 Jambhwal Bajaj Award: India
- 1992 Niwano Peace Award: Japan
- 1995 Ilga Memorial Award for Public Service: Korea
- 1995 Hubert Humphrey Award for Promoting Human Rights: USA
- 1996 Mahatma Gandhi Peace Award: Govt. of India

- 1996 Life Time Service Award, USA Asia Foundation
- 2000 Morarji Desai Award for Promoting Literacy: India
- 2003 Highest Academic Award, Soka University: Japan
- 2004 Spirit of Detroit Award: Detroit City Council USA
- 2004 Life Time Award from Novartis Foundation for Sustainable Development: Switzerland
- 2004 Global Peace Award - Interfaith Council: USA
- 2005 Washington Good Works Award: USA
- 2006 Prof. Ramlal Parikh International Award: Gujarat Vidyapit: India
- 2007 Special Recognition Award from Mayor of Porto Rico: USA
- 2007 Respect for Humanity Award by Humane Society Initiative: Porto Rico, USA
- 2008 Global Peace Initiative Award: Michigan: USA

- 2008 Honorary Doctorate from St. Francis Xavier University of Toronto: Canada
- 2013 Gandhi, King, Ikeda Award for promoting peace and justice over 100 years of Satyagraha: South Africa
- 2014 Life Time Achievement Award American Jewish Distribution Council: USA
- 2014 Honorary Doctorate from Sabaragamuwa University: Sri Lanka
- 2015 Life Time Service Award: Marquette University: USA
- 2015 Bhavasa Award for Social Service: Gandhigram Rural University: India
- 2017 Bukkyo Dendo Kyokai Award for Promoting Buddhism: Japan
- 2012 Defender of Peace award from Shanthi Ashram: India





## BOARD OF DIRECTORS



## Seated (Left to Right):

**Mr. Channa De Silva**  
Chairman  
Non-Executive, Non-Independent Director

**Ms. Shehara De Silva**  
Non-Executive,  
Independent Director

## Standing (Left to Right):

**Mr. Senthil Nandhanan Senthilvel**  
Non-Executive,  
Non-Independent Director

**Mr. Ramesh Schaffter**  
Non-Executive,  
Non-Independent Director

**Mr. Dhammika Ganegama**  
Senior Director/  
Non-Executive, Independent Director

**Mr. C. Amrit CanagaRetna**  
Non-Executive,  
Independent Director

**MR. CHANNA DE SILVA**

Chairman/Non-Executive, Non-Independent Director

Mr. Channa de Silva is the Chairman of Sarvodaya Development Finance PLC. He has served in this position since October 2016, and before that he served as Deputy Chairman of the company.

He also serves as Vice President of Sarvodaya Movement of Sri Lanka.

He has served the government sector previously as the Director General/CEO of the Securities and Exchange Commission (SEC) and the Executive Director of the Board of Investments (BOI) Sri Lanka.

He has worked as the Managing Director of Summit Finance PLC and Director of Pan Asia Bank PLC. He also worked as the Group Managing Director of Delmege Group Limited.

He is the Founder Chairman of Capital Media, publisher of Echelon business magazine and business news portal, EconomyNext and Neon Media.

He is a graduate of the University of Colombo and holds Master's Degrees from Harvard University and Melbourne University. Being an Accountant he is a Fellow Member of the Chartered Institute of Management Accountants (FCMA - UK) and a Fellow of the Chartered Certified Accountants (FCCA - UK).

He also serves as a Governing Council Member of the University of Colombo and as a board member of University Investment Committee as well as Finance Committee. Apart from this, he serves as a faculty board member of few faculties including Institute of Graduate Studies, Institute of Biotechnology & Molecular Biology, and Institute of Indigenous Medicine. He is also a Sri Lankan council member of the Chartered Institute for Securities & Investments (CISI- UK).

He is an Edward Mason Fellow of Harvard University and served as a Teaching Fellow in Public Finance at the Harvard Kennedy School.

**MR. DHAMMIKA GANEGAMA**

Senior Director/Non-Executive, Independent Director

Mr. Dhammika Ganegama joined the Board of Sarvodaya Development Finance PLC on 15th July 2020. Having more than 26 years of experience in the IT industry, Mr. Ganegama started his professional IT career when he joined a small startup in 1999. He program managed many of the strategic accounts, helping increase their valuation and later to be part of its listing in 2007 with NASDAQ (VRTU). He is currently a Founding Partner and Executive Vice President of the Mitra Group.

## Leadership

## BOARD OF DIRECTORS

The Mitra Group is headquartered in the UK with offices across Australia, Sri Lanka, Singapore and the US serving clients across 50+ countries. Mr Ganegama owns and operates multiple ventures and businesses across many geographies and has also been appointed as a trusted advisor for several For and Not for Profit organizations. He has developed a wealth of experience in consulting and implementing Digital Transformation programs for global clients ranging from SMEs, public sector, large scale enterprises and multi-nationals including Siemens, Aetna, BT, Staples, Axiata, IBM and other Fortune 500 clients. His experience and passion extend to Program management, Setting up technology lead new businesses, Ventures and Partnerships across various industry verticals.

**MR. C AMRIT CANAGARETNA**  
Non-Executive, Independent Director

Mr Amrit CanagaRetna was appointed to the Board of Sarvodaya Development Finance PLC on 19th October 2018. An experienced and a qualified ex- banker with over 35 years of international and local experience specializing in retail and corporate conventional & sharia based financing, with the last 7 years ending 2017 heading Corporate & SME Business Banking areas of Islamic Financing at Amana Bank PLC as its Vice President- Business Banking.

Previously he has been the Deputy General Manager of Pan Asia Banking Corporation PLC.

Skilled in financial advisory services relating to working capital funding to financial institutions, corporates, small & medium sized Industries, start-ups including foreign trade financing and construction finance. Having commenced his career at European Asian Bank in 1981, he has since worked for over 8 banks both locally and internationally. Apart from his banking experience, he was the CEO/Director of a Central Bank approved Finance Company and has been a Financial Consultant to both private & government entities.

Currently, Mr CanagaRetna is pursuing his passions in representing luxury brands in Sri Lanka in his capacity as Director-Strategic Investments of Royal Lanka Agencies (Pvt) Ltd. Sole Agents for MontBlanc, Baume & Mercier, Raymond Weil, Frederique Constant & Alpina Swiss brands.

He is an Associate member of the Chartered Institute of Bankers, UK and of the Institute of Credit Management, UK.

**MR. RAMESH SCHAFFTER**  
Non-Executive, Non-Independent Director

Mr. Ramesh Schaffter was appointed to the Board of Sarvodaya Development Finance PLC on 20th April 2022. He serves as the Managing Director and Group Chief Executive Officer of Janashakthi Group (JXG), with a wealth of experience spanning over three decades in Finance and Marketing. Mr. Schaffter is recognized as a Fellow Member and former Council Member of the Chartered Institute of Management Accountants, Sri Lanka, as well as an Associate Member of the Chartered Institute of Marketing.

In addition to his corporate leadership roles, he is a dedicated social entrepreneur and life coach. Mr. Schaffter is renowned as an accomplished public speaker and has garnered multiple awards at both national and international levels in Toastmasters' contests. He has also served as the President of Habitat for Humanity Sri Lanka and held a position on the Board of World Vision for Sri Lanka.

His other principal appointments include Directorships in Janashakthi Insurance PLC, Serendib Land PLC and First Capital PLC.

**MR. SENTHI NANDHANAN SENTHILVERL**  
Non-Executive, Non-Independent Director

Mr. Senthil Nandhanan Senthilverl was appointed to the Board of Sarvodaya Development Finance PLC (SDF) on 15th July 2021 and brings a wealth of experience and expertise to the Board. With a tenure spanning over 20 years in corporate environments, his insights are invaluable for strategic decision-making and governance.

Prior to his appointment at SDF, Mr Senthilverl served on the Board of Pan Asian Power PLC, demonstrating his proficiency in overseeing operations within the power sector. Additionally, his current role as CEO at Dollar Corporation underscores his leadership capabilities in managing a diverse range of industries including cosmetics, confectionery, beverages, toiletries, detergent, and incense stick manufacturing.

Furthermore, his position as an Executive Director at Senthilverl Holdings (Pvt) Ltd, an investment company founded by Dr. Thirugnanasambandar Senthilverl, specializing in equity investments, highlights his acumen in financial management and investment strategies.

Mr. Senthil Nandhanan Senthilverl's multifaceted experience spans various domains including sales, marketing, purchasing, logistics, and equity trading, showcasing his versatility and adaptability in navigating complex business landscapes.

His educational background, including an MBA from the University of Southern Queensland, Australia, coupled with his membership in the Association of Business Executives, further solidifies his qualifications and commitment to professional development.

Overall, Mr. Senthilverl's appointment to the Board of SDF brings a diverse skill set and a track record of success, positioning him as a valuable asset in driving the company's growth and sustainability initiatives.

**MS. SHEHARA DE SILVA**  
Non-Executive, Independent Director

Ms. Shehara De Silva was appointed to the Board of Sarvodaya Development Finance PLC on 27th June 2019. An experienced international communication and marketing expert, Ms. De Silva has been behind the success of several local, regional and Fortune 500 multinational brands.

Ms. De Silva has worked over a decade in Malaysia with Omnicom companies beginning as Director Planning of Naga DDB and later the Managing Director of Interbrand Malaysia, one of the world's leading brand consultancies.

She is on the Boards of Keells Foods PLC, The Neelan Tiruchelvan Trust, Informatics Institute of Technology and Ex-Pack Corrugated Cartons PLC, Amana Takaful Life Insurance and Optima Design Pvt Ltd. She has been previously on the Boards of Environment Foundation Ltd, Arthur C Clark Centre for Science and Technologies and Eagle NDB Fund Management. She has also worked in the development sector with ILO, Internews Sri Lanka, USAID, NORAD, GIZ Sri Lanka, and Plan International.

She was the Deputy Director General of the Board of Investment of Sri Lanka (BOI-SL), trained on attracting FDI at the IDA in Ireland. She facilitated in the transformation of three Sri Lankan groups - Singer in retail, NDB in banking and Janashakthi in Insurance.

She has spoken extensively at international conferences on branding, strategy and Gender issues and won several local and International Marketing and Women Leadership Awards.

## MANAGEMENT TEAM



Left to Right

**Mr. Kelum Thilakerathne** - Head of National Sales, **Mr. Kularuwan Gamage** - Head of Operations & Administration, **Mr. Ruwan Jayasuriya** - Chief Operating Officer, **Mr. Nilantha Jayanetti** - Chief Executive Officer, **Mr. Ranapriya Fernando** - Head of Credit, **Mr. Mahesh Jayasanka** - Head of Strategic Planning/Acting Head of Finance

**MR NILANTHA JAYANETTI**

Chief Executive Officer

Mr. Nilantha Jayanetti brings extensive experience in banking and finance, having held senior management positions in prestigious financial institutions. He is skilled in marketing, business transformation, team building, operations management, and is a proactive leader in technology adoption and finance and risk management.

Before joining Sarvodaya Development Finance PLC, he served as Senior Assistant General Manager at Orient Finance PLC for seven years, driving business initiatives that positioned the company as a top brand. Previously, he was the Marketing Manager at Merchant Bank of Sri Lanka & Finance PLC.

Mr. Jayanetti holds a degree in Business Management with a specialization in Accountancy from the University of Kelaniya and an MBA in Banking and Finance from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He has also completed a Strategic Leadership programme at Cornell University's Johnson Graduate School of Management, USA.

**MR. RUWAN JAYASURIYA**

Chief Operating Officer

Mr. Ruwan Jayasuriya holds an MBA from Cardiff Metropolitan University (Wales) and a Diploma in Credit Management from the Institute of Bankers of Sri Lanka. He is a member of the Sri Lanka Institute of Marketing and an Associate Member of the Chartered Institute of Marketing UK. He has also completed the final examinations of the Certified Management Accountants of Australia.

With over 24 years at the Singer Group, including eight years managing sales, administration, and hire purchase of consumer durables at the parent company, he joined Singer Finance (Lanka) PLC at its inception in 2004. Mr. Jayasuriya led the Credit, Recoveries, and Operations divisions until 2021, and prior to joining Sarvodaya Development Finance PLC, he was the Chief Operating Officer at Richard Pieris Finance Limited.



Left to Right

**Mr. Ruwin Yapa** - Head of Human Resources, **Ms. Shiromi Patabendige** - Company Secretary, **Mr. Darshana Perera** - Head of Recoveries, **Mr. Prabath Rangajeewa** - Head of Gold Loans, **Ms. Piyumi Ranadheera** - Head of Risk Management, **Ms. Sharonie Robert** - Compliance Officer, **Mr. Indika Dissanayake** - Head of Information Technology

**MR. RANAPRIYA FERNANDO**

Head of Credit

Mr. Ranapriya Fernando holds an Executive MBA from the University of West London and is an Associate Life Member of the Institute of Bankers of Sri Lanka. With over 30 years of experience in banking and finance, he has expertise in credit, relationship management, mortgage finance, and real estate development projects.

**MR. MAHESH JAYASANKA**

Head of Strategic Planning/Acting Head of Finance

Mr. Mahesh Jayasanka, a distinguished member of The Association of Accounting Technicians of Sri Lanka, is pursuing Chartered Accountancy with CA Sri Lanka. He began his professional journey with a four-year training program at Ernst & Young (EY), where he later served as Assistant Manager - Assurance for seven years. His expertise spans auditing, accounting, taxation, and assurance across sectors such as banking, financial services, manufacturing, healthcare, retail, and engineering.

In 2015, he joined Sarvodaya Development Finance PLC as Manager-Finance, subsequently being promoted to Senior Manager-Finance and Chief Manager-Finance. Currently, he serves as the Head of Strategic Planning, leveraging his 18 years of industry expertise.

**MR. KULARUWAN GAMAGE**

Head of Operations &amp; Administration

Mr. Kularuwan Gamage, with 19 years of experience in the finance industry, serves as the Head of Operations and Administration at Sarvodaya Development Finance PLC. He joined SDF in 2015 as a Regional Manager and quickly ascended to his current position.

He is pursuing an MBA at the University of Brittany, France, and is a Certified Microfinance Trainer awarded by the Asian Development Bank Institute and a Certified Business Development Trainer by CEFE-Net Sri Lanka. His strong communication skills and dedication to financial inclusion make him an integral part of the Sarvodaya team.

## Leadership

## MANAGEMENT TEAM



Left to Right

**Ms. Rajini Koswatta** - Product Head - Housing Loans, **Mr. Jude Dharmasena** - Product Head - Micro & Society Loans, **Mr. Sujith Asanka** - Product Head - SME Loan, **Mr. Manoj Fernando** - Product Head - Leasing, **Mr. Lakmal Munasinghe** - Product Head - Deposit Mobilization, **Mr. Chaminda Niroshana** - Senior Manager - Operations

**MR. RUWIN YAPA**

Head of Human Resources

Mr. Ruwin Yapa, a Senior Human Resources Professional with 19 years of experience, holds a Master's in Business Studies and a Bachelor of Business Administration with a specialization in Human Resources from the University of Colombo.

His expertise spans strategic HR management, talent acquisition, succession planning, compensation and benefits management, performance management systems, HRIS administration, and employee engagement initiatives. He effectively oversees HR-related administrative tasks, ensuring compliance with employment laws and regulations.

**MR. INDIKA DISSANAYAKE**

Head of Information Technology

Mr. Indika Dissanayake has over 26 years of experience in Information Technology. He graduated with an Upper-Class Honors Degree in Information Technology from London Metropolitan University and holds various IT diplomas. He is a certified Ethical Hacker, a Certified Microsoft System Engineer, and has completed other Microsoft certifications.

He has held numerous roles in IT, including Chief Manager - Tech Infrastructure at HNB Finance PLC, Head of IT at Prime Finance PLC, Assistant General Manager IT at Entrust Limited, and Systems Engineer at AE Logistics Pvt Ltd.

**MR. KELUM THILAKERATHNE**

Head of National Sales

Mr. Kelum Thilakerathne, with a Diploma in Credit Management from the Institute of Credit Management, has over 19 years of experience in the Leasing and Finance Industry.

He dedicated 13 years to Orient Finance PLC as a Regional Manager before joining Sarvodaya Development Finance PLC in 2019. As Head of Leasing, he played a pivotal role in introducing a diverse range of leasing and loan products aligned with the Sarvodaya Philosophy. His tenure has been marked by strong communication skills and exemplary leadership.

**MR. PRABATH RANGAJEWA**

Head of Gold Loans

Mr. Prabath Rangajeewa has 26 years of corporate experience in the finance sector, specializing in gold loans, pawning, and gold mortgages. He has led the establishment of a gold loan portfolio worth over Rs. 2.5 billion.

**MR. DARSHANA PERERA**

Head of Recoveries

Mr. Darshana Perera is currently following the Leadership Excellence Program (LEP), a training program by Sarvodaya Development Finance PLC in collaboration with the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

He has contributed significantly to streamlining recovery procedures and setting up a high-tech call center at SDF. With 21 years of experience in the finance sector, he specializes in recovery functions.

**MS. PIYUMI RANADHEERA**

Head of Risk Management

Ms. Piyumi Ranadheera is an Associate Member of the Institute of Certified Management Accountants (CMA) of Sri Lanka and holds CGMA Advanced Diploma in Management Accounting from CIMA-UK. She also holds an MBA from the University of Colombo and a Bachelor of Business Administration specialized in Finance from the University of Colombo. She has completed the Diploma in Bank Integrated Risk Management and the Diploma in Compliance at the Institute of Bankers of Sri Lanka.

She also holds Certificate in Treasury and Foreign Exchange Operations conducted by the Centre for Banking Studies, Central Bank of Sri Lanka.

She has 10 years of experience in integrated risk management and business analytics in the NBF sector.

**MS. SHARONIE ROBERT**

Compliance Officer

Ms. Sharonie Robert is an Associate Member of the Institute of Chartered Corporate Secretaries in Sri Lanka and a registered Company Secretary. She holds a BA (Hons) in International Business and Finance from the University of West Scotland, UK, and is a Passed Finalist of CIMA, UK. She also holds a Certificate in Global Financial Compliance from the Chartered Institute of Securities and Investment, UK, and a Certificate in Banking and Finance from the Institute of Bankers of Sri Lanka. She is currently following the Applied Skill level of ACCA, UK.

She has 11 years of experience in compliance, company secretarial, and corporate governance in the non-bank financial sector.

**MR. CHAMINDA NIROSHANA**

Senior Manager - Operations

Mr. Chaminda Niroshana holds a Diploma in Banking from the Institute of Bankers of Sri Lanka (IBSL). He began his career with Seylan Bank as a Banking Assistant in 1993 and has 31 years of experience in the banking and finance sector. He is in charge of security documents at SDF.

**MS. SHIROMI PATABENDIGE**

Company Secretary

Ms. Shiromi Patabendige is an Associate Member of the Institute of Chartered Corporate Secretaries of Sri Lanka (ICCSL) and a registered Company Secretary. She holds a Higher National Diploma in Accounting from James Watt College of Further & Higher Education, UK, and is partly qualified in CIMA, UK.

She has over 23 years of experience, including roles in the Company Secretariat and Finance Department at Seylan Bank PLC, and investment banking at Vanik Incorporation Ltd. She also served at Aitken Spence PLC, a prominent Sri Lankan conglomerate.

## Leadership

## MANAGEMENT TEAM

**MR. LAKMAL MUNASINGHE**

Product Head - Deposit Mobilization

Mr. Lakmal Munasinghe has over 18 years of experience in the banking and finance industry, specializing in deposit mobilization, savings, leasing, and recoveries. He previously served as Manager of Fixed Deposits at Richard Peiris Finance Ltd and as Assistant Manager - Deposit Mobilization at Merchant Bank of Sri Lanka.

**MR. SUJITH ASANKA**

Product Head - SME Loan

Mr. Sujith Asanka holds a Bachelor's degree in Business Management with a specialization in Marketing from the University of Kelaniya. He is currently pursuing a Master's degree in Business Management with a focus on Marketing at the same institution. He has over 17 years of experience in finance institutions, including roles in branch administration, leasing business promotion, and recoveries. Since joining SDF in 2017, he has rapidly advanced to Product Head for Small and Medium Enterprises (SME).

**MR. MANOJ FERNANDO**

Product Head - Leasing

Mr. Manoj Fernando holds a Diploma in Professional Marketing Management from JMC Faculty of Marketing and Management. He is enrolled in the Leadership Excellence Program (LEP) at the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

With over 17 years of experience in the finance sector, Mr. Fernando has served in various roles including Branch Manager, Manager - Business Development, and Regional Manager. His expertise encompasses branch administration, leasing business promotion, and recoveries.

**MR. JUDE DHARMASENA**

Product Head - Micro &amp; Society Loans

Mr. Jude Dharmasena has over 25 years of experience in the banking and finance industry, specializing in sales and marketing. He dedicated 18 years to Seylan Bank PLC. In 2017, Mr. Dharmasena joined Sarvodaya Development Finance PLC as a Branch Manager and quickly rose to the position of Regional Manager and then Product Head - Micro & Society Loans. He has gained wide experience at the grassroots level of the Sarvodaya Shramadana Societies, focusing on the empowerment of women in villages and sustainable development, aligning with the "Sarvodaya" philosophy. His tenure has been marked by strong trilingual communication skills and exemplary leadership.

**MS. RAJINI KOSWATTA**

Product Head - Housing Loans

Ms. Rajini Koswatta is a seasoned banker with over 25 years of experience in the banking industry, supplemented by 3 years of non-banking finance expertise. She holds an MBA specialized in Banking & Finance from Sikkim Manipal University of India, an LLB (Hons) from Buckinghamshire New University UK, and diplomas in banking and finance, credit management, and marketing from the Institute of Bankers of Sri Lanka. She is a certified Six Sigma Yellow Belt and a Certified Banker recognized by the Institute of Bankers of Sri Lanka. Ms. Koswatta is also a member of the Asia Pacific Federation and is currently pursuing her Attorney at Law qualification at Sri Lanka Law College. In recognition of her outstanding performance, she was honored with the Merit Award in the Territory Manager Category by SLIM NASCO in 2023.

## Leadership

## REGIONAL MANAGERS

**Left to Right**

Region 01 - Buddhika Sanjeewa, Region 09 - Chathuranga Fernando, Region 06 - Chathura Kodippili, Region 02 - Amila Rajapaksha, Region 03 - Darshana Nuwan

**Left to Right**

Region 08 - Mahesh Sooriya, Region 11 - Sanjaya Silva, Region 07 - Tharindu Wickramasinghe, Region 10 - Anusha Weerakkody, Region 04 - Asanka Premalal

## Leadership

## BRANCH MANAGERS

Region	Branch	Full Name	Contact Numbers	Office Mobile	Office E-mail
Region 01	Panadura	N W L T Senaviratne	382239963	714736336	lahirus@sdf.lk
	Piliyandala	K D R P Weerasinghe	112183616	761524613	mgrpiliyandala@sdf.lk
	Homagama	D L R Widuranga	112892966	763948579	rasindu@sdf.lk
	Borella	D A Ishira	112266666	771331285	ishirad@sdf.lk
	Moratuwa	H B Sanjeewa (RM)	112649092/93	772612626	buddhikas@sdf.lk
Region 02	Akuressa	T A Nawarathna	412050056	764081916	aselan@sdf.lk
	Ambalantota	H A D Kumara	472225414	769422454	dineshk@sdf.lk
	Kamburupitiya	M A Laksiri	412050666	774803861	mgrkalmunai@sdf.lk
	Karandeniya	M W P Kumuduni	912262270	768693068	mgrkarandeniya@sdf.lk
	Galle	B H G P C Jayalath	912230226	777521173	Chamaraj@sdf.lk
Region 03	Matara	R W A A I B Rajapaksha (RM)	412050166	762191343	amilar@sdf.lk
	Kalmunei	B H M Mubeen	672050766	771277562	mgrkalmunai@sdf.lk
	Ampara	D G L L Dehigampala	632050166	772271138	leeld@sdf.lk
	Batticaloa	A Jeevakanth	652050766	778004452	jeevakantha@sdf.lk
	Kethsirigama	P D E J Pothpitiya	-	763167309	jayanthap@sdf.lk
Region 04	Akkaraipattu	M Z M Shiyam	672277127	777779449	shiyamm@sdf.lk
	Jaffna	V M kumar	212050766	767525783	sureshk@sdf.lk
	Mannar	S J Prashanthan	232050166	773520736	prashanthans@sdf.lk
	Vavuniya	R Vimalraj	242050066	778661831	managervavuniya@sdf.lk
	Trinco	P J Niroshan	262050966	777489325	managertrinco@sdf.lk
Region 05	Balangoda	K V S Dhanapala	452121676	762447970	sarathd@sdf.lk
	Godakawela	M M E L Munasinghe (RM)	452121656	742735267	lakmalm@sdf.lk
	Kegalle	J M A K B Jayakody	352050272	741975187	managerkegalle@sdf.lk
	Rathnapura	H I L Abeygunawrdhana	452121636	743728480	managerrathnapura@sdf.lk
	Ruwanwella	W A T C Samarasena	362269006	741720852	mgrruwanwella@sdf.lk
Region 06	Anuradhapura	H M S Herath	252121966	777252147	samanthah@sdf.lk
	Kebithigollewa	H M D S Herath	252220966	742598288	damithh@sdf.lk
	Kekirawa	M G S P Herath	252220906	778284708	mgrkekirawa@sdf.lk
	Parakramapura	P N J Paranawithana	252221161	713905426	mgrparakramapura@sdf.lk
	Thabuttegama	H M D A Senavirathna	252221660	742528504	mgrtambuttegama@sdf.lk
Region 07	Kandy	M S Premarathne	812063686	767399760	managerkandy@sdf.lk
	Matale	W R D M T R B Wickramasinghe (RM)	662121066	775351121	tharindu@sdf.lk
	Nawalapitiya	S M K G P K Subasinghe	542050556	740459589	priyanthas@sdf.lk
	Nuwaraeliya	B Sudharshan	522050166	712540098	managernuwaraeliya@sdf.lk
	Digana	T M A S T S Bandara	812063366	742402434	Thushant@sdf.lk
Region 08	Hatton	W R D M T R B Wickramasinghe (RM)	512050666	775351121	tharindu@sdf.lk
	Monaragala	P P A P Jayasinghe	552055561	742723253	managermonaragala@sdf.lk
	Medagama	M T H F Maulana	552266478	762937177	mgrmedagama@sdf.lk
	Badulla	S Sureshkumar	552051196	743720845	sureshk@sdf.lk
	Kataragama	H A S W Hettiarachchi	472236143	776723380	mgrkataragama@sdf.lk
Region 09	Tissamaharama	N D S Nirnath	0472259013/14	778515463	nirnaths@sdf.lk
	Gampaha	A H T Salgado	332060973	769082360	heshants@sdf.lk
	Delgoda	T P D A Weerasekara	112190686	741208298	thilinaw@sdf.lk
	Pasyala	W M S C Wijesooriya	332216273	775736267	mgrpasyala@sdf.lk
	Minuwangoda	K P I Danushka	112284966	766201135	mgrminuwangoda@sdf.lk
Region 10	Negombo	M L J R S Fonseka	312121162	743651463	judef@sdf.lk
	Medirigiriya	W G N N Jayasinghe	272053326	789929825	nalakaj@sdf.lk
	Polonnaruwa	B A A P Balasuriya	272053661	742259661	managerpolonnaruwa@sdf.lk
	Dambulla	A M C M Samarakon	662121166	740573981	chamaras@sdf.lk
	Mahiyangana	K M D P B Kulasekara	552051160	777218311	mgrmahiyangana@sdf.lk
Region 11	Dehiattakandiya	S A J Chaminda	272053686	764447838	janakac@sdf.lk
	Kurunegala	K S Silva (RM-Acting)	372051966	762857084	sanjayas@sdf.lk
	Kuliyapitiya	D M I Dayaratna	372052153	777540588	managerkuliyapitiya@sdf.lk
	Naththandiya	R D T L Kumara	322050676	771960463	mgrnattandiya@sdf.lk
	Chilaw	S M N S Bandara	322050626	760262525	sunethb@sdf.lk
Puttalam	W S P S Rodrigo	322050653	761652452	managerputtalam@sdf.lk	

We journey towards excellence by ensuring the sustainability of our communities, through encouraging dynamism

“

Discovering a virtually untapped monopoly in the oxygen tank refilling business, a young entrepreneur convinced SDF to finance his start-up in the heart of the fishing community of Mannar. The profitability and popularity of the business among divers in the area, proving successful, showcase SDF's development-oriented dedication to the possibilities for rural communities.



Mannar





Our Journey Towards Sustainability

**Founder's Philosophy based on 'Artha Dharma' Principles**

Being the oldest development finance company in Sri Lanka and highly influenced by the 'Artha Dharma' Principles introduced by our founder late Sri Lankabhimanaya Dr. A.T. Ariyaratne, Sarvodaya Development Finance PLC (SDF) believes and always works towards promoting Sustainability in good faith. Our Founder highly believed in 'Artha Dharma' which is defined as the scientific value-based transformation of the economy, society and governance.

SDF's Vision, Mission and Values have been driven and engrafted by the main purpose of the Lanka Jathika Sarvodaya Shramadana Sangamaya (LJSSS) which is the Sri Lanka's oldest continuing social movement i.e. to build a just, sustainable, compassionate social order that fulfils the basic human needs of the community through individual and collective awakening.

**SARVODAYA DEVELOPMENT FINANCE**

<p><b>Our Vision</b></p> <p>To be a Catalyst in Creating an Economically Progressive Society, Living in Dignity</p>	<p><b>Our Mission</b></p> <p>To Foster Sustainable Development Through the Provision of Ethical Financial Services and Fulfill Expectations of all Stakeholders</p>
<p><b>Our Values</b></p> <ul style="list-style-type: none"> <li>⊕ Purity in Service</li> <li>⊕ Diligent and Caring</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Transparent and Honest</li> <li>⊕ Passionately Committed</li> </ul>

Drawing inspiration from teachings of the Buddha and Mahatma Gandhi, and based on the principles of Truth (satya), Non-violence (avihimsa) and Selflessness (pararthkami), the founder has formed a philosophy which has helped to shape LJSSS's integrated, holistic, and sustainable approach to development, which includes promoting and fulfilling the 'Ten Basic Human Needs of individuals and communities' as identified by the Sri Lankabhimanaya Dr. A.T. Ariyaratne way before the Sustainable Development Goals (SDGs) have been introduced which are as follows.

- ⊕ A clean and beautiful environment
- ⊕ Clean drinking water
- ⊕ Adequate supplies of clothing
- ⊕ Adequate and balanced nutrition
- ⊕ Simple housing
- ⊕ Basic health care
- ⊕ Basic communication facilities
- ⊕ A minimal supply of energy
- ⊕ Holistic education
- ⊕ Satisfaction of spiritual, cultural needs and peace building

These concepts have set the foundation for SDF and is guided by the Sarvodaya philosophy. Therefore, SDF adopts an ethical position of not supporting business activities traditionally considered anti-social by Sri Lankan Buddhist society, such as fisheries, poultry, gambling, alcohol, and weapons-related industries.

Sustainability concept has been there since inception of SDF which has been the DNA of the Company and always marked as differentiated and enabled us in building a unique business model that is delivered effectively and efficiently with the aim of providing a broader social purpose and making a positive contribution to the environment.

**SDF's role in promoting Financial Inclusiveness, Environmental Sustainability, Social Equality and Education & Skills Development**

**Financial Inclusiveness**

Sarvodaya Development Finance PLC is operating with the purpose of supporting the underserved rural economies and grassroots entrepreneurship in Sri Lanka. While targeting SMEs as our primary customer segment, SDF caters to the non-bankable community in Sri Lanka by delivering financial solutions through fully fledged 56 branches, which are connected to 5400 village-level Sarvodaya Shramadana Societies. This network has given the Company access to a wider community which is mostly rural and having lack of access to formal financing. Over 90% of our branches are located outside the Western Province to enable financial services to low and mid-level income groups. SDF also has links with the Sarvodaya District Centers, thereby having access to every nook and corner of the country, through which SDF is contributing for the CBSL's National Financial Inclusion Strategy.

**Unique product features promoting financial inclusiveness**

The Company has built unique product features that have given the customers more comfort and access to formal financing while promoting financial inclusiveness.

**Door Step delivery of the Pensioners' Savings**



**Expanding our footprints across the Country**

During the year under review the Company has expanded its branch network by establishing 5 more new branches (Kethsirigama, Akkaraipattu, Thissamaharama, Negombo and Moratuwa).

SDF's core philosophy is deeply rooted in the principles of development finance, with a strong focus on community development projects and long-term investments that catalyse positive change. Thus, through these new branches, SDF hopes to work together with the community to drive economic prosperity for all, while unwavering dedication to Environmental, Social, and Governance (ESG) initiatives.

Going beyond transactional finance, SDF's Kethsirigama branch also serves as a vital pillar of support for the villagers, through a combination of electronic and manual services, including ATM facilities, Pay&Go payment options, Western Union money transfers, and utility bill payments. Our presence at Kethsirigama has already saved the community over Rs. 1 million in their transportation costs per month and valuable time where in the previous era they had to travel for nearly 30Kms to the Ampara town to fulfill their financial needs. More importantly, it has inculcated a culture of savings, empowering individuals to secure their financial investments and uplift the livelihood by financing.

**Expanding our ATM Network**

To mark our continuous effort in uplifting the livelihood of rural communities which has contributed in promoting inclusive finance is demonstrated through locating ATMs in

Munhendeniya, Porathota and Trincomalee during the Financial year under review. These new, state-of-the-art ATMs are set to boost the financial infrastructure of rural villages, providing local communities with efficient and convenient access to financial services. The ATM network expansion project was carried out in line with SDF's core mission of empowering rural communities and equipping them with the required digital financial infrastructure, helping people to save time and readily access their finances and financial services without mediators, thus helping accelerate development, and ensure the equitable upliftment of people across Sri Lanka.

**Social Equality**

At SDF, our dedication to social equality is a cornerstone of our mission and operations. As a leading development finance institution in Sri Lanka, we are committed to empowering underserved communities and promoting inclusive growth. Guided by the principles of the Sarvodaya Shramadana Movement, we strive to reduce economic disparities and foster collective upliftment by providing equitable access to financial resources and opportunities.

Our initiatives are designed to support marginalized groups, including women, youth, and rural entrepreneurs, ensuring they have the tools and support needed to succeed. Through our extensive network of branches and partnerships, we deliver financial services, educational programs, and community development projects that bridge the gap between urban and rural populations. In this section of our annual report, we highlight our key initiatives and achievements in promoting social equality over the past year, demonstrating our unwavering commitment to creating a just and equitable society across Sri Lanka



**Creation of employment**

Establishing a branch at Kethsirigama where notably, the Lanka Jathika Sarvodaya Shramadana Sangamaya (LJSSS) society in Kethsirigama has successfully united villagers towards common goals, fostering a sense of collective purpose. Unwavering in its commitment to community development, SDF has also recruited unemployed graduates from the nearest areas, not only addressing local unemployment but also helping to boost economic development in the region.

**Community based tourism**

During the financial year under review, SDF conducted a Community based tourism programme in Ratnapura to promote tourism in the country and to bridge the gap between the local community businesses and tourism. SDF was able to provide evidence of a successful programme directing the tourists to explore and experience dealing with local markets. Further, the community at Ratnapura also had the opportunity to reach the tourists to offer their products and services.



In Sri Lanka, tourism is the third largest export earner in the economy, after remittances and textiles & garments. With the economic crisis prevailed in 2022, tourism sector was highly affected. This initiation was carried out as SDF has identified that the community engagement is critical for tourism to take

root in local destinations, to build local pride, to mine local tangible and intangible assets, to motivate more people to be trained, and for benefits to flow to local households. This is essential in re-framing the sector's value proposition to conserve assets, develop and better define new markets and products, and include and involve citizens and local communities as participants in the tourism economy.

**Education & Skills Development**

At SDF, we believe that education and skills development are vital for fostering sustainable development and economic progress. As part of our commitment to empowering communities, we focus on providing educational opportunities and enhancing skill sets to create a knowledgeable and capable workforce. Guided by the principles of the Sarvodaya Shramadana Movement, we strive to uplift individuals and communities through targeted educational initiatives.

Our programmes are designed to address the diverse needs of our stakeholders, from rural youth to budding entrepreneurs. By partnering with educational institutions and leveraging digital technologies, we offer comprehensive training and development opportunities that equip individuals with the skills needed to succeed in today's competitive environment. In this section of our annual report, we highlight our key initiatives and achievements in education and skills development over the past year, underscoring our dedication to building a brighter and more prosperous future for all Sri Lankans.



**Revolutionizing the Education**

In our effort to boost Quality Education - SDG No. 4 and our founder's vision of promoting Holistic education, SDF has partnered with Teksas Internal (Pvt) Ltd. Through this partnership SDF aims to revolutionize the education and giving access to quality education for school children in rural areas delivering equal rights for education for each child.



We believe this initiation would transform the literacy learning spaces in building resilience and ensure quality, equitable and inclusive education for all through digital technology.

**Environmental Sustainability**

At SDF, environmental sustainability is a core element of our mission and operational strategy. As a leading development finance institution in Sri Lanka, we are dedicated to minimizing our environmental footprint and promoting sustainable practices. Inspired by the principles of the Sarvodaya Shramadana Movement, we integrate environmental stewardship into every aspect of our business to create a positive and lasting impact on the planet.

Our initiatives focus on reducing carbon emissions, utilizing renewable energy, and supporting sustainable agricultural practices. Through innovative projects like solar-powered branches and ATMs, as well as collaborations with local and international partners, we demonstrate our commitment to protecting the environment. In this section of our annual report, we highlight our key initiatives and achievements in environmental sustainability over the past year, reflecting our dedication to fostering a greener and more sustainable future for Sri Lanka.



**Efforts in reducing carbon emissions through adoption of Solar power**

In keeping with SDF's overarching ESG commitments, our ATM opened at Kethsirigama is operating through Solar power to reduce carbon emissions utilizing a sustainable energy source. The branch operates entirely on solar energy, aligning seamlessly with its commitment to sustainable initiatives, and significantly reducing its carbon footprint.

Furthermore, the installation of solar-powered water projects for 'Chena' cultivation has not only enabled sustainable farming but also provided additional income opportunities while conserving energy and promoting best practices in agriculture. SDF has taken steps towards investing in renewable energy by commissioning rooftop solar panels at the Company's Head Office building. Almost 35% of the monthly electricity requirements of the Head Office building are being met through solar power.

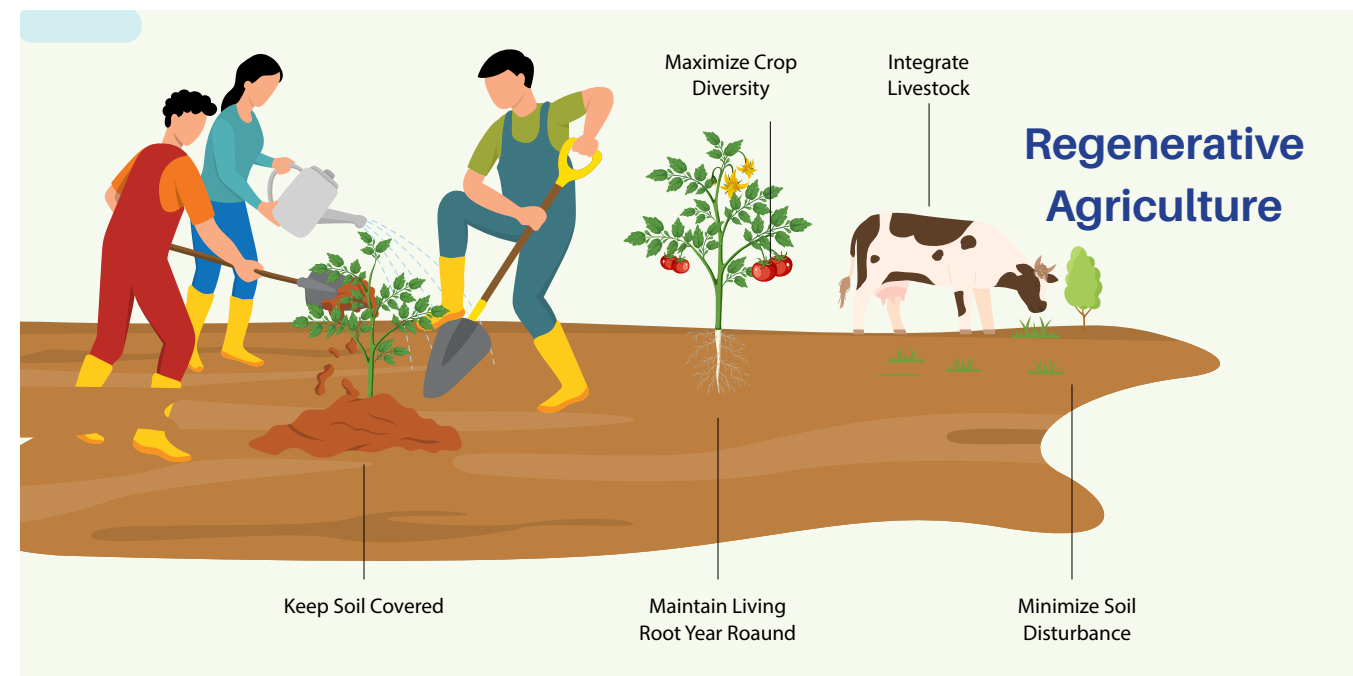


**Regenerative Agriculture**

Being the first impact investment finance company Listed on the Colombo Stock Exchange, SDF aims to accelerate the just and sustainable transformation of the real economy, by providing evidence of its beneficial effects. SDF's business focus is to fuel economic growth by channeling credit, and other support services, for environmentally friendly, sustainable business models across the country that contribute towards environmental conservation, while also facilitating quality of life improvements for communities as a whole.

Through strategic partnerships with industry leaders like Diesel & Motor Engineering PLC (DIMO), Hayleys Agriculture Holdings Ltd., and Brown & Company PLC, SDF has taken the leadership in providing state-of-the-art equipment, such as combined harvester machines on flexible repayment terms. By this practice, SDF not only minimises waste by modernising their practices but also addresses labour shortages, enhancing productivity and efficiency in agriculture.

SDF serves as a driving force for change within Sri Lanka's agricultural domain. With a steadfast dedication to the nation's farming community, SDF has embarked on a transformative journey to uplift the Agri Sector, exceeding expectations in terms of support, sustainability, and growth. Given that SDF has a large agriculture-based customer base, SDF has evaluated the possibilities of introducing regenerative agricultural practices in Sri Lanka, Additionally, this initiative will support chemical-free,



natural farming practices. As part of this initiative, the SDF team visited Andhra Pradesh, India, to observe practical aspects, while the Indian team visited Sri Lanka to assess environmental support and identify villages for a pilot project. The programme will be conducted with funding support from India under the supervision of Sarvodaya. SDF expects to provide regenerative farming knowledge to customers to achieve better outputs conserving environment.

**Beyond financial support: Cultivating sustainable agriculture**

SDF's commitment transcends conventional financial services. Teaming up with Araliya Agro Holdings Ltd and Araliya Seeds Ltd., SDF ensures the availability of premium-quality seed paddy while promoting optimal fertiliser usage through innovative techniques. Agronomists, practitioners, and exemplary farmers within SDF's ranks play a pivotal role in disseminating knowledge, advocating regenerative agriculture practices, and safeguarding land and soil health for future generations.



**Financial support for purchasing electric vehicles**

Identifying the need for introducing green financial solutions, which is in accordance with the Company's Sustainable Development Policy which has been introduced in line with the Roadmap for Sustainable Development issued by the CBSL.

**Distribution of Mango plants for each customer during branch openings and branch relocations**

SDF has introduced a new initiation which is to give away a Mango Plant for each customer who are visiting the new branches at their inauguration ceremonies as a mark of its contribution towards environmental conservation. Altogether, up to now, the Company has contributed 2,560 mango plants to nature by way of distributing the same to our customers and shareholders.



**International Cooperation**

At SDF, international cooperation is a vital component of our strategy to enhance impact funding and technical assistance. As a forward-thinking development finance institution, we actively seek partnerships with global entities to secure the resources and expertise needed to drive sustainable development in Sri Lanka. Inspired by the Sarvodaya Shramadana Movement's ethos, we leverage international collaborations to amplify our impact and achieve our mission.

Our efforts focus on forging alliances with international financial institutions, development agencies, and technical experts to obtain funding and technical assistance for our projects. These collaborations enable us to implement innovative solutions and best practices that address local challenges while aligning with global sustainability goals. In this section of our annual report, we highlight our key international cooperation initiatives and achievements over the past year, showcasing our commitment to leveraging global partnerships for the betterment of Sri Lanka



**Access to foreign borrowing**

AgriFI, the EU funded Agriculture Financing Initiative, managed by EDFI Management Company, has announced a USD 3 million loan to Sarvodaya Development Finance PLC. This investment rolls out the principle of the Global Gateway in Sri Lanka, which is Europe's strategy to better connect the world and to create the proper conditions for attractive investment opportunities. By providing access to agricultural machinery, SDF is enabling farmers to increase their productivity and profitability, contributing to a more resilient and sustainable food system in Sri Lanka.

**Participation for International forums on ESG**

The company has represented itself in international forums specifically on ESG to seek new knowledge and international experiences in adopting best practices and learning from successful ESG implementations. This will help the Company remain at the forefront of sustainability and promote responsible business practices.



**ESG Measurement and Reporting**

At SDF, Environmental, Social, and Governance (ESG) measurement and reporting are integral to our commitment to transparency, accountability, and sustainable development. As a leading development finance institution in Sri Lanka, we recognize the importance of robust ESG practices in building trust with our stakeholders and driving long-term value. Guided by the principles of the Sarvodaya Shramadana Movement, we are dedicated to systematically measuring and reporting our ESG performance.

Our ESG initiatives encompass a wide range of activities, from environmental conservation and social equity programmes to governance excellence. We employ rigorous frameworks and standards to track our progress, ensure compliance, and continuously improve our practices. In this section of our annual report, we present our key ESG measurement and reporting initiatives and achievements over the past year, reflecting our unwavering commitment to sustainable and responsible business practices that benefit all our stakeholders.



While implementing sustainability initiatives, SDF has identified the importance of having a mechanism to measure them. Accordingly, the Company has initiated measuring the ESG activities through purchasing an ESG platform i.e. experienz. SDF uses this platform to quantify and analyse the ESG activities under Environmental, Social and Governance.

Under the environmental aspect, carbon emission is captured through fuel usage and currently, SDF measures the Greenhouse gas emission scope 1 and 2. experienz platform quantifies energy management of SDF through the consumption of electricity from the main Electricity Grid and solar power.

The employee wellbeing of the Company is captured under Social aspect. Currently, SDF conducts employee well-being surveys on a quarterly basis under following elements.

- ➔ Career Wellbeing
- ➔ Environment and Ways of Working
- ➔ Leadership and Culture
- ➔ Physical and Emotional Wellbeing
- ➔ Rewards and Benefits

The output of the survey is analysed and visualized through the platform and used for decision making purposes. The dashboards are presented at the Management meetings and any identified gaps are addressed thereon.

Further, the platform facilitates analysing the extent of employment that is created indirectly through our financial services to SMEs under impact analysis. SDF is in the process of further developing the platform to measure ESG activities and analyse its progress.



**MONITORING THE PROGRESS**

Recently, SDF has introduced its Sustainable Development Policy in line with the Roadmap for Sustainable Development issued by the CBSL. The prime objective of the Policy is to promote sustainable development practices and outlines the strategic framework that guides the Company's commitment in integrating environmental, social, and governance (ESG) considerations into its business operations. This policy aims to foster sustainable development practices by ensuring responsible financial activities, adherence to ethical standards, and alignment with regulatory guidelines, particularly those set forth by the Central Bank of Sri Lanka. The overarching goal is to balance economic growth with social inclusion and environmental responsibility, contributing to the long-term well-being of both the company and the communities it serves.

Also, the Company has formed a Management Level Committee which would be responsible for overseeing sustainable strategy and environmental practice of the Company and ESG risk Management while adhering to the SDF's Sustainable Development policy safeguarding the Company's sustainable success and long term viability.

SDF has initiated to monitor its progress by assessing the ESG impact of loans granted to customers, ensuring that the financial assistance provided aligns with its sustainability objectives and contributes to the national road map goals which has been captured through the Credit Appraisals of the Loans disbursed to the customers. By monitoring this aspect, the Company aims to promote responsible and sustainable growth for both its clients and the wider community. By implementing these strategic initiatives in line with the national road map, the Company will strengthen its commitment to ESG principles and contribute to the long-term value creation and sustainable development of the financial market.

The tone has been set from the Top and the Board of Directors (Board) is keen on the Company's progress towards sustainability and closely monitors the progress. Being into development financing and impact financing, the Board believes it can play a bigger role in the transition of Sri Lanka towards a green, inclusive, and balanced economy. As SDF is really passionate about the sustainability, it targets in promoting businesses that are greener, climate friendly and socially inclusive through providing financial assistance and while managing environmental, social, and governance (ESG) Risks associated with these projects.



**SDF POLICIES AND PRACTICES**

**GRI 2-23 Policy commitments for responsible business conduct**

Within our business scope, we are committed to the 8 United Nations Sustainable Development Goals

	<p><b>SDG 1 : No Poverty</b> This goal aims to end poverty in all its forms everywhere. Company Strategy: This goal strives to eradicate poverty in every form across the globe. Our company is dedicated to providing accessible and affordable financial services to low-income individuals and communities, especially those in village-based, unbanked customer segments. We aim to empower these communities by supporting the establishment of new income-generating activities and enhancing existing ones, ultimately fostering economic growth and alleviating poverty.</p>
	<p><b>SDG2: Zero hunger</b> This goal seeks to end hunger, achieve food security, improve nutrition, and promote sustainable agriculture. Company Strategy: Concentrate on providing financial support to the agricultural sector, promoting sustainable farming practices, and implementing an e-commerce platform for the efficient exchange of agricultural products. This approach will contribute to enhanced food security and improved nutrition for communities.</p>
	<p><b>SDG 5 : Gender Equality</b> This goal seeks to achieve gender equality and empower all women and girls. Company Strategy: Develop specialised financial products and services tailored for women entrepreneurs, and encourage gender diversity within our organisation. By doing so, we will ensure equal opportunities for everyone, regardless of gender.</p>
	<p><b>SDG 8 : Decent Work and Economic Growth</b> This goal aims to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Company Strategy: Concentrate on assisting SMEs with loans and various financial support measures, encouraging job creation and advancing inclusive economic growth. By providing agri equipment, we aim to create a decent work environment for farmers as well. Simultaneously, we will maintain fair labour practices within our organisation's operations.</p>
	<p><b>SDG 9: Industry, Innovation, and Infrastructure</b> This goal aims to build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation. Direct financing towards projects in sectors like renewable energy, clean technology, and sustainable infrastructure, which will contribute to the growth of resilient industries and stimulate innovation. The company has designed financial solutions specifically to support the achievement of this goal.</p>
	<p><b>SDG 10: Reduced Inequalities</b> This goal seeks to reduce inequality within and among countries. Emphasise financial inclusion by offering services to underserved communities, aiming to reduce income inequalities and foster social and economic development. Sarvodaya's objective is not to create a wealthy few, but rather to promote equal income levels, particularly for village populations.</p>
	<p><b>SDG 12: Responsible Consumption and Production</b> This goal aims to ensure sustainable consumption and production patterns. Company Strategy: Incorporate ESG principles into lending criteria and promote sustainable business practices among clients, encouraging responsible consumption and production patterns.</p>
	<p><b>SDG 13: Climate Action</b> This goal seeks to take urgent action to combat climate change and its impacts. Company Strategy: Support projects that mitigate climate change by financing in renewable energy, energy efficiency, and climate-resilient infrastructure, promoting climate action and environmental sustainability.</p>

<p><b>GRI 2-24</b></p> <p><b>Embedding policy commitments</b></p>	<ul style="list-style-type: none"> <li>→ The primary method of embedding policy commitments and business practices is by example, where the Board and leadership attempt to practice compliance, non-discrimination and cooperation.</li> <li>→ A formal Code of Conduct is made available to all employees and is included in the induction/ orientation of new recruits.</li> <li>→ We invest in continuous employee training and monitoring performance as well as behaviour of employees.</li> </ul>
<p><b>GRI 2-25</b></p> <p><b>Processes to remediate negative impacts (Grievance mechanisms)</b></p>	<ul style="list-style-type: none"> <li>→ We maintain an open-door policy to address employee grievances and all employees have direct access to the CEO and Chairman.</li> <li>→ In addition, we have a formal Whistle-Blower Policy that safeguards employees from retaliation in reporting concerns</li> <li>→ SDF has implemented the Central Bank's Financial Customer Protection Framework and provides multiple channels for customers to raise concerns and make complaints. These include the SDF website, SDF social media platforms, SDF hotline which can redirect customers to the correct officials and contact information provided in all marketing and promotional material.</li> <li>→ We have an informal mechanism for communities to raise their concerns. This includes the Sarvodaya Societies and publicly available contact information for SDF managers.</li> </ul>
<p><b>GRI 2-26</b></p> <p><b>Mechanisms for individuals to seek advice and raise concerns</b></p>	<ul style="list-style-type: none"> <li>→ The Board of Directors is authorised to call for external consultants and expertise whenever required.</li> <li>→ The SDF Whistle-Blower Policy provides for any employee or external party to raise concerns confidentially, and with no threat of retaliation.</li> <li>→ Performance evaluations are a regular platform for individuals to seek advice on personal development and career progress</li> <li>→ The open-door policy makes it possible for any individual, to discuss any matter, with the management or Head of Human Resources.</li> </ul>
<p><b>GRI 2-27</b></p> <p><b>Compliance with laws and regulations</b></p>	<p><b>Compliance statement</b></p> <p>To the best of our knowledge, SDF is fully compliant with all applicable laws and regulations and did not face any fines or penalties for non-compliance with any regulation during the year under review.</p>
<p><b>GRI 2-28</b></p> <p><b>Membership in associations</b></p>	<p>As at end March 2024, SDF held membership in the following trade organisations and national bodies.</p> <p><b>Industry bodies</b></p> <ul style="list-style-type: none"> <li>→ Lanka Microfinance Practitioners' Association</li> <li>→ The Leasing Association of Sri Lanka</li> <li>→ The Finance House Association of Sri Lanka</li> </ul> <p><b>National bodies</b></p> <ul style="list-style-type: none"> <li>→ The Financial Ombudsman Sri Lanka</li> <li>→ The Credit Information Bureau of Sri Lanka</li> </ul>

## We radiate excellence by shaping the livelihoods those who wish to make the nation a better place

“

When this mom-and-pop business producing disposable biodegradable dinnerware from the areca nut palm tree thought it was time to purchase their own delivery truck, SDF was happy to oblige. Helping small entrepreneurs run sustainable businesses friendly to the environment is a big part of SDFs relentless determination to build communities from the ground up.



kurunegala

# MATERIALITY

GRI 3-1

Material topics for the year under review were unavoidably shaped by the increased macro environmental volatility experienced during the year. Topics related to compliance and economic value creation have remained top priorities for both SDF and its stakeholders, particularly given the economic hardships faced by Sri Lankans during the year. Customer retention and customised service delivery has also become a top priority.

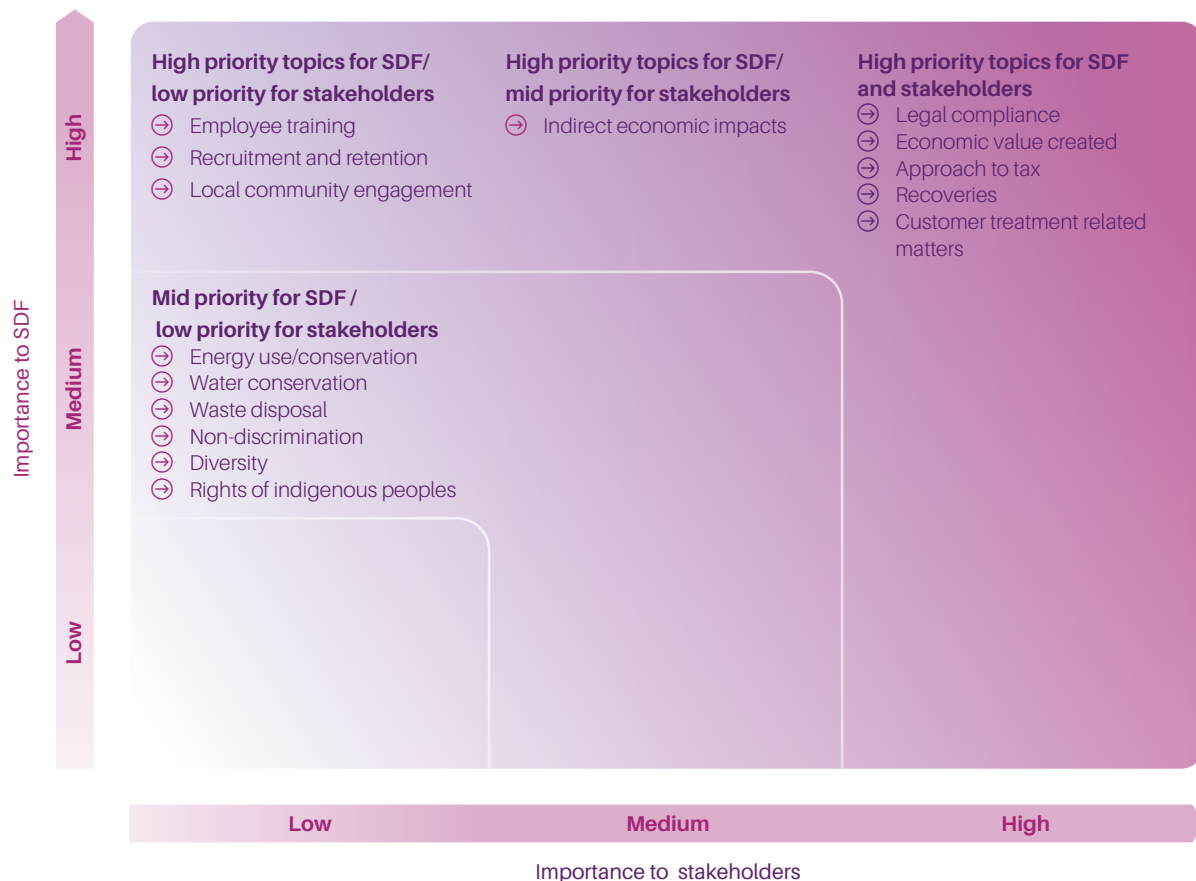
In compiling this report, we reviewed our previous year’s materiality matrix and re-examined our priorities and also what our key stakeholders expected from us. We have taken into consideration that our stakeholders expect more than profits from us, expecting us to contribute positively to the overall social and economic wellbeing of the entire country.

### MATERIALITY ASSESSMENT AND MATERIAL TOPICS

The material topics discussed within this report have been selected using the GRI’s prioritisation approach, where material topics were identified by the Senior Management and a ‘filtering’ approach was used to select the most material and impactful topics, based on each topic’s importance to stakeholders and the Company.

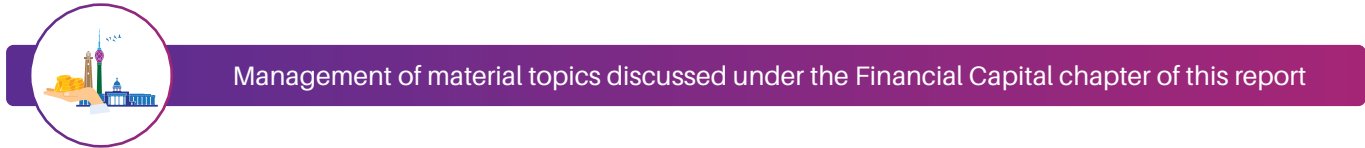
While SDF did not conduct a stakeholder survey specifically for the purpose of this report, the long-term relationships with key stakeholders were deemed adequate to understand stakeholder expectations and concerns in prioritising the material topics for disclosure.





Please refer disclosure table 3-2 & 3-3 below, for further clarifications on how we manage our material topics.



GRI 3-2 LIST OF MATERIAL TOPICS &




GRI 3-3 MANAGEMENT OF MATERIAL TOPICS



GRI 3-3	MATERIAL TOPICS		
	GRI 201-1 Direct economic value generated and distributed	GRI 203-2 Significant indirect economic impacts	GRI 207-1 Approach to tax
<b>Impacts on the economy, environment and people, and human rights</b>	The impacts of our economic value generation are felt by our key stakeholders who benefit from our value creation.	Our main indirect economic impact is by redirecting funds to rural communities through dividend payments to Sarvodaya Economic Enterprises Development Services (Gte) limited, (SEEDS).  The impact of this action is on our parent Sarvodaya, and rural and underserved communities	The impact is mainly on the Company itself due to the high level of taxation
<b>Whether negative impacts are from company activities or business relationships</b>	To date, there have been no negative impacts through our economic value generation.	To date the impacts have been positive	No negative impacts
<b>Policies or commitments regarding the material topic</b>	We are committed to  	We are committed to enhance our indirect impacts by complying with  	Our policy is full compliance with all applicable tax regulations
<b>Actions to manage the topic and impacts</b>	Internal controls are in place to prevent misappropriation to ensure economic value accrues to our stakeholders.	We hope to maintain an above average dividend payout ratio to support social welfare	Internal controls
<b>Tracking effectiveness the actions taken</b>	Internal audits and external audits are conducted regularly to prevent loss or misappropriation of economic value we create.	Continuous involvement with Sarvodaya activities	Internal audits and external audits
<b>How stakeholders influenced the actions taken and effectiveness</b>	Our stakeholders stay with us because of the value we create for them.	SEEDS and other impact investors encourage us to have positive indirect economic impacts	All our stakeholders appreciate our policy








Management of material topics discussed under the Natural Capital chapter of this report

GRI 3-3	MATERIAL TOPICS			
	GRI 302-1 Energy consumption within the organisation	GRI 302-4 Reduction of energy consumption	GRI 303-5 Water consumption	GRI 306-3 Waste generated Disclosure
<b>Impacts on the economy, environment, and people, and human rights</b>	The impact is primarily in the form of a very limited environmental impact in the form of our comparatively small carbon footprint.  This impact maybe offset by economic benefits we generate for people through our operations.	SDF benefits from the reduction in energy consumption through lower energy expenditure. In addition, the negative environmental impacts from fossil fuel energy consumption are reduced	SDF water consumption is limited to drinking and sanitation. We do not extract ground water. Therefore, the environmental impact is minimum	Our waste products are mainly paper, which is biodegradable and some e-waste due to replacement of equipment. The impact, if any, is from e-waste on the environment.
<b>Whether negative impacts are from company activities or business relationships</b>	Negative impacts are mainly due to the Company's activities which contribute to the Company's carbon footprint as we expand our operations	There are no negative impacts from reducing our energy consumption	There are no significant negative impacts.	Any negative impacts are due to company activities.
<b>Policies or commitments regarding the material topic</b>	SDF has commenced monitoring energy consumption to support   	We are committed to reduce energy wastage and reduce energy consumption under  	We are conscious of the need to minimise water wastage.  However, we are also conscious of adequate access to water for health and sanitation needs for customers and staff.	We are conscious of the need to reduce, recycle and reuse paper.  We are conscious of environmental impacts from e-waste and have adopted proper disposal procedures

GRI 3-3	MATERIAL TOPICS			
	GRI 302-1 Energy consumption within the organisation	GRI 302-4 Reduction of energy consumption	GRI 303-5 Water consumption	GRI 306-3 Waste generated Disclosure
<b>Actions to manage the topic and impacts</b>	We are monitoring fuel and electricity consumption at head office and branches	We are identifying potential points of wastage.  Raising awareness among employees to conserve energy.  We are investing in energy conservation such as LED bulbs, energy efficient equipment.	We have commenced monitoring water consumption and reporting to head office  We conduct routine maintenance to minimise wastage from leakages.	We have digitised 80% of our back office functions, which has significantly reduced paper use.  We also recycle paper and we encourage employees to reduce waste.  e-waste is not dumped in landfill, instead we dispose through collectors.
<b>Tracking effectiveness the actions taken</b>	We commenced environmental impact assessment monitoring. SDF branch managers monitor consumption at each branch and report to head office.  Head office consumption is monitored by the Finance Department	We commenced environmental impact assessment monitoring.  We started monitoring consumption at branch and head office to encourage conservation	Water consumption reports are collected by each branch and sent to head office	We will introduce a formal mechanism to track the recycling and e-waste disposal
<b>How stakeholders influenced the actions taken and effectiveness</b>	SDF's shareholders are impact investors interested in conservation. Therefore, we attempt to meet this shareholder requirement through conservation	SDF shareholders have influenced the Company to conserve energy and reduce the carbon footprint	Our investors are interested in conservation	Our investors are interested in reducing environmental impacts




Management of material topics discussed under the Human Capital chapter of this report

GRI 3-3	MATERIAL TOPICS			
	GRI 401 New employee hires and employee turnover	GRI 404-1 Average hours of training per year per employee	GRI 405-1 Diversity of governance bodies and employees	GRI 406-1 Incidents of discrimination and corrective actions taken
<b>Impacts on the economy, environment, and people, and human rights</b>	Employee turnover negatively impacts the Company.  However, our recruitments benefit local communities through formal employment opportunities	Training results on positive impacts on our employees and also customers as our employees can provide a better service.	There is a positive impact on society by facilitating cultural and educational diversity.	There were no instances of negative impacts or of discrimination during the year.  We practice a policy of inclusivity to avoid discrimination.
<b>Whether negative impacts are from company activities or business relationships</b>	There are no negative impacts reported during the year	There are no negative impacts reported during the year	There are no negative impacts reported during the year	We want to actively avoid negative impacts due to discrimination
<b>Policies or commitments regarding the material topic</b>	We are an equal opportunity employer and we support  	We are committed to the development of our employees	We maintain a non-discrimination policy that results in an inclusive organisation. We are committed to 	We maintain a non-discrimination policy in all matters and we uphold  
<b>Actions to manage the topic and impacts</b>	Formal recruitment procedures are practiced at all times	Formal training needs assessments, including performance evaluations, are in place	Nominations to the board are governed by best practices.  Recruitments are controlled through formal procedures	Control mechanisms are available to prevent discrimination
<b>Tracking effectiveness the actions taken</b>	The recruitment process has multiple layers to prevent bias and irregularities	Employee feedback is obtained after training events	Multilayer approach to prevent bias and irregularities	Customer feedback and employee grievance mechanisms are operational to bring any discrimination to the notice of the senior management
<b>How stakeholders influenced the actions taken and effectiveness</b>	All our stakeholders appreciate our structured recruitment process	All our stakeholders appreciate our efforts to develop our employees	All our stakeholders appreciate our diversity concept	All our stakeholders appreciate our non-discrimination policy



Management of material topics discussed under the Social Capital chapter of this report

GRI 3-3	MATERIAL TOPICS		
	GRI 411 Incidents of violations involving rights of indigenous peoples	GRI 413 Operations with local community engagement, impact assessments, and development programs	GRI 417 Incidents of non-compliance concerning products and service information and labeling
<b>Impacts on the economy, environment, and people, and human rights</b>	Any violations would impact the Vedda community in Mahiyanganaya	Impacts are mainly on people and the rural economy as we frequently engage with different local communities directly and through Sarvodaya Societies.  These are for social welfare projects and for business related activities, such as training events and to create market linkages for micro and small business communities.	Negative impacts will be felt by SDF customers in the form of financial losses due to misinformation.
<b>Whether negative impacts are from company activities or business relationships</b>	There have been no known negative impacts to date.	Impacts are from our activities	To date, there have been no reports of any negative impacts
<b>Policies or commitments regarding the material topic</b>	We have a policy of no-harm to anyone and equal treatment. We uphold   	We are committed to the welfare of all communities and we have committed under   	We are fully compliant with all applicable regulations by the Central Bank and under the Finance Act.  We are also guided by our business ethics
<b>Actions to manage the topic and impacts</b>	Staff are trained on non-discriminatory, ethical services and to observe all applicable regulations	The Senior Management is directly involved in most community activities.	All marketing and promotional material is reviewed by relevant managers for regulatory compliance
<b>Tracking effectiveness the actions taken</b>	Branch and regional management meetings	Feedback/complaint opportunities are provided to anyone.	We provide multiple channels for customer complaints, including a hotline, a contact number for customer complaints, social media and website
<b>How stakeholders influenced the actions taken and effectiveness</b>	SEEDS, Sarvodaya insists on equitable, non-exploitative treatment of all communities	SEEDS, through Sarvodaya entities, is actively involved in community welfare projects.	We are guided by Sarvodaya ethics

## OPERATING ENVIRONMENT

SDF's journey towards achieving its stakeholder goals, the environment in which it operates is a decisive element. In depth analysis of global and local operating environmental drivers will equip us with precocious blueprints and discover the beneficial opportunities to safeguard from likely risks which hindrance the main operational performances.

Challenges originate from the global economic arena, in local context and from NBF sector have immediate and remote collisions. The deepest downturns witnessed in economic and social aspects in past consecutive years in both global and local contexts, are the most crucial risks we have experienced in our business operation thus far. Collaborative prompt efforts taken by major international market players have driven economies to recovery pathways. The measures taken in local context have witnessed a gradual recovery of economy by way of controlled inflation, enhanced currency inflow to the country, rupee appreciation, restructured external debt portfolio,, improved foreign reserves and growth in GDP were rebuilt the confidence of business community and the general public

### GLOBAL ECONOMY

The IMF expects the global economy to continue resiliently with a steady slow growth, amidst numerous challenges. Despite depressing predictions of economists, the world avoided a recession, the banking system proved largely resilient, and major emerging market economies continued to progress in fine fettle. As outlined in IMF World Economic Outlook (WEO) April 2024, the global growth for 2024 and 2025 will hold steady around 3.2%, which prevailed in 2023 as well. Global headline inflation is expected to fall from an annual average of 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025.

Expected pace of expansion will slow down due to near term facts such as high borrowing costs, fiscal support withdrawals, long term effects of COVID-19 pandemic, Russia's invasion of Ukraine, conflict in Gaza and Israel and enduring downturn in the property sector in China. Disruptive turn to tax hikes and spending cuts will strategically reform the policies which triumph over high government debts in many economies. As the global economy regains a soft launch from unprecedented year on year economic and social challenges, investment to risk reduction in climate change and artificial intelligence while establishing structural reforms to ensure that inflation touches down smoothly and restructuring of government debts, will gear the global economy to expected direction.

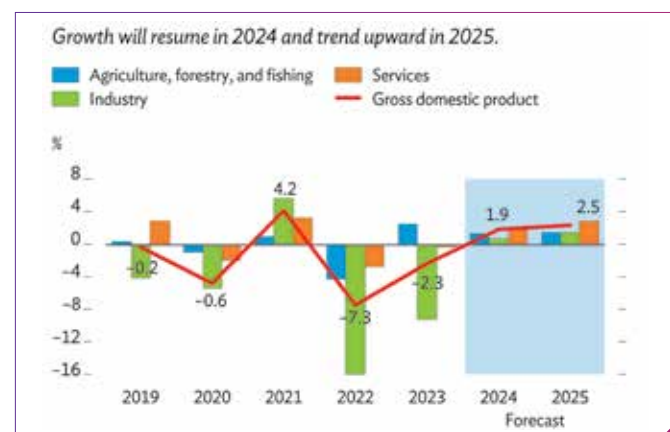
### SRI LANKAN ECONOMY

Global and regional economic atmosphere turning around with some green shoots while enhancing the confidence of local economies.. Sustainable policy reforms are inevitable to cope

up with the challenges continued from economic catastrophe lead by post pandemic repercussions, historical depreciation of Sri Lankan Rupee, deteriorating official reserves, weaken tourists arrivals, inflation hike,, fuel crisis, price hikes and scarcity of essential commodities and country's reputational desecration due to poor service of international debts. Sri Lanka needs to continue further policy reforms to sustain inclusive growth by addressing the vulnerability and poverty.

GDP contraction in the 2023 first half and the inflation peak in 2022 have reverted back through corrective measures to an anticipated growth in GDP from 2023 second half onwards and maintain an inflation rate below 10% from 2024 onwards. Economic growth of 3% recorded in the second half of 2023 was steered by the growth in agriculture and service sectors by 2.5% and 7.0% respectively. Forecasted growth in GDP in 2024 and 2025 will be primarily led by the service sector due to notable recovery in tourists arrivals.

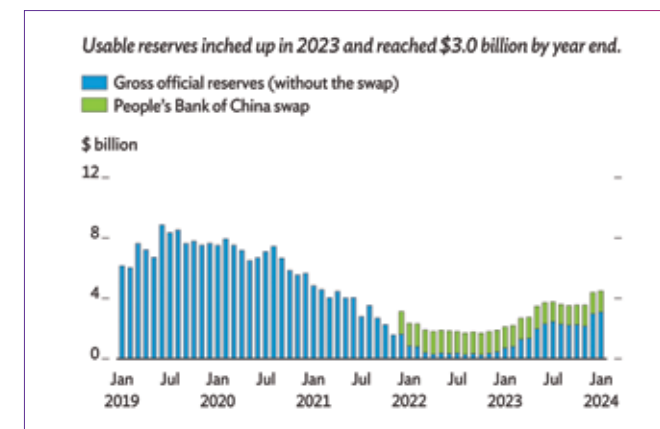
### Gross Domestic Product Growth by Sector



Source: Economic trends and prospects in developing Asia: South Asia by ADB

Gross official reserves stood at \$ 500 million at the end of 2022 and strengthened to \$ 3 billion at the end of December 2023 on multilateral funding and Central Bank of Sri Lanka net purchases of \$1.75 billion, excluding the People's Bank of China currency swap. An International Monetary Fund Extended Fund Facility (IMF-EFF) program has approved an Extended Fund Facility arrangement of \$3.0 billion in March 2023, a total of \$670 million was disbursed in two tranches in March and December 2023.

### GROSS OFFICIAL RESERVES



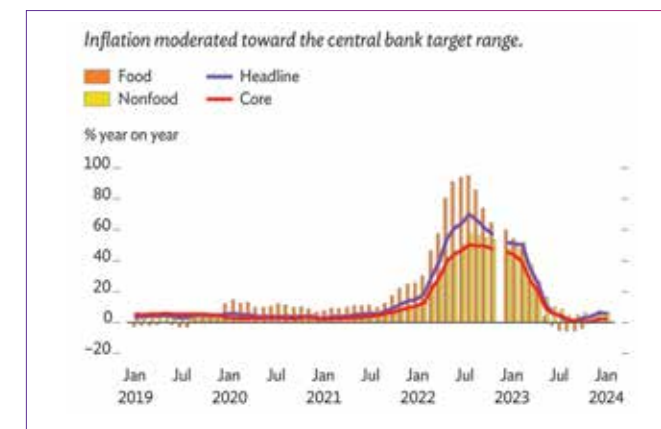
Source: Economic trends and prospects in developing Asia: South Asia by ADB

Domestic demand depleted by higher prices, import restrictions, scarcity of essential commodities and the implementation of new taxes and increased tax rates has further narrowed down the economic performance of the country. Domestic consumption fell down by 2.2% in 2023, with private consumption declining by 1.6% and government consumption declining by 5.4%. Gross capital formation also declined by 7.9%, as gross fixed capital formation declined by 9.3%. Growth in net exports of goods and services remained positive because of import restrictions in the first half of 2023.

### INFLATION

National price levels measured by Colombo Consumer Price Index (CCPI, 2021 = 100) dropped to an average of 17.4% in 2023, compared to the 46.4% (2013 = 100) prevailed in the year 2022. The same, which is measured by the National Consumer Price Index (NCPI, 2021=100) dropped to 16.5% in 2023 from 50.4% in 2022 (2013 = 100).

Domestic price stability was achieved due to lower fuel prices, subdued demand, better supply, and tight monetary policy measures until mid-2023, including high policy rates and low liquidity injections. Food inflation eased to an average of 12.1% compared to 64.7% in 2022 and a peak of 94.9% in September 2022. Core inflation declined from its peak of 50.2% in September 2022 to an average of 14.5% in 2023.

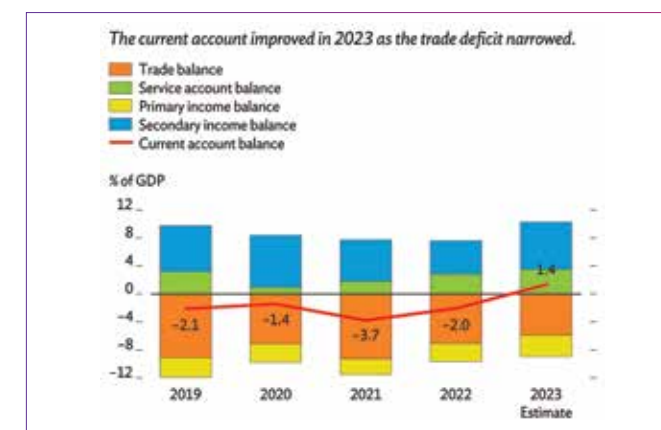


Source: Economic trends and prospects in developing Asia: South Asia by ADB

### EXTERNAL SECTOR

Current account surplus of US \$ 1,559 million in 2023, which is the first surplus since 1977, was supported by the contraction in trade deficit to US \$ 4,900 million, inflows from tourism and migrant workers' remittances. Merchandise exports recorded a 9.1% decline in 2023 because of subdued global demand for garments, but tourism earnings rose sharply to \$2.1 billion, up by 82.0% from 2022, as tourist arrivals rebounded by 107%. Imports fell by 8.1% as import restrictions were imposed for most of the first half of 2023 and as lower purchasing power and higher taxes dampened import demand.

### KEY BALANCE OF PAYMENT INDICATORS



Source: Economic trends and prospects in developing Asia: South Asia by ADB



OPERATING ENVIRONMENT

EXCHANGE RATE

Improved foreign exchange inflow and controlled foreign exchange outflow by way of continued suspension of public debt, together with flexible exchange rate policy implemented by CBSL have resulted in a 12.1% appreciation of Sri Lankan rupee against the US\$ in 2023 by recording a dollar price at LKR 323.92 with an annual average of LKR 327.53. Daily guidance issued by CBSL on spot exchange rates by publishing a middle spot exchange rate with a variation margin to licensed banks, has stabilized the exchange rate and ensured the forex liquidity.

CBSL NET FOREIGN EXCHANGE PURCHASES AND EXCHANGE RATE



Source: Economic trends and prospects in developing Asia: South Asia by ADB

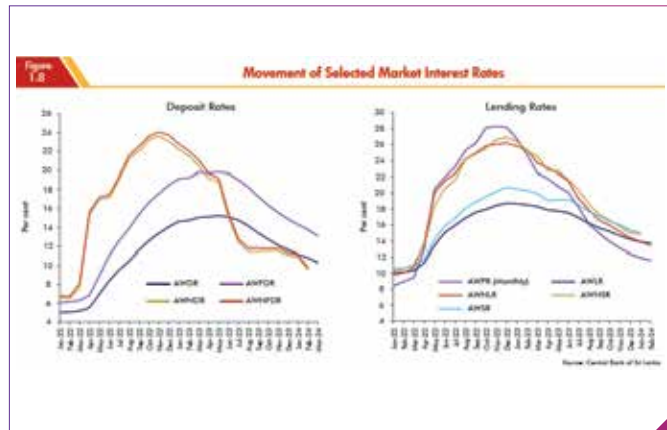
INTEREST RATES

Historical hikes in market interest rates were brought down to a notably lower level by CBSL by increasing its policy interest rates by 100 basis points in March 2023 marking it as the last policy interest rate hike in the tight monetary policy cycle which started in August 2021.

The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were 9% and 10% respectively at the end of 2023 from the rates recorded at 14.5% and 15.5% at the end of 2022.

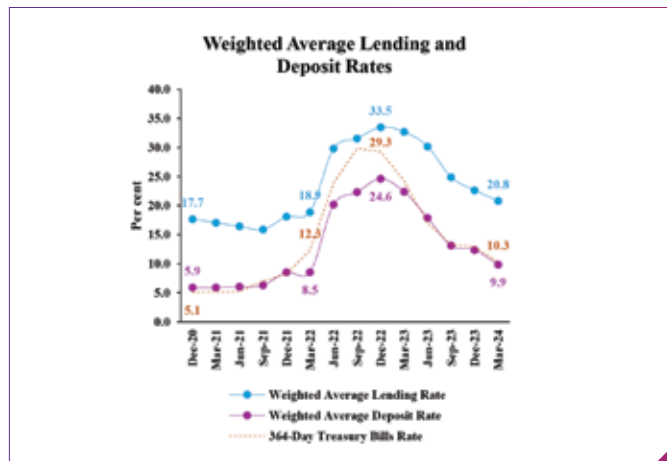
Commercial banks' average weighted lending rate (AWLR) reduced to 14.21% in 2023 from 2022 rate of 18.70% whereas interest rate based on all new rupee loans and advances (AWNLR) reduced to 14.38% from 26.20% prevailed in 2022.

Commercial banks' average weighted deposit rate (AWDR) reduced to 11.64% in 2023 from 14.06% recorded at the end 2022 and the same for new rupee deposits were at 11.06% in 2023 and 23.07% in 2022.



Source: Annual Report CBSL

Weekly average weighted prime lending rate (AWPLR) offered by commercial banks to their prime customers were reduced to 12.13% at the end 2023 from the notably high rate recorded at 27.24 at the end 2022.



Source: LFC Sector Key Financial Highlights by CBSL

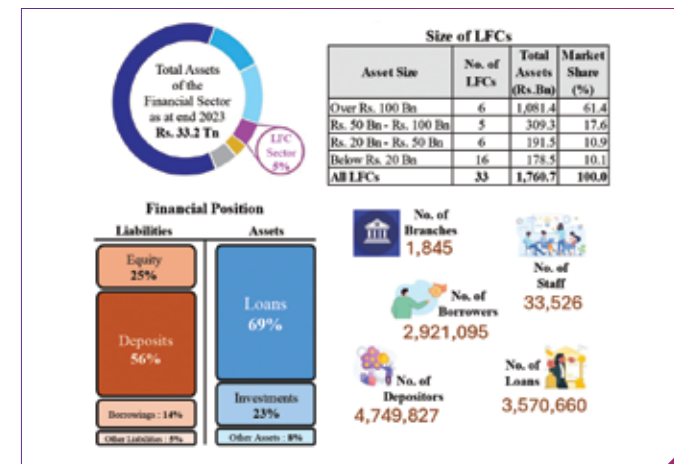
NON-BANK FINANCIAL SECTOR DEVELOPMENTS

The composition of the NBF sector by end January 2024 was, with 33 Licensed Finance Companies (LFCs) and 1 Specialised Leasing Companies (SLCs). Out of 33 LFCs, 16 companies represent the below LKR 20 billion assets based category whereas other 17 companies belong to assets based above the LKR 20 billion category.

Total loan portfolio of the sector stood at LKR 1,214.9 Bn, deposits at LKR 987.0 Bn, investments at LKR 399.7 Bn and borrowings at LKR 248.5 Bn. Total deposits represented 56% of total sector liabilities whilst loans were 69% from the total assets base of the sector at the closure of 2023/24 fiscal year.

The LFC sector has served their customers through 1,845 branches while providing employment opportunities for 33,526 employees. Total number of 3,570,660 loans were granted to 2,921,095 borrowers with a deposit base of 4,749,827.

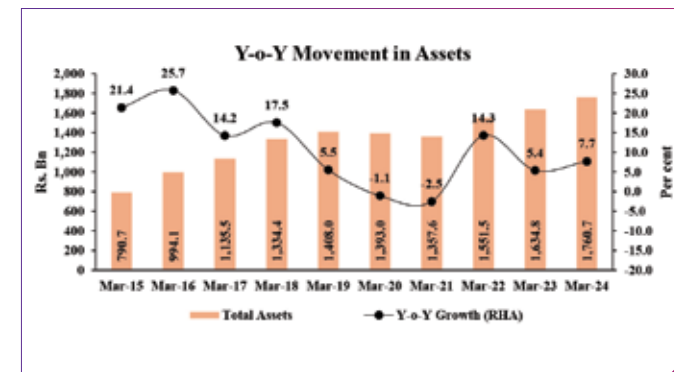
Performance of the sector was at an improving trend in the aspects such as profitability, assets base, loan portfolio, credit quality, deposits, declined borrowings, sound liquid assets base and maintained a satisfactory level of CAR.



Source: LFC Sector Key Financial Highlights by CBSL

ASSETS BASE

Assets of the sector have continued to grow by 7.7% of YoY growth, with a total assets base of LKR 1,760.7 Bn by end March 2024 from the total assets recorded at LKR 1,634.8 Bn by end March 2023. Total assets base consisted of 69.0% loans and advances, 22.7% of investments, 2.3% of cash and cash equivalents and 6.0% of other assets. Expansion was driven by growth in loans and advances.



Source: LFC Sector Key Financial Highlights by CBSL

CREDIT QUALITY

Notable increase recorded in Non Performing Loans (NPLs) at the closure of 2022/23 financial year was gradually recovered at the end March 2024 recording a gross and net NPA ratios of 14.7% and 9.4% respectively from the prevailed rates of 15.9% and 10.6% end March 2023.

Stage wise classification of loans (net) also showcased a healthier position as of end March 2023 & 2024 both in respect of stage 02 and 03 categories. Loan exposure as of end March 2023 under stage 1 and 2 was LKR 350.3 Bn and the same as of end March 2024 was LKR 338.5 Bn.

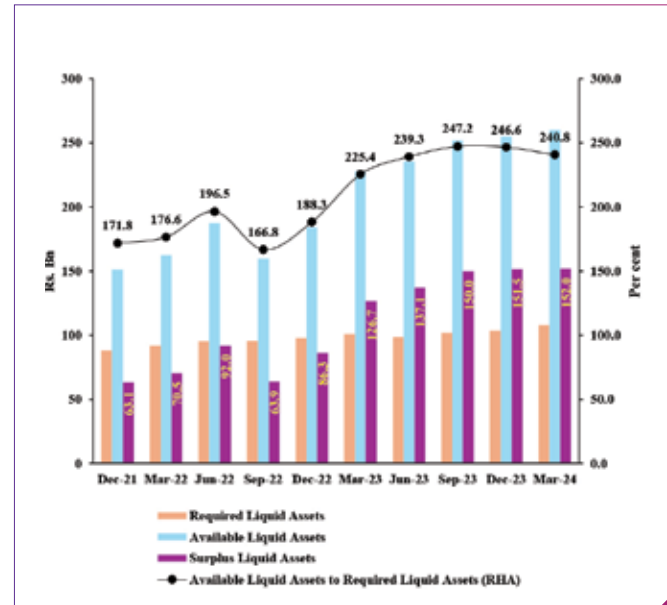


Source: LFC Sector Key Financial Highlights by CBSL

CAPITAL AND LIQUIDITY

The capital base of LFCs sector has increased to LKR 329.08 Bn at end 2023 from LKR 316.90 Bn recorded at end 2022 witnessing a 4% total capital growth.

The LFC sector has maintained a liquid assets surplus of LKR 152.0 Bn as of end March 2024 with an increase of LKR 25.3 Bn from end March 2023.



Source: LFC Sector Key Financial Highlights by CBSL

Profitability of the sector has increased by 51% in 2023/24 financial year by recording a Profit After Tax (PAT) of LKR 51.4 Bn, whereas the same recorded in 2022/23 was LKR 34.0 Bn. Return on Assets (average assets) was at 2.1% and 3.1% in 2022/23 and 2023/24 respectively.

**OUTLOOK**

Gradual, regional and local economies are returning to healthier positions as per the predictions made by WEO, ADB and the CBSL. Growth in the global economy as well as the Sri Lanka economy are forecasted on the outset of disinflation, policy reforms, prospects of trading patterns due to the boom in China and other large economies and specially the improved confidence of investors, business community and the general public.

GDP growth of 1.9% and 2.5% respectively in 2024 & 2025 are forecasted whereas inflation is expected to remain at the levels of 7.5% and 5.5% in each year. Enactment of the public financial management act in 2024 will strengthen fiscal discipline, a debt management law to mitigate medium-term refinancing risks and completion of external debt restructuring will set out the economic environment to achieve the expected economic growth.

We journey towards excellence by powering the machinery of growth, and creating a new league of entrepreneurs



Producing an array of products with banana leaf bio-fibres, from lunch boxes to sarees, alongside banana F&B products, Vastra Ceylon sought the support of SDF for its business expansion programme. Seeing Vastra Ceylon grow their portfolio of star-class hotels on the island in terms of financial inputs remains integral to SDF's passion for helping small businesses succeed in their communities.



Tissamaharama





# FINANCIAL CAPITAL

The financial year 2023/24 marked a historic milestone for the Company, setting new records in contrast to the challenging economic conditions faced during the financial year 2022/23. The current financial year is characterized by both political and economic recovery, which the company has leveraged to report its highest-ever figures, thereby demonstrating the unique value creation model implemented by the Company.



SDF's financial value creation model stands out in comparison to the non-banking financial sector, primarily due to its focus on village-based, agricultural oriented and women-centric features in the business model.

SDF's Financial Capital is designed for long-term stability and sustainability, both for the Company and the country. This approach aims to deliver optimal value and sustainable benefits to our customers and shareholders.

## STATEMENT OF PROFIT OR LOSS

	2024 LKR Mn	2023 LKR Mn	Increase/(Decrease) LKR Mn	Change %
Net Interest Income	1,779.5	1,239.7	539.8	43.5
Non-interest income	200.4	136.2	64.3	47.2
Operational Expenses	(1,080.6)	(866.7)	(213.9)	24.7
Impairment Expenses	(324.4)	(63.1)	(261.3)	414.2
Taxation	(341.6)	(224.4)	(117.2)	52.2
PAT	249.6	221.6	27.9	12.6

### Net Interest Income

In the last financial year, the Company's net interest income saw a substantial increase of 43.3%, amounting to LKR 536 Mn compared to the previous year's reported amount of LKR 1,239.7 Mn. This growth was primarily due to the Company's decision to raise interest rates on newly issued loans, aligning with the company's reported high cost of funds ratio and mirroring market interest rates. The Company's variable interest rate borrowings and short-term fixed deposit base also played a role, as the reported interest rates decreased over time in line with market interest rates, contributing to the 43% growth in net interest income.

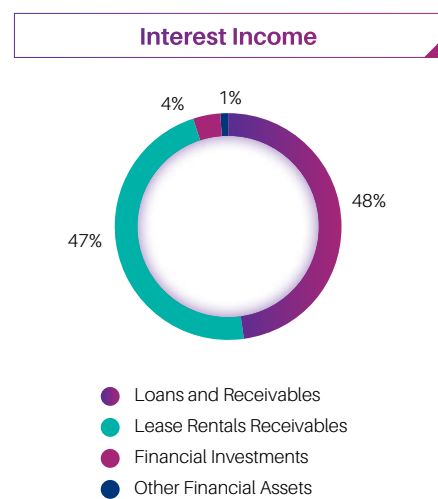
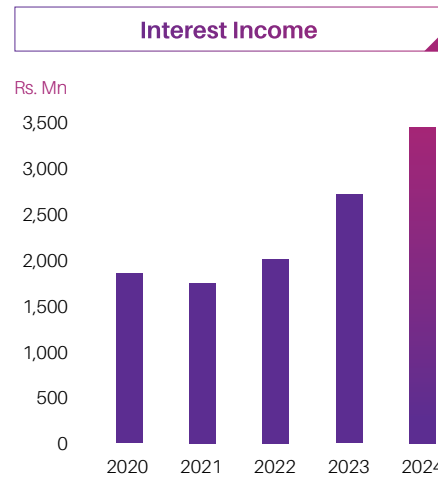


Lighthouses are often painted with distinctive color schemes and patterns, known as daymarks, to ensure they are easily identifiable during daylight. These patterns include stripes, bands, and unique color combinations that help mariners recognize their location even from a distance. Each lighthouse's design is chosen to contrast with its surroundings and other nearby lighthouses.

FINANCIAL CAPITAL

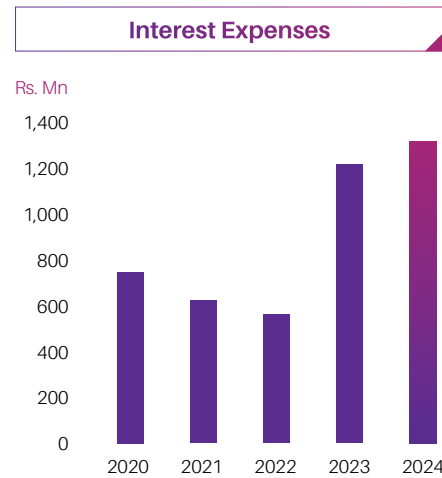
Interest Income

The Company witnessed a 26.0% growth in interest income, amounting to LKR 3,101.9 Mn, a notable increase from the previous year's LKR 2,461.3 Mn. This growth is primarily attributed to a 29.5% increase in the Company's gross loan and lease portfolio, totaling LKR 3,019.3 Mn. Despite a significant 11% reduction in the weighted average lending rate, in line with market interest rates, the interest income remained largely unaffected due to portfolio growth.



Interest expenses

Interest expenses rose by 8.3% to LKR 1,322.4 Mn from LKR 1,221.6 Mn over the financial year. The Company benefits from a variable rate borrowing base, which allows it to take advantage of decreasing market interest rates against its fixed-rate assets base. Notably, despite a 99.3% increase in its borrowing portfolio to LKR 1,497.2 Mn and a 21% increase in its deposit base to LKR 1,298.5 Mn, the Company successfully managed the cost of funds by adjusting pricing in line with market interest rates.



Non-Interest Income

Income from fees and commissions grew by 37.5% to LKR 156.9 Mn, compared to the 79.5% growth in 2022/23. This growth was primarily driven by a more than 100% increase in business volume compared to the previous financial year.

Other income saw a substantial increase of 107.0%, amounting to LKR 23.5 Mn, compared to the previous year. This increase was largely due to a rise in profits from the disposal of fixed assets, contrasting with the loss reported in the same period the previous year.

In summary, non-interest income saw a 65% increase, amounting to LKR 88.6 Mn, compared to the previous financial year.

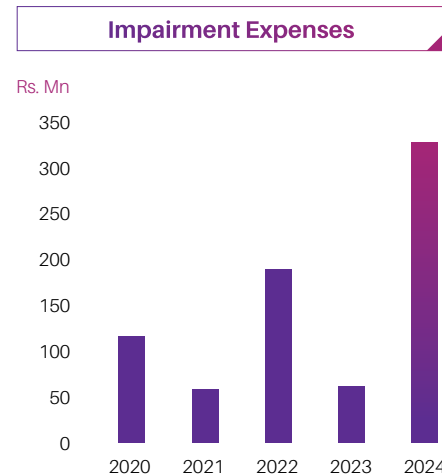
Operational Expenses

Operational expenses increased by LKR 213.9 million during the financial year, reflecting a 24.7% increase compared to the previous year. This increase was mainly contributed by personal expenses and other overhead expenses.

The Company's personnel costs increased by LKR 60 million, primarily due to paying two months' bonuses compared to the previous year's one-month payment and a 12% salary increment. Additionally, the number of staff increased by 94 during the financial year. Other expenses mainly increased due to the rise in service and material costs resulting from high inflation during the crisis. The software costs also increased significantly, mainly due to currency depreciation.

Impairment

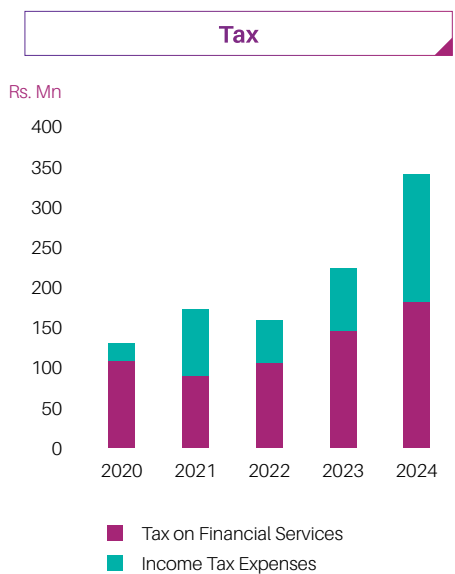
Impairment charges and other losses reported were LKR 332.5 million compared to the previous year's reported amount of LKR 63 million, representing an increase of over 400%. The FY 2022/23 impairment decreased mainly due to a decrease in the high loss rate portfolio by LKR 1 billion and an increase in the low loss rate portfolio by LKR 1 million. This scenario cannot be compared with FY 2023/24, as the loan portfolio increased by LKR 3 billion. Furthermore, the Loss Given Default ratio also increased significantly compared to the previous year.



Tax

Tax on financial services increased by LKR 40 Mn primarily due to the implementation of a new tax called the Social Security Contribution Levy, which is set at a rate of 2.5%. Additionally, there was a 3% increase in the FSVAT (Financial Services Value Added Tax) rate during the financial year.

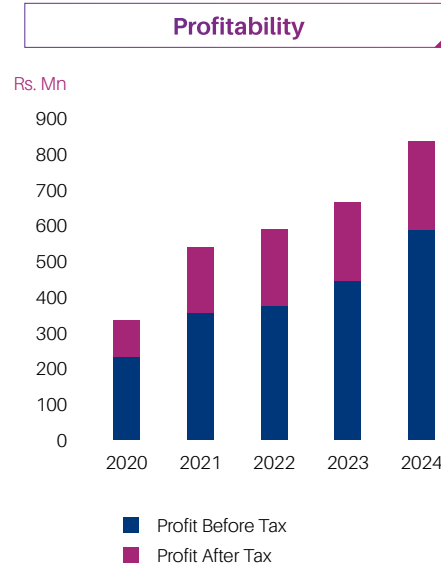
Income tax expenses increased by LKR 25 Mn during the FY as a result of changes in tax regulations. Previously, the Company enjoyed a 50% tax concession (12% tax rate) as a newly listed company in the Colombo Stock Exchange (CSE). However, due to the recent economic crisis, the Government removed this concession and implemented other tax increases. Consequently, the Company had to pay a 30% income tax and deferred tax for the last six months of the financial year 2022/23.



PROFIT FOR THE YEAR

The Company has reported its highest ever profit of Rs. 249.5 million, reflecting a 12.6% growth compared to the previous year, despite the economic challenges faced by the Company. This achievement is mainly based on the Company's unique business model and agriculture-oriented approaches. Additionally, the Company has taken timely action in response to

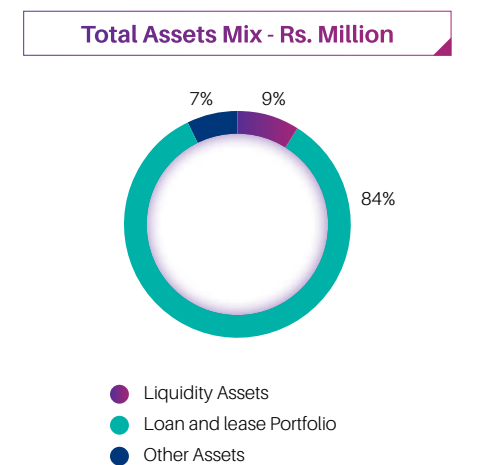
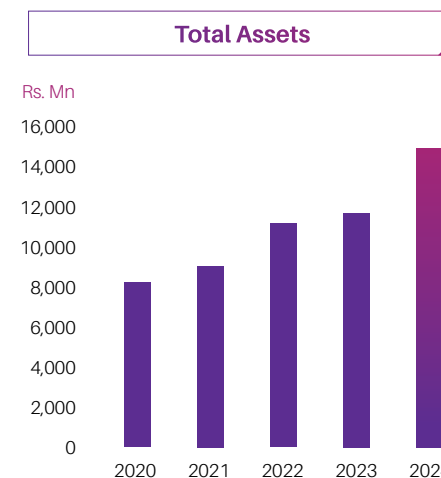
market changes and has designed a strategy to mitigate the macroeconomic impact on the company.



FINANCIAL STRENGTH - ANALYSIS OF STATEMENT OF FINANCIAL POSITION

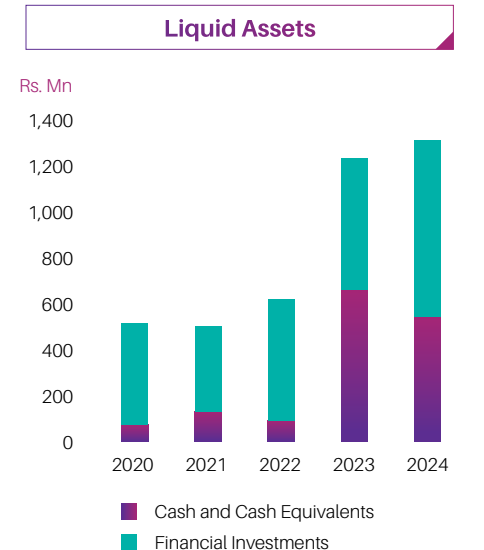
Total Assets

Total assets of the Company increased to Rs. 14,897 million during the year, with a growth of Rs. 3,227 million, representing a 27.7% year-on-year increase, the highest ever asset growth for the Company. This increase was mainly contributed by the growth in the loan and lease portfolio and the increase in company investments.



Liquid Assets

The Company reported total liquid assets of Rs. 1,317.4 million, including Cash & Cash Equivalents and Financial Investments maintained for liquidity requirements. The Company has maintained the excess liquidity to ensure smooth operations alongside the increase in deposit liabilities parallel to the asset growth.



FINANCIAL CAPITAL

Lending Portfolio

The company's lending portfolio consists of Loan and Lease rental receivables. The net lending portfolio stood at Rs. 12,574.5 million, with a growth of Rs. 2,794.2 million, representing a 28.6% increase for the year. This was the highest ever annual growth reported despite the economic challenges faced by the country. During the economic recovery stage, the company was able to contribute more to the village community, helping them recover their economic activities after the adverse economic crisis faced in the previous financial year. Loan portfolio increase by 36.6% during the financial year

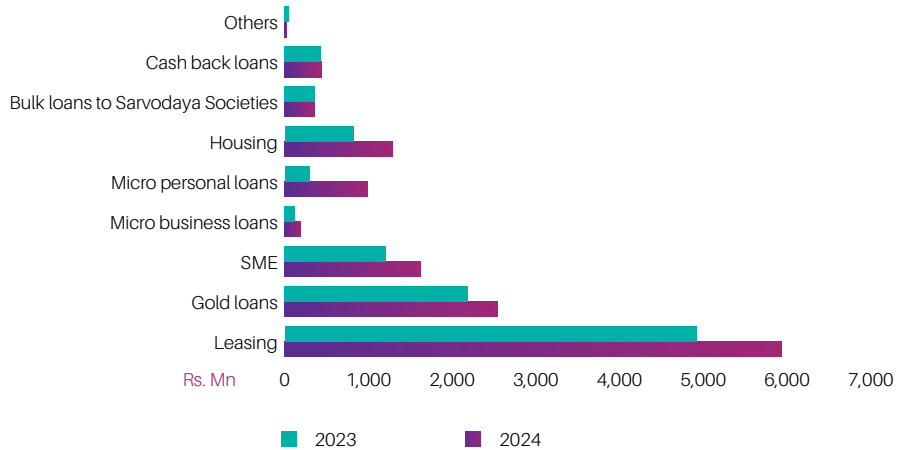
Lending Volume by Product (Without Gold Loan)

Product Type	2024 LKR Mn	2023 LKR Mn	2022 LKR Mn	2021 LKR Mn
Leasing	2,880	1,148	3,002	1,808
SME	954	145	591	403
Housing	834	83	311	223
Society	188	104	369	257
Cash Back	369	370	248	279
Micro Personal	877	63	136	96
Micro Business	174	14	25	27
<b>Total</b>	<b>6,277</b>	<b>1,927</b>	<b>4,682</b>	<b>3,092</b>

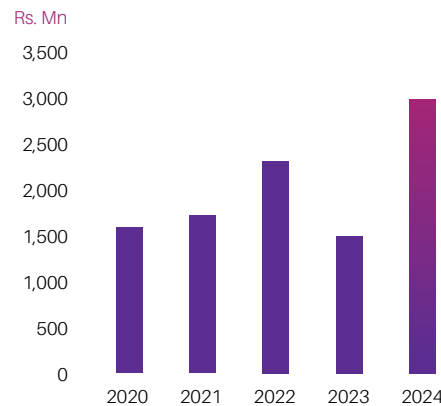
Lending Portfolio



Product Wise Portfolio Movement



Due to Banks



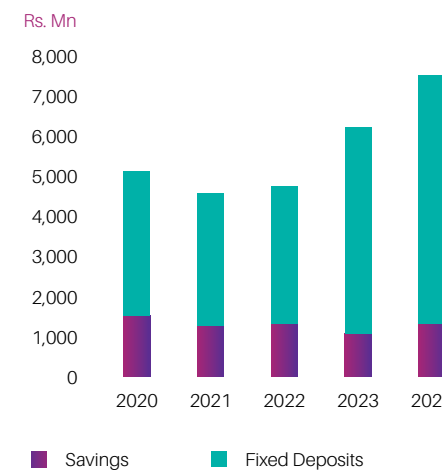
Due to Bank Other Financial Institutions

The company has taken a new bank borrowing of Rs. 2.1 billion during the financial year to fund the reported business growth. After repaying existing loans, the company reported a net increase in borrowing of Rs. 1,497.2 million, representing a 99.3% growth for the financial year. At the end of the financial year, the company reported Rs. 3,005.4 million in bank and other institution borrowings.

Due to Customers

To ensure a healthy level of liquidity, we proactively raised funds through Public deposits, which proved to be a reliable source of funding. Public deposits significantly increased by 21.0% to LKR 7,492.0 Mn compared to LKR 6,193.4 Mn in the previous year. This strategic measure helped us maintain a strong liquidity position during the challenging economic climate.

Due to Customer



Shareholder Funds

The company reported total shareholder funds of Rs. 3,570.7 million at the end of the financial year. During the year, Rs. 233.9 million was added to the shareholder funds from the company profit, and Rs. 112 million was distributed to the shareholders as the final dividend for the FY 2022/23.

Financial priorities for the year

Within the environment of sharp economic deterioration and rising interest rates, our strategic priorities for the year were focused towards financial stability and managing asset quality.

Financial Priorities	Strategies
Grow bottom-line	Push top-line and sustain Net Interest Margin Contain cost and increase operational efficiencies through integration of technology and process reengineering
Mobilise deposits	Mobilise deposits Improve relationship with high-net-worth individuals through personalised service to attract larger deposits Optimise the use of social media platform and direct marketing to reach target markets for product promotions Digital content marketing campaigns to identified customer segments Collaborate with Sarvodaya Societies to increase village level penetration through joint promotional campaigns Collaborate with Sarvodaya Societies to increase village level penetration through joint promotional campaigns Introduce new products Incentivise top performers
Improve portfolio quality	Improve credit evaluation Harness technology for improved credit supervision and improve recoveries
Rebalance credit portfolio	Expand the collateral-backed lending portfolio for improved credit quality Move into larger-ticket size lending backed by collateral Increase average loan size of lending Expand gold loans through expansion and aggressive marketing
Optimise funding sources	Optimise the mix of long-term and short-term funds to eliminate maturity mismatch. Explore opportunities for off-shore funding. Improve monitoring and allocate appropriate resources to prioritise savings deposits build-up.
Balance product mix	Change products concentration to suit the current interest rate environment and economic condition. Develop new products giving a balance between risks and returns, develop markets and profitable niche markets.

## Management Discussion &amp; Analysis

## FINANCIAL CAPITAL

## FINANCIAL STRENGTH - ANALYSIS OF STATEMENT OF CASH FLOWS

For the year ended 2024, the company experienced significant changes in its cash flow activities compared to the previous year.

Operating activities saw a substantial outflow of LKR 1,184.16 million, in contrast to the significant inflow of LKR 1,618.10 million in 2023. This shift indicates the utilisation of additional funds for the core business, which were generated from financing activities.

Cash outflow from investing activities increased to LKR 320.05 million from LKR 84.75 million in the previous year, reflecting higher investments during the year mainly for capital expenditure.

Financing activities resulted in a cash inflow of LKR 1,004.80 million, compared to an outflow of LKR 712.57 million in 2023. This positive inflow indicates that the company raised substantial funds through financing during the year for the core business activities.

The Company closed the year with a cash balance of LKR 80.33 million, down from LKR 579.67 million at the end of the previous year.

For the year ended	2024 (LKR Mn)	2023 (LKR Mn)
Opening cash	579.67	(241.12)
Operating activities	(1,184.16)	1,618.10
Investing activities	(320.06)	(84.75)
Financing activities	1,004.89	(712.57)
Closing cash	80.34	579.67

## FINANCIAL STABILITY

## Capital Base

The primary objective of the Company's capital management policy is to ensure compliance with externally imposed capital requirements and maintain strong

credit ratings and capital ratios to support the business and maximize shareholder returns.

Our Tier 1 and total capital ratios of 32.75% and 34.01%, respectively, were well above the new capital adequacy requirements of 8.5% and 12.5% laid down by the Finance Business Act Directions 3 of 2018, reflecting the company's financial strength

	2024	2023	Industry - March 2024	Regulatory Minimum
Tier 1 Capital ratio (%)	25.84	32.75	20.50	8.5
Total Capital ratio (%)	26.00	34.01	21.86	12.5

## LIQUIDITY POSITION

The Company was able to maintain liquidity well above the regulatory minimums during the financial year.

	2024	2023	2022	2021	2020
Regulatory minimum liquid assets (LKR Mn)	829.8	677.5	553.0	338.3	623.1
Available liquid assets (LKR Mn)	1,298.7	1,227.3	634.3	493.5	661.3

## ECONOMIC IMPACT

## Direct economic value generated and distributed

Total economic value created by SDF grew by 34.56% to LKR 2.59Bn in the financial year 2022-23, from LKR 1.93 Bn in the previous financial year.

This value has been distributed among our stakeholders as stated below.

## Economic Value Added Statement (EVA) (LKR Mn)

For the year ended 31 March	2024	2023	2022	2021	2020
<b>Invested Equity</b>					
Total equity	3,570	3,449	3,305	2,181	1,196
Add: Cumulative Loan	696	472	567	484	424
Loss Provision/ Provision for Impairment					
<b>Total</b>	<b>4,266</b>	<b>3,921</b>	<b>3,872</b>	<b>2,665</b>	<b>1,620</b>
<b>Earnings</b>					
Profit attributable to shareholders	250	222	215	183	102
Add: Impairment for loans and receivables and other losses	332	63	193	60	119
<b>Total</b>	<b>582</b>	<b>285</b>	<b>408</b>	<b>243</b>	<b>221</b>
Cost of equity (Based on 12 months weighted average T-Bond rate plus 2% for risk premium)	14%	26%	12%	7%	10%
Cost of average equity (Economic Cost)	597	1,025	392	150	151
Economic value added	(15)	(740)	16	93	70

## Market Value Added (MVA) (LKR Mn)

For the Year ended 31 March	2024	2023	2022	2021	2020
Market Capitalisation					
Market Value of Equity	1,959.70	1,645.56	1,869.95	NA	NA
Less: Equity Owners' Funds					
Shareholders' Funds	3,570.71	3,449.49	3,304.80	2,181.38	1,195.68
Market Value Added/(Destroyed)	(1,611.013)	(1,803.93)	(1,434.85)	NA	NA

## SIGNIFICANT INDIRECT ECONOMIC IMPACTS

At the time of its initial public offering (IPO), the company was admitted to the Colombo Stock Exchange as the first impact investment company. This recognition was a result of acknowledging the significant impact that Sarvodaya has created over the course of its 60-year history.

Sarvodaya-related entities hold a 54% ownership stake in the company, and these entities are actively engaged in social service activities, primarily focused on benefiting local communities.

Dividend payments to Sarvodaya and its entities from 2019 to 2023

	2024	2023	2022	2021	2020
Dividend applicable for the year	Nil	60,586,401	40,942,250	Dividends withheld due to macro uncertainty.	Dividends withheld due to macro uncertainty.

In addition to dividend distribution, the company's primary focus is on development finance activities within the country. With the exception of the cash margin product, all other products are designed and implemented to support income-generating activities. By providing funding for these initiatives, the company helps create a broader range of job opportunities, particularly for communities in rural areas. This value creation contributes to the overall growth and development of the economy as a whole.

## SDF lending by region

One of the unique features of SDF is that over 80% of its branch network is located outside of the western region. The provinces of North Central, Eastern, and Uva take the lead in terms of business distribution for the Company.

## Gross portfolio by province (%)

Province	2024		2023		% change
	Value (Mn)	(%)	Value (Mn)	(%)	
Western Province	2,188	16	1,853	18	-17
Southern Province	1,192	9	1,048	10	-13
Central Province	1,262	9	960	9	-12
North Central Province	2,886	22	1,751	17	16
Uva Province	1,232	9	1,166	11	5
Sabaragamuwa Province	962	7	840	8	-6
Eastern Province	1,756	13	1,335	13	12
North Western Province	1,627	12	1,163	11	0
Northern Province	247	2	251	2	-9
Total	13,351	100	10,367	100	-1

FINANCIAL CAPITAL

As part of our development financing services, we provide many support services free of charge, including training, market connections, and advisory support, to upgrade rural businesses to the next level and add value to products. In the agriculture sector, SDF provides access to agricultural equipment that has helped modernize the sector and enhance productivity. These efforts contribute to developing entrepreneurs and expanding rural economies, which has led to employment generation.

By supplying palmtop computers to 150 Sarvodaya Societies, we have also promoted digital financial transactions in rural areas where Internet penetration is extremely low, thereby helping to bridge the urban-rural digital divide.

**SDF lending to women**

During the financial year 2022-23, women customers accounted for 57% of total loan recipients. We also provide business training for women, to empower women entrepreneurs.

*Please also refer our Social Capital chapter and Local Community Engagement for more information on activities pertaining to indirect economic impacts.*

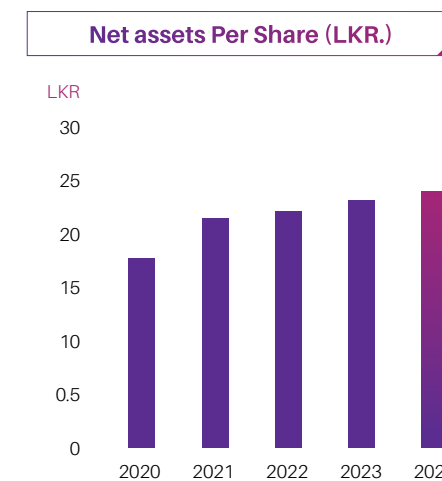
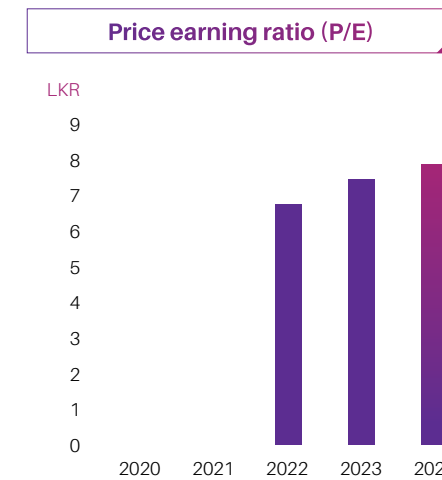
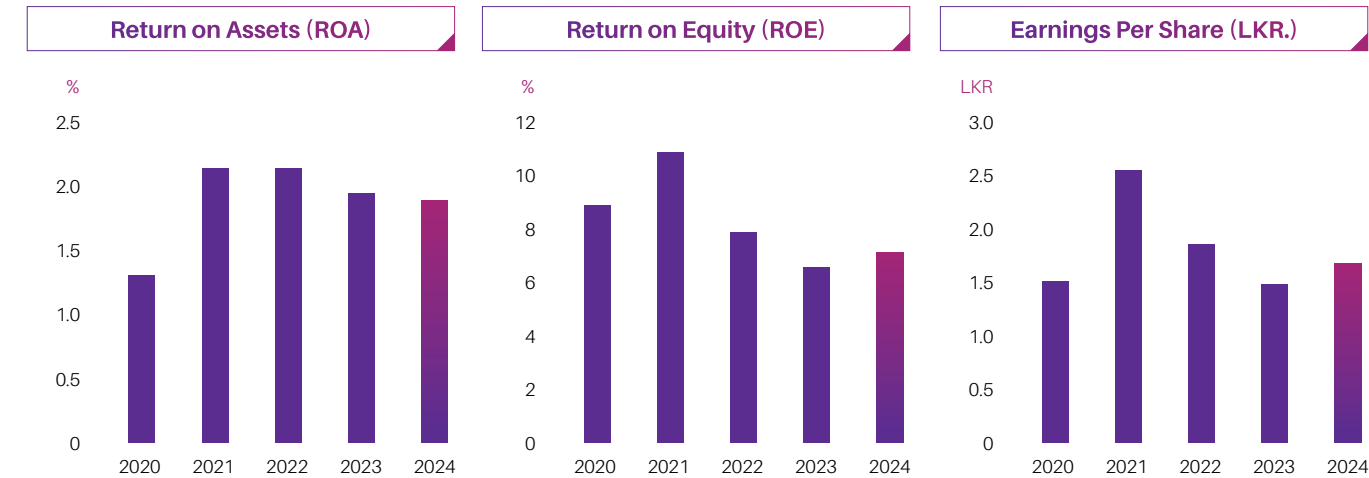
**APPROACH TO TAX**

SDF's tax policy fully complies with all applicable taxes to support national welfare and development efforts.

With the exception of standard tax deductions, SDF does not have a tax strategy to either shelter income or reduce tax payouts, as the Company believes in supporting Sri Lanka's social welfare programmes. SDF's sustainable business strategies are designed to accommodate taxes, and no tax evasion or tax avoidance measures are adopted as a policy by the Company. Internal control systems are in place for continuous oversight of the Company's accounts, in addition to independent external audits to ensure correct tax calculations for the financial year.

No tax deductions have been claimed on the basis of charitable contributions, and SDF contributed a total tax payout of LKR 341.6 million to the national exchequer in 2023-24, which is an increase of LKR 117.2 million from the previous financial year. SDF's tax expense consists of two main elements, namely tax on financial services and income tax. Tax on financial services constituted 53.3% of the total tax amount in 2023-24.

INVESTOR RELATIONS



Overview

**1. Significant**

Investors, who encompass the shareholders of the Company, play a major role as key stakeholders, paving the way for an organization's progress and value creation. They are the main source of financial capital: equity capital. Our shareholders provide equity capital and respond proactively to strategic decisions while expecting a reasonable return on their investment. The company has always maintained a mutually beneficial relationship with investors and shareholders to drive the sustainable development of the business. Investors are regularly informed of the Company's performance through various digital and physical channels such as Annual General Meetings, Annual Reports, Interim Financial Statements, Colombo Stock Exchange (CSE) announcements, press conferences, and media releases.

**2. Expectation**

Given that there are multiple avenues for investors' funds to be invested, they have certain expectations when those funds are invested in us. We recognize that these expectations are primarily related to their investment returns and potential risks. To meet (and exceed) their expectations, we need to achieve the best risk-reward trade-off. This, in turn, requires certain performance standards to ensure sustainable value creation underpinned by sound corporate governance and risk management systems

**3. SDF responsibility**

We have a responsibility to deliver a satisfactory return on the capital invested in a sustainable manner.

## FINANCIAL CAPITAL

## i. How SDF engage with investors

Method	Frequency
AGM	Annually
Annual report	Annually
Interim financial statements	Quarterly
Semiannual paper publication	Semiannually
Corporate website	Ongoing
Disclosures in CSE	As required
Press release	As required
Social media	Ongoing

## ii. SDF share trading

Quarterly	Q1	Q2	Q3	Q4
Market capitalization	1,765,233,413	1,914,829,465	1,914,829,465	1,959,708,281

## iii. Share information

Quarterly	Q1	Q2	Q3	Q4
Share price				
- Highest	12.6	13.5	13.5	13.0
- Lowest	9.0	10.7	11	11.0
- Last traded price	11.80	12.8	12.8	13.1

## iv. Composition of equity

	2024	2023	2022	2021	2020
Stated capital	2,696,113,032	2,696,113,032	2,696,113,032	1,696,113,020	890,000,020
Reserves	874,605,325	753,374,686	608,682,082	485,272,206	305,679,245
Total shareholders' funds	3,570,718,357	3,449,487,718	3,304,795,115	2,181,385,226	1,195,679,266

## v. Analysis of shareholders

Shareholding	No of shareholders	Shareholder %	No of shares	Share %
Less than or equal to 1000	558	23.63	187,908	0.13
1,001 to 10,000	990	41.93	6,143,236	4.11
10,001 to 100,000	776	32.87	19,318,116	12.91
100,001 to 1,000,000	26	1.01	6,047,770	4.04
Over 1,000,000	11	0.47	117,899,022	78.81
<b>Total</b>	<b>2,361</b>	<b>100.0</b>	<b>149,596,052</b>	<b>100.0</b>

## vi. Composition of shareholders

Shareholding	No of shareholders	Shareholder %	No of shares	Share %
Resident individual	1,055	44.68	9,436,719	6.31
Non-resident individual	1	0.04	237,500	0.16
Resident institutions	1,304	55.23	126,421,829	84.51
Non-resident institutions	1	0.04	13,500,004	9.02
<b>Total</b>	<b>2,361</b>	<b>100.0</b>	<b>149,596,052</b>	<b>100.0</b>

## vii. Public holdings

The Company's public holding stood at 37.34% as at 31 March 2024 and the number of shareholders representing the public holding was 2,348. There was a 13.82% decrease in the Company's public holding compared to the previous year, while the number of shareholders representing the public holding has decreased by 26 when compared to the previous year.

## viii. Float adjusted market capitalization

The float adjusted market capitalization as at 31 March 2024 - Rs. 726,177,855 (As at 31 March 2023 - Rs. 842,014,789)  
The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.14.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

## ix. Share price movement

Following table shows share price movement for 1st to 4th quarters.

Quarterly	Q1	Q2	Q3	Q4
Share price				
- Highest	12.60	13.50	13.50	13.90
- Lowest	9.00	10.70	11.00	9.00
- Last traded price	11.80	12.80	12.80	13.10

## x. Twenty largest shareholders

No	Name of the shareholder	No of shares	%
1	Sarvodaya Economic Enterprises Development Services (GTE) Ltd	54,000,000	36.10
2	Seylan Bank PLC/Senthilverl Holdings (Pvt) Ltd	18,107,957	12.10
3	Janashakthi Capital Limited	16,089,270	10.76
	Seylan Bank PLC/Janashakthi Capital Limited	11,365,000	7.60
	Commercial Bank of Ceylon PLC/Janashakthi Capital Limited	4,724,270	3.16
4	Gentosha Total Asset Consulting Inc.	13,500,004	9.02
5	Lanka Jathika Sarvodaya Shramadana Sangamaya	4,645,000	3.11
6	Ideal Automobile (Pvt) Ltd	4,382,246	2.93
7	Sanasa Life Insurance Company Ltd (Life)	3,579,900	2.39
8	Thalwila Pibidena Sarvodaya Shramadana Society	1,414,000	0.95
9	Sanasa General Insurance Company Ltd	1,108,445	0.74
10	Mr. M.A.A.H. Esufally & Mrs A.M. Moonesinghe	1,072,200	0.72
11	Dr. T. H. Rajudin	613,600	0.41
12	Mr. J. D. Ariyaratne	454,600	0.30
13	Kekunawela Sarvodaya Shramadana Society	450,000	0.30
14	Porathota Sarvodaya Shramadana Society	450,000	0.30
15	Mr. W.T.D. Ganegama & Ms N.H. Ariyaratne	365,000	0.24
16	Mr. G. C. A. De Silva	323,200	0.22
17	Kuda Arukgoda Sarvodaya Shramadana Society	300,000	0.20
18	DFCC Bank PLC/Mr P Pranavan	240,000	0.16
19	Mr. R. Gautam	237,500	0.16
	Other Shareholders	28,263,130	18.89
<b>Total</b>		<b>149,596,052</b>	<b>100.00</b>



## FINANCIAL CAPITAL

**xi. Directors and CEOs shareholding**

Name	Position	No of shares
Mr. Channa de Silva	Chairman/Non-Executive, Non-Independent Director	323,200
Mr. Dhammika Ganegama	Senior Director/Non-Executive, Independent Director	437,400
Mr. Ramesh Schaffter	Non-Executive, Non Independent Director	-
Mr. C. Amrit CanagaRetna	Non-Executive, Independent Director	-
Mr. Senthil Nandhanan Senthilverl	Non-Executive, Non-Independent Director	-
Mrs. Shehara De Silva	Non-Executive, Independent Director	26,349
Mr. J K D N Pushpakumara	Chief Executive Officer	105,500

**xii. Solvency**

	2024	2023	Change %
Debt to equity	293.99%	223.27%	25.93
Tier I	25.84%	32.75%	(21.1)
Total capital ratio	26.00%	34.01%	(23.6)

**xiii. Material foreseeable risk factors**

Information pertaining to the material foreseeable risk factors that require disclosures as per rule 7.6 (vi) of the Listing Rules of the CSE are discussed in the section on Risk Management.

**xiv. Material issues - employee and industry relations**

There were no material issues pertaining to employee and industrial relations in regard to the Company that occurred during the year under review which require disclosures as per Rule No.7.6 (vii) on the Listing Rules of the CSE

**xv. Inquiries by shareholders**

Shareholders may contact the Company Secretary, to direct questions/comments or request publicly available information.

## CAPITAL ADEQUACY

"In June 2018, CBSL introduced a new Capital Adequacy Framework (CAF), revoking the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006. The new CAF is intended to foster a strong emphasis on risk management and to encourage improvements in LFC's risk assessment capabilities.

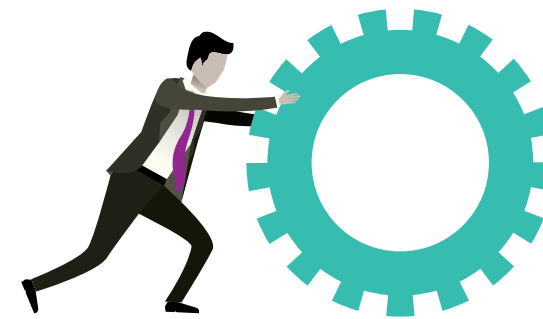
The existing Capital Adequacy Direction was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction, risks were confined to credit risk, and no capital requirements were applicable for market and operational risks. Therefore, the new CAF provides for the maintenance of Capital Adequacy Ratios (CARs) with a more risk-sensitive focus, covering credit and operational risk under the basic approach available in the Basel II Accord."

Item	2023/24	2022/23
Tier 1 Capital	3,383,457	3,306,083
Total Capital	3,404,171	3,433,245
Total Risk Weighted Amount	13,091,678	10,095,254
Risk Weighted Amount for Credit Risk	11,192,282	8,515,848
Risk Weighted Amount for Operational Risk	1,899,396	1,579,406
Tier I Ratio, %	25.4	32.7
Regulatory Minimum tier 1 ratio %	8.5	8.5
Total Capital Ratio, %	26.0	34.0
Regulatory Minimum total capital ratio %	12.5	12.5



The technology used in lighthouses has evolved significantly over time. Early lighthouses used open flames, followed by oil lamps and coal fires. The invention of the Fresnel lens in the 19th century revolutionized lighthouse illumination. These lenses allowed the light to be seen over much greater distances by focusing the light into a powerful beam. Today, modern lighthouses use electric lights and automated systems.

# MANUFACTURED CAPITAL



Our manufactured capital encompasses the essential infrastructure and technology that enable Sarvodaya Development Finance PLC to deliver efficient financial services. Recent strategic investments include expanding our branch network by 5 new branches, integrating advanced ICT systems, and installing new ATMs, all aimed at improving operational efficiency and customer convenience. These initiatives support our commitment to sustainability, economic development, and financial inclusion across Sri Lanka.

SDF manufactured capital is the infrastructure system both physical and digital that enable the customers to reach SDF. The manufacturing capital of SDF consists of property, plant & equipment, branch network including the ATM network and IT systems.

## Manufactured Capital

### 56 Branch

Network including 5 new branches and 5 branch relocations



### Rs. 66.71

spent on IT Infrastructure



New Property, Plant & Equipment Purchased **Rs. 144.3 Mn** aggregating to Rs. 224.4 Mn



ATM network of **6 including 3 new ATMs**



## BRANCH NETWORK ACROSS THE COUNTRY

One of the strongest elements of our Manufactured Capital is our branch network which is spreaded across the island. The unique approach of SDF which is different from the peer companies, in terms of branch expansion is the location of our branches. Since, our prime objective is to serve the rural community of the country, our branch network is also strategically located in the areas which have less access to the financial institutions. The 56 branches have been located covering all nine (9) provinces to provide access to our customers to experience our product and services.

During the financial year under review, new five branches have been added to the branch network, Kethsirigama and Akkaraipattu in Ampara District, Thissamaharama in Hambantota District, Negombo in Gampaha and Moratuwa in Colombo District.

MANUFACTURED CAPITAL

The Moratuwa Branch is the new inclusion to our branch network which is the second branch that is operating the Colombo District, while other 54 branches serve the clientele out of Colombo District. Opening of our 56th branch at Moratuwa is a noteworthy event as the branch location area is where the headquarters of the Sarvodaya Movement is located. The strategic move of opening the branch at Moratuwa is to envisage to serve the urban customers with sustainable financial solutions and to create more entrepreneurs by providing financial support.

Five branches have been relocated during the year under review, in order to provide effective and efficient service to our customers and to enhance the accessibility.



Kethisirigama Branch Opening



Akkarapattu Branch Opening

**ATM REACH**

Currently, SDF has six (6) ATM machines enabling our customers to transact through the SDF accounts and other banks. Out of six ATMs, five ATMs are located out of the Western Province, and strategically established in areas which have very few banking facilities. Our policy is to set up ATMs in remote interior parts of the country, to bring financial services to rural populations. Three new ATMs have been included to the ATM network of SDF during the year under review. SDF ATM machines are common machines and can be utilized by customers of other financial institutions as well.

Our approach towards branch expansion including ATM reach have been always constructed to promote financial inclusion.

**SDF HEAD OFFICE**

The SDF head office is strategically located in the high value area of Colombo 08, with easy public transport access to all parts of Colombo and the regions. The modern building is equipped with all modern amenities and many facilities for employees, including a cafeteria, Gym and recreation area.

**DIGITAL PRESENCE**

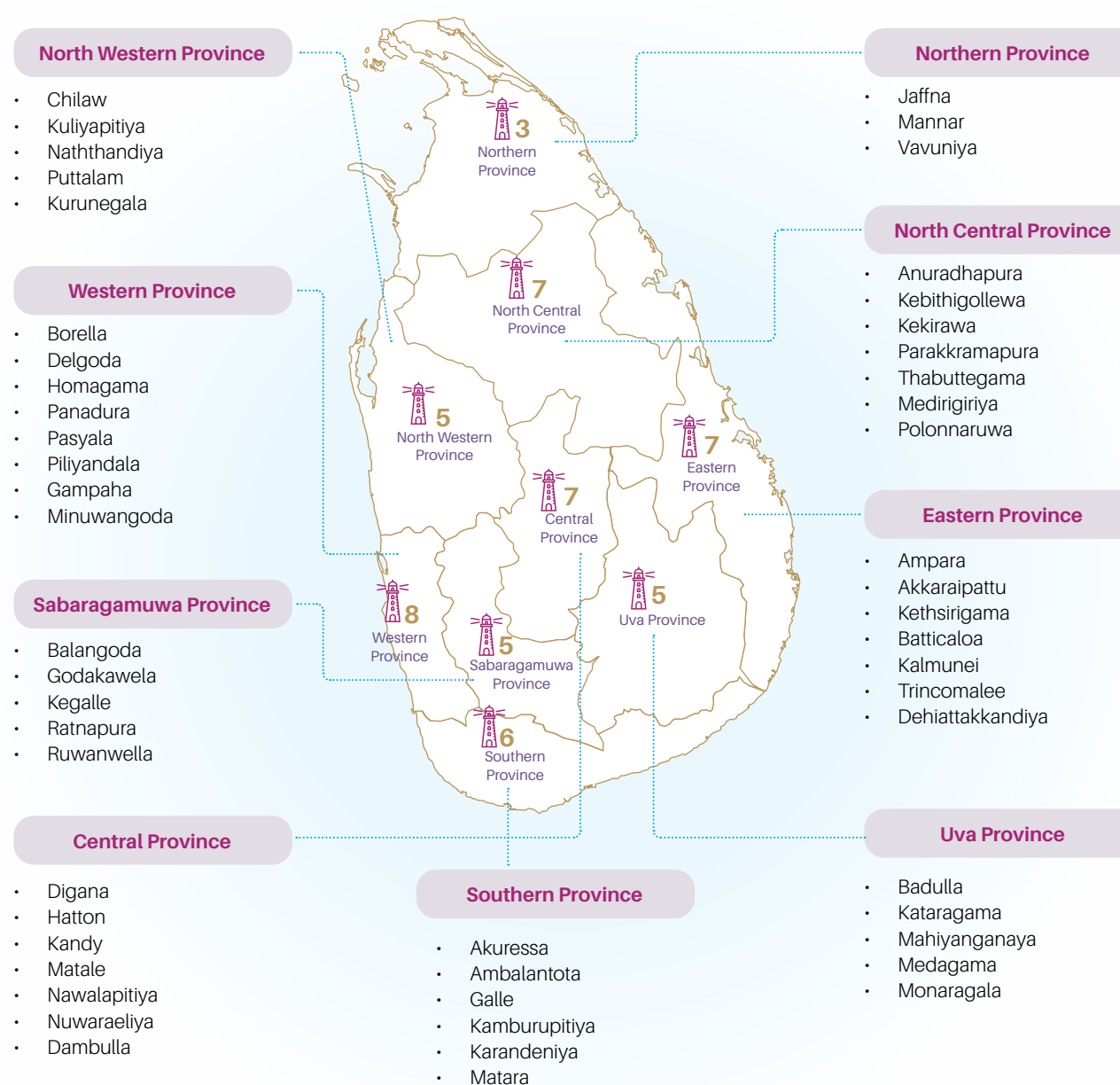
SDF corporate website is one of the accessible methods to reach our financial products. The corporate website contains all required information pertinent to the financial products and our services and any customer could reach us through making a website inquiry.

**IT INFRASTRUCTURE**

The IT infrastructure provides a great contribution to our manufactured capital by integrating and networking our branches to communicate between the customers and the branches. The core banking system accommodates all business transactions with customers and the Disaster Recovery site enables it to recover and restore data and act as the second data centre. During the year under review, Rs.66.71Mn was spent on IT infrastructure.

**PROPERTY, PLANT & EQUIPMENT**

Property, plant & equipment are considered as the physical assets of the Company used to deliver value to our customers. During the year under review, SDF purchased a value of Rs.114.3Mn property, plant & equipment aggregating to Rs.224.4Mn as of 31st March 2024.



**PLANS FOR THE FUTURE**

SDF envisages further expanding the branch network across the country, to enhance the coverage of our financial services in line with the approved Annual Branch expansion plan.

Our company is committed to continuously improving our technological infrastructure and operational processes to enhance efficiency, mitigate risks, and provide superior financial services to our customers. Plans are to offer technologically structured financial solutions to our customers while increasing financial inclusiveness of our customers.



# INTELLECTUAL CAPITAL



Our intellectual capital encompasses the knowledge, systems, and processes that drive innovation and efficiency at Sarvodaya Development Finance PLC. We focus on enhancing our governance frameworks, risk management, and ICT capabilities. Recent initiatives include upgrading our core banking systems and investing in digital solutions to improve service delivery and operational excellence. These efforts ensure that we stay ahead in a competitive landscape, fostering a culture of continuous improvement and enabling us to better serve our customers and stakeholders.

## OVERVIEW

Our intellectual capital is a critical driver of our success, representing the combined outcomes of our impact investment business model and the collective knowledge amassed through decades of operations in rural economies. This capital is continually enhanced as we modernize our business model by integrating advanced information and communication technologies (ICT) into our systems and processes. This integration creates a robust and reliable operating model that spans wide geographic coverage, including areas with limited internet penetration.

### Governance and compliance

#### Business Philosophy

As a member of the Sarvodaya Movement, which is dedicated to the social and spiritual wellbeing of all beings, SDF is guided by the ethical values ingrained in the Sarvodaya philosophy.

Accordingly, we do not support business activities traditionally considered anti-social by Sri Lankan Buddhist principles.



#### Code of Conduct

All SDF employees and Directors are bound by the Code of Conduct which outlines expected standards and behaviours and contains specific policies and guidelines regarding confidentiality, fair dealing, conflict of interest, anti-bribery and corruption and anti-money laundering.

SDF also has a Whistleblower Policy that protects employees who speak up against unethical and illegal activities.



Each lighthouse has a unique light characteristic, which refers to the specific pattern of light it emits. This can include flashing, occulting, or a steady light, among other patterns. These unique characteristics help mariners identify which lighthouse they are seeing and, therefore, their precise location. This system of unique light signatures is crucial for safe navigation, especially at night or in poor visibility conditions.

**OUR BRAND**

The Sarvodaya brand represents a significant portion of our intellectual assets. Rooted in the principles of the Sarvodaya Shramadana Movement, our brand embodies our commitment to rural development, non-violence, and community welfare. The brand's strong reputation and trust built over decades enhance our credibility and stakeholder engagement.

Known for its integrity and commitment to uplifting underserved communities, the Sarvodaya brand facilitates deeper engagement with our customers and partners. Recognized for its social impact and sustainable development, the Sarvodaya brand attracts socially conscious investors and customers, distinguishing us in the financial services sector. Our association with the Sarvodaya Movement allows us to leverage extensive knowledge in rural development and community-based financial services, fostering a culture of learning and innovation. Additionally, the Sarvodaya brand enables strategic partnerships with local and international organizations focused on social impact and sustainable development, further enhancing our intellectual capital.

**INFORMATION TECHNOLOGY ASSETS**

Our IT systems collectively create a solid ecosystem that positions our company as the most digitally connected financial service provider for village communities. Since starting our digital journey, we have systematically deepened our investment in IT infrastructure through a combination of in-house developments and licensed software procured from reputed global vendors.

**In-House Software:**

- ⊖ Document Management System
- ⊖ Assets Management System
- ⊖ Procurement Management System
- ⊖ Payment Management System
- ⊖ Field Operation Tracking System
- ⊖ MIS Reporting Services

**Licensed Software:**

- ⊖ E-Financial Core Banking System
- ⊖ Leasing Module
- ⊖ Fixed Deposit Module
- ⊖ Gold Loan Module
- ⊖ Savings Module
- ⊖ General Ledger Module
- ⊖ HRIS System
- ⊖ Data Visualization and Modeling Software
- ⊖ Call Center Application
- ⊖ Board Pack Application

**CONTROL SYSTEMS AND FRAMEWORKS**

Our control systems and frameworks are designed to ensure that all critical business functions operate seamlessly, even in the event of disruptions.

As a large financial institution, we prioritize Business Continuity Planning (BCP) to ensure uninterrupted operations. This is supported by a formal BCP policy and a board-approved crisis management plan that meets global standards. Our colocation data center, established in 2020 as a BCP measure, continued to provide critical support for our BCP program this year. Additionally, we are committed to managing IT risks and safeguarding data assets, with our information security measures certified under the ISO 27001 Information Security Standard. Continuous monitoring, regular vulnerability assessments, and penetration tests ensure compliance with the highest standards and protection against emerging risks.

**KNOWLEDGE-BASED SYSTEMS AND PROCESSES**

Innovation and knowledge management are key pillars of our strategy, forming the backbone of our continuous improvement and operational excellence.

**Innovation Capabilities** Our pursuit of innovation is driven by workflow-based automation and high-level analytical tools. By leveraging advanced analytics and AI-based machine learning tools, we strive to enhance the effectiveness of our services and support our customer service excellence goals. Over the years, we have improved internal processes by using workflow management systems to automate manual processes and promote a paperless culture.

**Training Programmes** We place a strong emphasis on training and development to ensure our employees are well-equipped to meet the challenges of a dynamic work environment. Our Orientation Programme focuses on operational and systems training for newly recruited employees, helping them integrate smoothly into our organisational processes. Additionally, our Information Security Awareness Programme covers critical topics such as password practices, ransomware threats, and overall information security, ensuring that our workforce is prepared to handle cybersecurity challenges effectively.

**Process Excellence and Continuous Improvement** To maintain and enhance our operational efficiency, we conduct frequent audits and reviews of our processes. This rigorous approach ensures that our systems remain efficient and effective. Furthermore, we are committed to continuous research and development to identify new opportunities for innovation and improvement. This ongoing process of evaluation and enhancement allows us to adapt to changing market conditions and technological advancements, ensuring that we remain competitive and effective in delivering high-quality services to our customers.

**PLANS FOR THE FUTURE**

- ⊖ Upgrade the current core banking system to the latest version.
- ⊖ Expand the scope of the audit plan to cover non-critical systems.
- ⊖ Implement branchless transactions model using handheld devices.



**Galle Fort Lighthouse**

This is Sri Lanka’s oldest light station dating back to 1848, but the original lighthouse was destroyed by fire in 1934. It was rebuilt at the current height of 26m. The light station is within the walls of the ancient Galle Fort, a UNESCO World Heritage site and well-known tourist attraction, making this the country’s most often visited lighthouse.

# HUMAN CAPITAL



Our human capital is the cornerstone of Sarvodaya Development Finance PLC’s success, encompassing the skills, dedication, and growth of our employees. We prioritize continuous professional development, offering training and career advancement opportunities. Recent strategic initiatives include enhancing employee welfare and implementing robust talent management practices. These efforts ensure we attract, retain, and nurture top talent, fostering a culture of excellence and innovation. Our commitment to human capital development drives our mission to deliver superior financial services and contribute to the overall development of the communities we serve.

**COMPLIANCE WITH LABOUR REGULATIONS**

As a responsible organization, SDF always ensures zero fines and/or penalties for non-compliances with any labour laws, and we were able to maintain the same standard during the year under review. We adhered to timeframes stipulated by applicable laws and regulations for all staff related payments such as salaries, increments and bonuses, and statutory payments, such as EPF, ETF and APIT. Consequently, we are fully compliant with all applicable labour laws, including legislation on child labour, forced labour and compulsory labour.

**GRI 2-7**

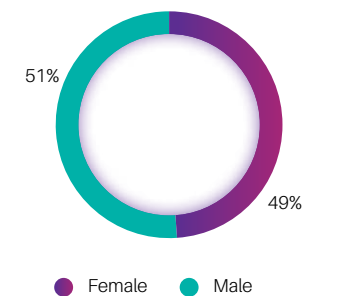
**Employee profile /Overview of our team**

Our team is the greatest non monetary asset held by SDF to serve their stakeholders. We consistently maintain a diversified employee portfolio which encourages gender equality, age and experiences. As at the end March 2024, SDF team capacity has increased to 546 from the 453 employed at end March 2023, recording a 22% employee growth to accommodate the company's growth potential. We do not have part time or temporary employees. All SDF employees are full time, permanent employees.

**Total employees by gender/ permanent employees by gender**

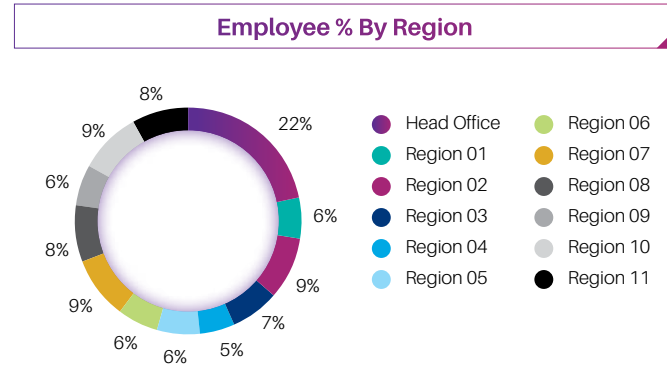
Gender	31 March 2024		31 March 2023	
	Head Count	%	Head Count	%
Female	265	49.0	219	48.3
Male	281	51.0	234	51.7
Grand Total	546	100	453	100

**Employees % By Gender**



HUMAN CAPITAL

Our presence is there to serve the underprivileged and most needy communities in isolated locations in Sri Lanka. We provide our services through 11 regions including far flung areas such as Kataragama in the Monaragala District, Thambuttegama, Parakramapura & Kebithigollewa in the Anuradhapura District, Medirigiriya in the Polonnaruwa District, Dehiattakandiya in the Ampara District, bordering Vavuniya and Trincomalee, Akuressa and Karadeniya in the Matara District and many others.



Total employee base spread into 11 regions are listed as follows.

Region	31 March 2024		31 March 2023	
	Head Count	%	Head Count	%
Head Office	121	22	120	26.4
Region 1	33	6.1	31	6.8
Region 2	46	8.5	40	8.8
Region 3	36	6.7	46	10.1
Region 4	26	4.9	13	2.8
Region 5	34	6.3	32	7
Region 6	33	6.1	30	6.6
Region 7	47	8.7	41	9
Region 8	44	7.9	22	4.8
Region 9	34	6.1	41	9
Region 10	49	8.8	37	8.1
Region 11	43	7.8	-	-
Total	546	100	453	100

GRI 2-8

Workers Who are not Employees

Outsourced non-core operational services provided their assistance to SDF Head Office daily operations through a total number of 7 personnel to get janitorial and security services by 5 and 2 staff members respectively.

GRI 2-21

Annual total compensation ratio

The ratio of the annual total compensation for SDF's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) is approximately 3:1.

The ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) is: 1.3:1 Please note that the increase in annual compensation to staff (excluding the highest paid individual), includes gratuity payments as well as increments.

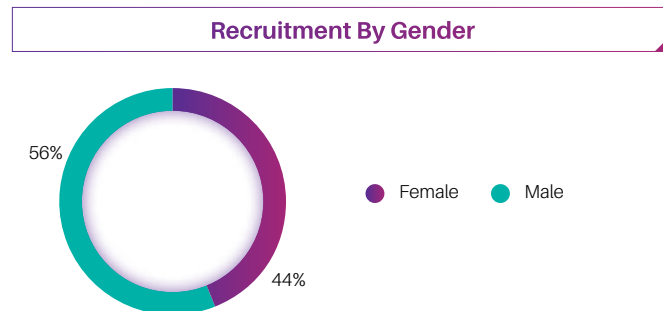
GRI 401-1

New Employee Hires and Employee Turnover

During the year, 360 new staff members joined the SDF team to contribute their know-how to the growth trajectory of SDF while aligning their personal career progression.

New Employee Hires by Age Group

Age Category	31 March 2024		31 March 2023	
	Head Count	%	Head Count	%
20-30	258	71.7	78	66.1
30-40	75	20.8	32	27.1
40-50	22	6.1	7	5.9
Above 50	5	1.4	1	0.8
Grand Total	360	100	118	100



New Employee Hires by Gender

Gender	31 March 2024		31 March 2023	
	Head Count	%	Head Count	%
Female	159	44.2	60	50.8
Male	201	55.8	58	49.2
Grand Total	360	100	118	100

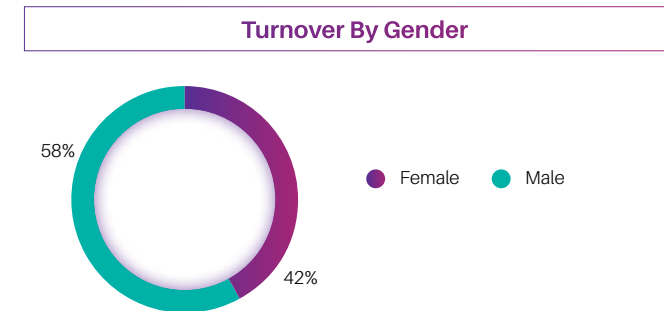
New Employee Hires by Region

Region	31 March 2024		31 March 2023	
	Head Count	%	Head Count	%
Head Office	87	24.2	23	19.5
Region 01	22	6.1	6	5.1
Region 02	25	6.9	10	8.5
Region 03	30	8.3	15	12.7
Region 04	25	6.9	9	7.6
Region 05	30	8.3	15	12.7
Region 06	14	3.9	6	5.1
Region 07	25	6.9	5	4.2
Region 08	30	8.3	9	7.6
Region 09	26	7.2	8	6.8
Region 10	30	8.3	12	10.2
Region 11	16	4.4	-	-
Grand Total	360	100	118	100

EMPLOYEE TURNOVER

Socio economic consequences emerged through the unprecedented economic crisis encompassed by the country accordingly, total of 228 members have left the organisation during the year under review, which resulted in an employee turnover ratio of 45% of which majority due to foreign employment purpose.

Multiple strategies have been implemented by giving strong emphasis on employee retention and attraction of fresh resources to the team.



Employee Turnover by Gender

Gender	31 March 2024		31 March 2023	
	Head Count	%	Head Count	%
Female	96	42.1	56	32.4
Male	132	57.9	117	67.6
Grand Total	228	100	173	100

Employee Turnover by Age Group

Age Category	31 March 2024		31 March 2023	
	Head Count	%	Head Count	%
20-30	123	53.9	83	48
30-40	66	28.9	60	34.7
40-50	31	13.6	22	12.7
Above 50	8	3.5	8	4.6
Grand Total	228	100	173	100

Employee Turnover by Region

Region	31 March 2024		31 March 2023	
	Head Count	%	Head Count	%
Head Office	73	32.02%	45	26.01%
Region 01	14	6.14%	12	6.94%
Region 02	13	5.70%	15	8.67%
Region 03	20	8.77%	17	9.83%
Region 04	14	6.14%	13	7.51%
Region 05	25	10.96%	16	9.25%
Region 06	8	3.51%	8	4.62%
Region 07	15	6.58%	11	6.36%
Region 08	13	5.70%	14	8.09%
Region 09	14	6.14%	11	6.36%
Region 10	11	4.82%	11	6.36%
Region 11	8	3.51%	-	-
Grand Total	228	100	173	100

SDF HR POLICIES

Governance of HR at SDF exhaustively managed by 21 policies categorised into 7 areas, which was approved by the Board in June 2021 and with appropriate revisions frequently. All these policies are designed to cover all aspects of the employment lifecycle from recruitments, benefits, performance management, training and development, disciplinary management, SDF HRIS, grievance handling, and exit while meeting the regulatory requirements of governing bodies.

In order to meet the regulatory requirements timely on a comprehensive review of existing HR policies will be conducted during the next financial year, 2024-25 and will ensure the adherence to compliances and contemporary industry best practices.

As an equal opportunity employer, SDF provides employment and growth opportunities non-discriminately.

HUMAN CAPITAL

**MOTIVATION STRATEGY**

Employee motivation has become an imperative part of SDF's retention and attraction strategy in the year in which we experienced a high employee turnover. To strengthen and empower the SDF team, above average performers has appraised during the year by ways of acknowledging best performers, offering pay incentives and bonus payments, annual increments, and an annual award ceremony that recognises the best employee, the best branch manager, the best marketing officer and others who have done extraordinary work.

As an organization always striving for the best and eager to serve the best to its employees, SDF has introduced an overseas visit for 21 exquisite performers of the annual performance appraisal 2023-24, to the Kingdom of Thailand with a budget allocation of Rs. 10 million. Team consisting of 3 regional managers, 5 branch managers, 5 business development staff, 6 recovery officers and 2 gold loan business development officers will be visiting Thailand in the month of May 2024.

Besides the employee appreciation, we recognise the children of employees, who excel at school level .

**EMPLOYEE BENEFITS**

SDF's cornerstone to attract and retain well standardised employees is, its benefits package offered by way of competitive remunerations which comply with regulations together with other non cash benefits to staff are entitled from the first day of their recruitment. These include:

- ⊖ An insurance scheme, which extends to parents of unmarried employees and children and spouses of married employees. The scheme also provides OPD cover for medical facilities. Critical illness cover -LKR 1 Mn and life insurance cover LKR 1 Mn for all staff and LKR 5 Mn worth two critical illness covers to be used in case of an emergency.
- ⊖ An accident insurance cover of up to LKR 1 Mn and a life insurance of up to LKR 1 Mn
- ⊖ During the financial year 2023-24, employees were paid two months annual bonuses to the value of LKR 39 Mn and increments
- ⊖ Best performers were given monthly incentives in 2023-24 up to LKR 150,000 per person
- ⊖ Annual staff get together
- ⊖ Gym, library facilities and music studio for staff at the SDF head office
- ⊖ Subsidised breakfast and lunch, and free dinner at the SDF head office

**TRAINING AND DEVELOPMENT**

**Average hours of training per year per employee**

Average hours of training that the organization's employees have undertaken during the reporting period, by:

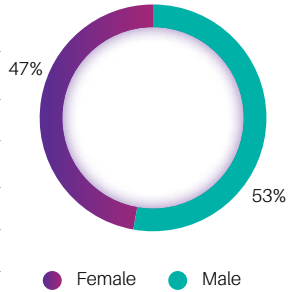
**i. Gender**

Male	4092
Female	3,637

**Average Training Hours**

**ii. Employee category**

Senior Management	1,315
Manager	992
Assistant Manager	633
Senior Executive	989
Executive	1552
Junior Executive	1567
Trainee	682



Investment made in training and development during the financial year under review is about LKR 5.0 Mn. Training was conducted on a group and individual basis to cater to the training requirements ascertained based on Management and employee feedback, and through performance evaluations. External resource persons are recruited or hired for regional level training events whereas we made use of our internal experts as well to refresh staff on some identified critical areas.

We also provide coaching for employees. The HR Division and senior managers identify staff for personalised coaching. The coach identifies strengths and weaknesses through a questionnaire to assess individual requirements and face to face coaching sessions conducted for each selected individual.

**Diversity of Governance Bodies and Employees**

SDF has a diverse workforce with local recruitments from different parts of the country from all ethnic groups, including ethnic and religious minorities.

Diversity of Governance Bodies by Gender		Diversity of Governance Bodies by Age Group	
Male	6	Below 30	0
Female	1	30 to 50	2
		Above 50	5
		Total	7

**DIVERSITY OF EMPLOYEES BY GENDER AND BY ETHNICITY**

Category	Female	%	Male	%	Total	%
Buddhist	226	85.3	224	79.7	450	82.4
Catholic	22	8.3	29	10.3	51	9.3
Hindu	16	6	24	8.5	40	7.3
Muslim	1	0.4	4	1.4	5	0.9
Grand Total	265	100	281	100	546	100

**Diversity of employees by age group**

Category	Age Group			Grand Total
	Below 30	30-50	Above 50	
Buddhist	210	214	26	450
Catholic	27	22	2	51
Hindu	24	16	-	40
Muslim	-	5	-	5
Grand Total	261	257	28	546
%	47.8	47.07	5.13	100.00

**Incidents of discrimination and corrective action taken**

There were no incidents of discrimination reported during the year under review.

**Performance evaluations**

In SDF's talent development exercise, appraisal of our employees' performances on a regular basis is one of the most vital strategic focuses. We have improved it to far beyond the level from traditional performance evaluations and counts it as a highly effective form of employee engagement to discuss personal development goals and skill gaps of employees, to organise training activities and to set mutually agreeable performance goals. During the year, 369 employees, including new recruits who completed 6 months, participated in performance evaluations.

**Occupational health and safety**

Given the nature of our business, SDF's employees do not face any material occupational health and safety risks. We comply with all national health and safety regulations to ensure our premises are safe for our employees. We continuously monitor safety systems and conduct regular safety drills to confirm the readiness of our safety systems, while safety training is done regularly to raise awareness among employees. As an extra precaution, we have ensured our staff with health insurance and accident insurance to cover both health and accidents.

**GRIEVANCE MANAGEMENT**

We maintain an open-door policy where any employee from the highest to the lowest rank can speak directly to the Chief Executive Officer (CEO) or to the Head of HR irrespective of the level of employee hierarchy. The CEO conducts monthly meetings with the HR Division and any employee concerns are discussed and meetings are conducted with Regional Managers every month, which is another platform to discuss employee matters. In addition to this, SDF Whistle Blower Policy imparts avenues to lodge anonymous requests to their grievances.

**SUCCESSION PLANNING**

The SDF succession planning programme is aimed at ensuring the correct skills and talent to occupy key management positions. We have already identified organisation wide succession gaps and we are developing a successor pipeline. Earmarked talent is developed through continuous coaching and training at branch level as well as at the head office.

**EMPLOYEE ENGAGEMENT IN 2023-24**

Importance of employee engagement during a period of high employee attrition risk has been duly acknowledged by SDF management and several initiatives have been taken to empower them with a high level of confidence to delegate their duties and responsibilities.



HUMAN CAPITAL

**Business Insight Forum I and II** - The company has offered a leadership excellence program for senior management, in collaboration with the Postgraduate Institute of Sri Jayewardenepura, to enhance the leadership skills of the senior management team and leverage this experience to elevate the company to the next level.

In parallel with the program, the company conducted two business insight forums within the organization, with the participation of company leaders.



**New Year Celebration** - Every year, the company celebrates the New Year festival together with all staff by organizing branch-wise ceremonies, adding more color and joy for the employees.



**SDF Cricket Fiesta** - The company organizes cricket tournaments involving staff from both branch and regional levels. These events help to strengthen relationships within and across branches and regions, and reward employees who demonstrate exceptional talent.



**International Women's Day Celebration** - As an equal opportunity organization, we always empower our female staff who contribute to the growth of SDF and they are officially honored on March 8th, International Women's Day. Additionally, the company organizes events to celebrate International Women's Day with various activities.



## HUMAN CAPITAL

**Talent Show** - The company organized a special tent show featuring the talents of Management Trainees who have completed their training period. This event provided them with the opportunity to showcase their skills to the management.



**Lunch with Uncle Ramesh** - The company has organized special events for the children of the company staff, aimed at guiding them to become the next generation of leaders for the nation and the world. The event was facilitated by Mr. Ramesh Shaffer, a director of the company and an inspiring leader of society.



**SDF Musical Evening** - SDF has facilitated opportunities for entertainment by providing musical instruments and giving employees the freedom to use this equipment to relax and relieve work stress.



#### PLANS FOR THE FUTURE

In our journey to bring into existence SDF a great place for our team to work, our strategic focus is on areas of employee engagement, training and employer branding. In order to reach this milestone, few new experiences such as beach cleanup, movie night, quiz competition, kids at workplace have been added to SDF events calendar of 2024-25 with a budget allocation of about LKR 14 Mn.

Giving emphasis to our regulatory environment, 10,000 above training hours have been planned for the upcoming financial year targeting compliance, development, refresher and motivation aspects by investing around LKR 10.4 Mn, which is an increase of 89% from the current reporting period.



#### Dondra Head Lighthouse

This is a lighthouse located on Dondra, the southernmost point in Sri Lanka and is Sri Lanka's tallest lighthouse. It was designed by Sir James Nicholas Douglass. The lighthouse is 49 m (161 ft) high and contains 7 floors, 14 two panel yellow colour windows and 196 steps to the top. Dondra Head is also one of four international lighthouse in Sri Lanka.



## SOCIAL AND RELATIONSHIP CAPITAL

Our social and relationship capital focuses on building and nurturing strong relationships with our stakeholders, including customers, communities, and partners. By engaging in community development initiatives and fostering trust through transparent communication, Sarvodaya Development Finance PLC aims to enhance stakeholder value and drive social impact. Recent efforts include expanding our community outreach programs, enhancing customer engagement, and collaborating with strategic partners to support sustainable development. These initiatives are integral to our mission of fostering financial inclusion and contributing to the overall well-being of the communities we serve.



SDF was awarded the Gold at the TAGS Awards 2023 organised by the Institute of Chartered Accountants Sri Lanka, under Non-Bank Financial Institutions sector - total assets up to Rs.20Bn, for the second consecutive year.

SOCIAL AND RELATIONSHIP CAPITAL

ENGAGING WITH OUR STAKEHOLDERS

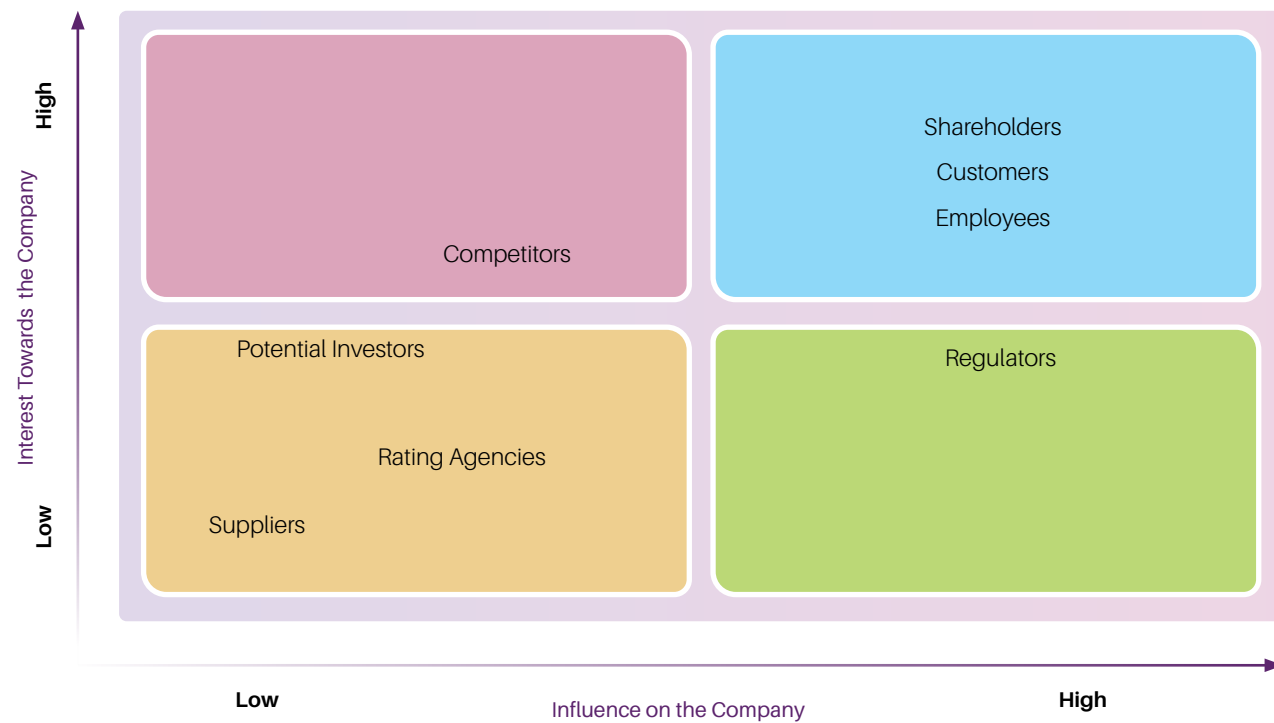
GRI 2-29

Approach to stakeholder engagement

During the current financial year, we strengthened our relationships with key stakeholder groups under our Trust Network Strategy which highlights the same through the CEO’s Review on Page No. 22. We understand the value of our reputation and goodwill, and we take great care to maintain trust among all our stakeholders.

SDF’s key stakeholder groups were identified by senior management based on each stakeholder group’s ability to influence the company and their interest in the company.

During the current financial year, SDF was able to identify the stakeholders based on the influence and interest towards the company, from which SDF has recognised the stakeholders who have both interest and influence and considered them as key players among the overall stakeholders according to the below matrix. SDF is well aware of the stakeholder management strategy based on interest and influence level of each stakeholder.



Keep Satisfied    Manage Closely    Monitor    Keep Informed

BUILDING MEANINGFUL RELATIONSHIPS

Our primary stakeholder groups and how we build meaningful relationships with each group, is explained below.

- ⌚ SDF caters to a diverse customer base. Therefore, we have segmented our customers into the 3 sub-groups of women customers, members of Sarvodaya Shramadana Societies(also known as Sarvodaya Village Societies), and others. This breakdown reflects the differences in each sub-sector’s needs from SDF as a financial services provider, and the difference in how we respond to these needs.
- ⌚ Although potential investors have low influence and has moderate interest in the Company, we have decided to include this category as a key stakeholder due to the Company’s interest in raising global awareness regarding impact investment opportunities in Sri Lanka.

GRI 2-29 (i) Stakeholder category	GRI 2-29 (ii) Purpose of engagement	GRI 2-29 (iii) How engagement is made meaningful
<b>Regulators</b> <ul style="list-style-type: none"> <li>⌚ Central Bank of Sri Lanka</li> <li>⌚ Company Registrar</li> <li>⌚ Labour Department</li> <li>⌚ Securities and Exchange Commission</li> <li>⌚ Colombo Stock Exchange</li> <li>⌚ Department of Inland Revenue</li> </ul>	<ul style="list-style-type: none"> <li>⌚ For statutory obligations</li> </ul>	<p>* Following the listing on the Colombo Stock Exchange in 2021, SDF came under the purview of two new regulators - the Colombo Stock Exchange and the Securities and Exchange Commission-while operating in an already heavily regulated industry.</p> <p>We develop a meaningful relationship with our regulatory bodies through regular communications, including attending any training programmes to update our regulatory knowledge and by complying fully, on time, with all statutory reporting.</p> <p>SDF did not face any fines or penalties from any regulatory body during the year under review.</p> <p>Refer Internal Control Review in page 202 and Corporate Governance Report in page 116.</p>
<b>Shareholders</b> <ul style="list-style-type: none"> <li>1.Sarvodaya and related entities 54.0%</li> <li>2. Others 46%</li> </ul>	<ul style="list-style-type: none"> <li>⌚ For statutory obligations</li> <li>⌚ To build confidence and trust</li> <li>⌚ To raise equity and debt</li> </ul>	<p>We develop meaningful relationships with our shareholders through shared values and by upholding our financial and non-financial commitments. To provide fair value for our shareholders, we maintain above average dividend payout levels. We also deploy funds to support rural development and to empower small and micro enterprises, fulfilling our commitment as an impact investment company.</p> <p>We communicate our progress regularly through quarterly reports, announcements on the Colombo Stock Exchange, press releases, the Annual General Meeting and by responding to shareholder queries.</p>

SOCIAL AND RELATIONSHIP CAPITAL

GRI 2-29 (i) Stakeholder category	GRI 2-29 (ii) Purpose of engagement	GRI 2-29 (iii) How engagement is made meaningful
<b>Rating agency</b> Lanka Ratings Agency Ltd (LRA)	<ul style="list-style-type: none"> <li>➔ To communicate financial stability</li> <li>➔ To enhance local and international credibility and trust in the Company</li> <li>➔ To obtain foreign funding</li> </ul>	We provide them access to our financials to make independent assessments about our financial stability  We also take their recommendations into consideration.
<b>Customers: Women</b>	<ul style="list-style-type: none"> <li>➔ For lending and deposit growth</li> <li>➔ To support women entrepreneurship</li> <li>➔ To support welfare of families (as women are the primary caretakers of children and elderly)</li> </ul>	Women represent the majority 57% of our customer base and we have categorised women as a distinct stakeholder group in need of special attention due to cultural obligations that may impede their progress. Many SDF women customers from the North and East are sole breadwinners supporting their children.  We build meaningful relationships with our women customers by: <ul style="list-style-type: none"> <li>➔ Not only providing a range of financial services, but by supporting their empowerment through training programmes, market linkages and sensitising our staff towards special needs of women.</li> <li>➔ Taking the time to speak to them and understand their needs, and customise our offerings to their needs and also their repayment capabilities, to prevent debt overburdening.</li> </ul>
<b>Customers: Sarvodaya Shramadana Societies and their members</b>	<ul style="list-style-type: none"> <li>➔ For lending and deposit growth</li> <li>➔ To support rural entrepreneurship</li> </ul>	SDF provides modern financial services to SSS members in rural and under-served parts of the country.  SDF engages with these customers by: <ul style="list-style-type: none"> <li>➔ Participating in SSS activities and holding workshops/training events.</li> <li>➔ Organising special market linkage activities and providing advisory services for SSS members.</li> <li>➔ SDF also maintains below average micro credit lending rates to support rural entrepreneurs to prevent exploitation by , black-market village lenders, while providing the highest standard of professional services.</li> </ul>
<b>Customers: Others</b>	<ul style="list-style-type: none"> <li>➔ For lending and deposit growth</li> <li>➔ To support entrepreneurship</li> </ul>	SDF provides a range of lending, leasing and deposit services for the public and engages with them through its branch network by providing fast and professional services. <ul style="list-style-type: none"> <li>➔ Strategic locations in towns are selected to enable easy access to our branches and ATMs.</li> <li>➔ A range of financial products have been developed to meet different needs and SDF staff are trained to provide friendly services and financial advice in whatever language of the area, and discrimination of customers based on race, religion, ethnicity etc.. is prohibited.</li> </ul>

GRI 2-29 (i) Stakeholder category	GRI 2-29 (ii) Purpose of engagement	GRI 2-29 (iii) How engagement is made meaningful
<b>Employees</b>	<ul style="list-style-type: none"> <li>➔ To sustain growth</li> <li>➔ Build brand image</li> </ul>	SDF has a diverse group of male and female employees from all ethnic and religious backgrounds in the country, scattered across 56 branches across the country and the SDF head office in Colombo.  Employee engagement takes place in multiple forms including regular inter-branch meetings, informal activities and daily communications.  <b>GRI 2-30</b> <b>Collective bargaining agreements</b> SDF employees are not unionised, and as such the Company does not engage in collective bargaining. Working conditions conform to: <ul style="list-style-type: none"> <li>➔ The Shop and Office Act of 1954</li> <li>➔ The Maternity Benefits Ordinance of 1939</li> <li>➔ Employees Provident Fund (EPF) Act No.15 of 1958</li> <li>➔ Employees’ Trust Fund (ETF) No. 46 of 1980</li> <li>➔ Other relevant labour regulations (prevention of child labour, forced labour compulsory labour)</li> <li>➔ Best practices in health and safety</li> </ul> Please refer to the Human Capital chapter (Page 89 ) of this report for details on our human resource management policies and employee benefits. Employees are communicated through the Intranet, emails, internal publications, corporate meetings, employee evaluation system and Employee wellbeing questionnaire conducted on quarterly basis.
<b>Business partners: Sarvodaya Shramadana Societies</b>	<ul style="list-style-type: none"> <li>➔ To capture rural market share</li> <li>➔ To understand rural market trends</li> </ul>	Over 1,000 Societies are now shareholders of SDF making them shareholders as well as key business partners.  There are 5,400 Sarvodaya Societies in the country, providing a direct channel to rural entrepreneurs.  SDF has built a strong relationship with the Societies by building financial, technical and human resource capacity within these rural bodies. SDF intervention includes: <ul style="list-style-type: none"> <li>➔ Providing bulk lending for disbursement among Society members</li> <li>➔ Reactivating dormant societies through lending and deposit programmes and training events for members</li> <li>➔ Organising training programmes to enhance the knowledge of Society officials</li> <li>➔ Introducing new revenue sources by enabling digital transactions by distributing palmtop computers to Societies</li> </ul>

SOCIAL AND RELATIONSHIP CAPITAL

GRI 2-29 (i) Stakeholder category	GRI 2-29 (ii) Purpose of engagement	GRI 2-29 (iii) How engagement is made meaningful
<b>Business partners :</b> <b>DIMO</b> <b>Hayleys Agriculture</b> <b>Browns Agro</b>	<ul style="list-style-type: none"> <li>➔ To supply agricultural equipment to our farming customers</li> <li>➔ To mitigate agriculture sector lending risks</li> </ul>	<ul style="list-style-type: none"> <li>➔ We maintain ongoing communications with our business partners to be aware of benefits of modern agricultural equipment, and to communicate these to our farming customers.</li> <li>➔ We also engage in promotional activities with our business partners</li> </ul>
<b>Potential investors</b>	<ul style="list-style-type: none"> <li>➔ To attract funding</li> <li>➔ To raise awareness among the investor community</li> </ul>	<p>SDF continues to engage with the global impact investor community to raise awareness about investment opportunities in Sri Lanka.</p> <p>In addition to investment roadshows, annual reports, quarterly financial statements, the SDF website and social media are used to communicate and attract potential impact investors.</p>
Lending agencies	<ul style="list-style-type: none"> <li>➔ To access working capital</li> <li>➔ For debt financing</li> </ul>	<p>SDF works with impact investment agencies to raise low cost funding for sustainable agriculture.</p> <p>SDF works with Licensed Banks in Sri Lanka to raise funds for daily operations and for medium term funding.</p> <p>Transparent and open communications have built relationships based on mutual trust</p>

**Brand building**

During the economic recovery environment during the year under review, we continued conducting brand building activities. These were primarily below the line activities for greater connectivity between different stakeholders and the Company. In addition, we promoted Gold Loans as a short-term product to optimise income and to maintain profitability and to also meet customer demand for quick cash. We conducted many door-to-door-to promotional campaigns to raise awareness in towns and villages. In addition, branch teams designed and conducted suitable localised campaigns, tailored to the particular target markets in their areas. SDF also participated in Sarvodaya Society activities to gain brand visibility in deeper rural areas.

We also conducted branding and marketing activities in collaboration with business partners whose values are consistent with SDF's own brand ideals. These include our leasing partners who supply agricultural vehicles and equipment for SDF customers.

**Product portfolio**

Our range of products is the primary brand identity and customer engagement channel.

SDF Product portfolio as at end March 2024

 <p><b>Dairy Loans (Kiri Goviya)</b></p> <ul style="list-style-type: none"> <li>➔ Existing SDF micro clients</li> <li>➔ Farmers</li> <li>➔ Sarvodaya Society members</li> </ul>	 <p><b>Scooty Bike loans</b></p> <ul style="list-style-type: none"> <li>➔ Self employed ladies</li> <li>➔ Ladies with permanent employment</li> </ul>
 <p><b>Fixed Deposits and Savings</b></p> <ul style="list-style-type: none"> <li>➔ Any member of the public</li> </ul>	 <p><b>Pancha Accounts</b></p> <ul style="list-style-type: none"> <li>➔ Children's saving accounts for under 18s</li> </ul>
 <p><b>SME loans</b></p> <ul style="list-style-type: none"> <li>➔ Entrepreneurs</li> </ul>	 <p><b>Housing Loans</b></p> <ul style="list-style-type: none"> <li>➔ Entrepreneur</li> <li>➔ Estate employees</li> <li>➔ Salaried employees</li> </ul>
 <p><b>Nana Diriya student loans</b></p> <ul style="list-style-type: none"> <li>➔ University students</li> <li>➔ Students who are enrolling for higher studies</li> </ul>	 <p><b>SDF Agri Leasing</b></p> <ul style="list-style-type: none"> <li>➔ Farmers</li> </ul>
 <p><b>SME Micro Personal loans</b></p> <ul style="list-style-type: none"> <li>➔ Salaried employees of private and public sectors</li> </ul>	 <p><b>Micro Business Loans</b></p> <ul style="list-style-type: none"> <li>➔ Micro entrepreneurs</li> </ul>
 <p><b>3-Wheel loans</b></p> <ul style="list-style-type: none"> <li>➔ Government/private sector permanent employees</li> <li>➔ Self-employed persons</li> </ul>	 <p><b>Bulk Loans</b></p> <ul style="list-style-type: none"> <li>➔ Sarvodaya Shramadana Societies</li> </ul>

**Promoting sustainable Financing**

Further to our existing product portfolio, our lending product portfolio has been expanded to address Sustainable Financing through promoting Electric bikes to our customers. Being a Development Finance company, our mandate is to uplift the lives of our clientele through providing ideal financial solutions while establishing strong sustainable initiatives.



**EXPANDING OUR FOOTPRINT**

**Current Presents**

With over 80% of operations outside the Western Province, SDF's constituency is primarily, but not exclusively, within Sri Lanka's rural communities. Through a network of 56 customer touch points and the network of 5,400 Sarvodaya Shramadana Societies (Sarvodaya Village Societies), today, SDF engages with all ethnic and language groups, among urban as well as rural communities, in all 9 provinces of the country, representing the most extensive social franchise of a single, private sector, non-bank financial services provider in the country. As at March 2024, our customer base comprised approximately 165,000 individuals and businesses with a customer retention ratio of 90%. In addition, we have access to around 800,000 members of Sarvodaya Societies. This base is geared for growth with expansion plans lined up across the network.

Over 1,200 Sarvodaya Shramadana Societies are direct SDF shareholders of the company, strengthening the goodwill towards SDF in villages. We have also diversified our shareholder base beyond the Sarvodaya network, as many local and foreign independent investors bought into the Company. Our investment roadshows made it possible to internationally publicise the SDF brand name and impact investment model, to gain some extent of international goodwill towards SDF.

## SOCIAL AND RELATIONSHIP CAPITAL

**Branch Relocations**

During the current financial year, SDF branches in Balangoda, Medirigiriya, Mannar, Piliyandala and Godakawela branches were relocated to enhance visibility and accessibility to support our customers and to expand our business activities. We also expanded our ATM network and we have continued to enhance our digital presence.

**SDF New Branches**

SDF has opened five new branches for the first time since becoming a licensed finance company. These branches are strategically located to fulfill the company's objectives and are situated in Kethsirigama, Akkarapattu, Negombo, Tissamaharama, and Moratuwa.

**Kethsirigama Branch Opening - A village 45 kilometres away from the Ampara Town****Moratuwa Branch Opening - The place where the Sarvodaya Movement started****Negombo Branch Opening****SDF technology and digital strategy**

We added three more SDF ATMs in interior areas of Munhendiya in the Kandy District, Porathota in Matara District and Trincomalee. Our policy is to locate our ATMs in interior parts of the island, where people do not have easy access to bank branches or finance company branches. Our ATMs therefore, provide an additional social service by making it easier for village communities to access their funds, without incurring additional expenditure to travel to the nearest bank branch.

We also revamped our website to allow our customers and other stakeholders better access to our activities and enhance online exposure of the SDF brand.

We are present in all major social media platforms with interactive activities to engage young people and our corporate website was upgraded with many new modifications in the pipeline. Currently our website and social media accounts are primarily used as a platform for customer inquiries, lead generation, raising awareness on financial developments such as changes to interest rates and for marketing and advertising activities. We are also expanding our reach through mobile phones for digital transactions.

To bridge the digital divide between urban and rural communities, we have already equipped 100 Sarvodaya Societies with handheld devices that are enabled to conduct financial transactions on behalf of Sarvodaya Society members, for a small fee. This arrangement allows rural small and micro entrepreneurs who cannot afford to purchase smartphones and computers at current highly inflated prices, to benefit from the convenience of digital facilities.

SDF customers with savings accounts are issued ATM Debit Cards that allow them to use our ATM network, which is connected to the LankaPay network giving them access to a network of 4,500+ ATMs island-wide. We have set up Pay&Go enabled POS terminals at most Sarvodaya Shramadana Societies. Customers can also pay their utility bills this way and we have tied up with Megapay (Pvt) Ltd to provide payment facility to SDF customers. In addition during the current financial year we added 2 more of our own ATMs in rural areas.

**Customer privacy**

All required customer protection guidelines, issued by the regulator, the Central Bank, in 2023-24, were adopted immediately by the Company.

We have installed the latest data protection software to safeguard customers' information, with strict authority limits to grant access to authorised personnel only. Furthermore, we train our employees regularly to educate them on their duties and responsibilities with regard to upholding customer privacy.

In addition, we use the corporate website, social media accounts, email announcements, to inform customers about potential information security threats and provide them with practical and useful content on how best to protect themselves against any such risks.

**Complaint management**

SDF complies with the Central Bank customer protection directives. A formal complaints handling policy is available and the Customer Protection Framework is available on our website with the information of the Financial Ombudsman's Office. A customer complaints number is available on the SDF website and all customer complaints are reviewed by the Head of Credit,

Management Discussion & Analysis

SOCIAL AND RELATIONSHIP CAPITAL

Head of Gold Loan and Product Head - Deposit Mobilisation. A dedicated 24-hour customer hotline (1319) is available and social media inquiries are also directed to the hotline, even outside normal working hours.

All concerns reported through any of these channels are documented and handled in compliance with board approved guidelines, which include specific workflows, set timelines and designated authorities to oversee the process.

We respond to all customer complaints within specified timelines specified in the Customer Complaint Handling Policy.

**BUSINESS PARTNERS**

**Sarvodaya Shramadana Societies**

The Sarvodaya Societies are our main business partners. We work closely with the societies for all business lines including raising deposits, lending and leasing. The societies are a key source of fixed deposits to finance operations and account for a large share of microlending and agricultural leases.

**Suppliers of vehicles and equipment**

SDF also renewed its Memorandum of Understanding with DIMO, Hayleys, and Browns. These MOUs were signed to provide agricultural equipment for SDF customers. The agreement provides attractive leasing rates and competitively priced down payments, exclusively to the agricultural sector through SDF's Special Finance Scheme, along with a host of other exclusive benefits.



Promoting sustainable financing as discussed above, the company has partnered with KD Rise Electrical Motors (Pvt) Ltd to promote electric motorbikes for SDF customers. We expect this to minimize energy usage and provide a low-cost transportation mode for SDF customers.

**SOCIAL IMPACT**

GRI 411-1

**Indigenous Peoples' Rights**

SDF's branch in Mahiyanganaya, which is home to the indigenous Vedda community, provides services indiscriminately to everyone, including people from the Vedda community and enjoys a good relationship with all communities in the area. According to SDF's local recruitment policy, SDF also recruits men and women to work in the branch from the local communities.

To date there have been no formal or informal complaints, or fines or penalties, with regards to any discrimination or violation of rights of indigenous communities.

GRI 413-1

**Local community engagements**

SDF works with Sarvodaya Societies on community projects. A dedicated Society Coordinating Unit (SCU) has been appointed to liaise between SDF and the large number of Societies and to identify projects to support SDF's community investment programmes.

**Community based tourism**

During the financial year under review, SDF conducted a Community based tourism program in Ratnapura to promote tourism in the country and to bridge the gap between the local community businesses and tourism. SDF was able to provide evidence of a successful program directing the tourists to explore and experience dealing with local markets. Further, the community at Ratnapura also had the opportunity to reach the tourists to offer their products and services.



**Introduce Digital Learning Package for rural school children**

SDF signed an agreement with Teksas Internal (Pvt) Ltd to provide digital educational packages to village-level school children. Through this initiative, SDF expects to offer a high-standard digital learning experience to these children. In this application, teachers present the school syllabus as pre-recorded videos aligned with the government school syllabus using a highly interactive learning methodology. Any school child can subscribe to this application, allowing them to start learning in parallel with the school syllabus without needing additional classes outside of school. This application also helps cover any missing lessons for the students and facilitates re-learning in a structured manner. At the end of each lesson, the application provides interactive questions for students to answer, reinforcing their learning. Further, this initiative enables the children from rural areas to transform their learning methods into more digitalised version which prepares them for future job opportunities integrated with technology.





SOCIAL AND RELATIONSHIP CAPITAL

Conducted Awareness for Agriculture Farmers and Distributed High Quality Seed Paddy

The company has engaged with the Araliya Group to seek agricultural expertise and provide lab-tested paddy seeds to the farmers associated with the Sarvodaya Shramadana Societies. The company conducted an initial awareness programme for village-level Sarvodaya society customers, educating them on proper agricultural practices before distributing the paddy seeds and compatible fertilizer. As a result of this initiative, the farmers experienced a 50% increase in their harvest compared to the previous season, and the high-quality harvest was purchased by the Araliya Group at a higher price. In addition to supporting village-level farmers, SDF provided financial assistance for purchasing paddy seeds and fertilizer.



Promoting Regenerative Agriculture Practices in Sri Lanka

Sarvodaya has taken leadership in promoting regenerative agriculture practices in Sri Lanka. Leaders of the company have participated in several global forums related to regenerative agriculture. To promote such practices, SDF engaged with AP Rythu Sadhikara Samstha, a natural farming wing in Andhra Pradesh, India, to bring natural farming practices to Sri Lanka. As per the agreed programme, a team from Sri Lanka visited Andhra Pradesh in India to observe the implemented natural farming practices and assess how they can be brought to Sri Lanka. Additionally, a group from India visited Sri Lanka to explore the possibilities of implementing such practices. After the initial understanding, Sarvodaya reached an agreement and sought funding from the Indian Government to start the project in Sri Lanka, with SDF partnering as the development finance company for this project to connect SDF customers with regenerative agriculture practices.



Impact assessments

We have commenced economic, environmental and social impact assessments by contracting an external specialist. The objective is to measure our impacts on the environment and society, governance and employees. This is an ongoing activity cutting across the impacts of all our 56 branches and the head office.

Excellence in Reporting

SDF won the Gold Award for its Annual Report for the third time and the second consecutive year, confirming excellence in reporting under Transparency, Accountability, Governance, and Sustainability (TAGS). It is a high-level endorsement to all our stakeholders regarding the disclosed information about the company, allowing them to rely on this information for their decision-making and to continue their relationship with the company. This award event was organized by CA Sri Lanka for the 57th year.



GRI 417-2

Compliance on labeling

There were no incidents of noncompliance concerning product and service information and labeling.

We comply fully with all Central Bank directions on all promotional material for all our financial services and to date have faced no penalties and/or fines for non-compliance. We have also not received any customer complaints regarding misleading, or incorrect information in any of our communications including branding and marketing materials.

SDF's Board approved Marketing Policy requires that all our advertising and promotional material are designed in compliance with regulatory requirements applicable to local financial institutions. Moreover, in keeping with globally-accepted best practices we strive to ensure that the information we provide regarding our products and services are clear, understandable, accurate, and accessible.

Health and safety of customers

There have been no incidents of non-compliance with regards to health and safety standards in the provision of our products and services in our network of offices across the country, and we did not face any fines, or penalties in this regard during the year.

Sanitation procedures are maintained such as regular cleaning and disinfection of office premises and sanitation facilities, including toilet facilities, are available for customers at SDF branches.

PLANS FOR THE FUTURE

We plan to introduce a term loan product for customers who raise credit through Gold Loans. Demand for gold loans have risen exponentially during the year. However, many people find it difficult to redeem their gold articles at the end of the loan period because they cannot pay the capital and interest in a lump sum. The new SDF product will allow settlement of gold loans in instalments. This will mitigate losses to borrowers and stop their economic situation from worsening.

We will also extend our reach deeper into rural areas of the country by expanding our branch network, through Sarvodaya Societies and through digital platforms. Growth in customer base will be accompanied by enhanced customer care facilities including the deployment of a Customer Relationship Management system, upgrades to the core banking system and continuous digitisation of process to facilitate faster delivery of services, and continuous office and field staff training to improve IT skills, professionalism and quality of services. The SDF website and mobile transactions facilities will be continually improved to expand our youth base.

SDF will also continue to scan global markets for like minded impact investors who would like to join us in our journey.



#### Colombo Harbor Breakwater South End Lighthouse

This lighthouse was commissioned in 2013 with the opening of the south breakwater of the latest international terminal of the Colombo Port. Commenced construction in December 2011, the first pace of the Colombo South Container Terminal was ceremonially opened for traffic on 8th August 2013 making the Colombo Port complex one of the biggest in the World.

## NATURAL CAPITAL



Our natural capital strategy emphasizes sustainable resource management and environmental stewardship. Sarvodaya Development Finance PLC is committed to minimizing our ecological footprint through initiatives such as energy-efficient operations, waste reduction, and green financing projects. Recent efforts include investments in renewable energy, eco-friendly facilities, and promoting environmental awareness among stakeholders. These actions align with our dedication to sustainability, ensuring that our growth positively impacts the environment and contributes to the well-being of the communities we serve.

As a responsible business entity, we recognize our ethical duty to minimize and mitigate negative environmental impacts. While there are no direct environmental regulatory frameworks applicable to our business as a financial services institution, the company has embraced globally accepted environmental best practices recommended for service sector organizations.

Aligned with the Sarvodaya philosophy, we refrain from supporting or lending to environmentally harmful business activities conducted by other parties. Our operations, though island-wide, have a comparatively small carbon footprint. Our office premises consume lower levels of natural resources and energy, and a majority of our employees use public transport, significantly reducing per capita energy consumption.

We have continually refined our approach and recently opted for a more structured strategy to develop our environmental projects, aligning them with targets set by global and local policy frameworks such as the United Nations Sustainable Development Goals (SDGs) and Sustainable Financing Road Map introduced by CBSL.

In addition, we regularly engage with key stakeholders, including the Government, to adapt our approaches in line with the latest developments and emerging trends. We are planning to implement a certified environmental management system to systematically guide our efforts.

Our goal is to make a positive impact directly through our operations and indirectly through our relationships with customers and suppliers across the value chain. Our natural capital-related activities focus on conservation initiatives and investments in renewable energy, ensuring we contribute meaningfully to environmental sustainability.

Almost 35% of the monthly electricity requirement of the head office building is now met through solar power, thanks to the commissioning of rooftop solar panels at the Company's head office in 2019.

## NATURAL CAPITAL

⇒ We have invested in a paperless office and are introducing a workflow management system across the Company, including our branches. Over the last three years, the Company has launched over 25 applications automating manual paper-based processes. This workflow application can manage any type of soft document and store raw data for analysis purposes. As a result, almost 80% of back-office functions are now paperless. The remaining 20% of paper is reused and recycled where possible. We work with a Central Environmental Authority-approved recycling partner to ensure paper waste is disposed of responsibly. During the year, we recycled 0.03 kg of used paper from the head office.

⇒ Our e-waste is disposed of through a specialized disposal company and is never dumped or sent to landfill. We have commenced tracking electricity usage and fuel consumption digitally through handheld devices. To control electricity use in our day-to-day operations, we have set clear consumption targets at both regional and corporate levels. Annual electricity usage levels are measured against overall revenue and cost structures, while usage per employee is also monitored digitally through handheld devices.

⇒ Similar metrics are applied to monitor fuel consumption across the Company. We plan to set up systems to monitor paper consumption and recycling in the future.

## ENVIRONMENTAL IMPACT

## Energy consumption within the organization

Our energy consumption refers to the non-renewable, fossil fuel consumption for work-related travel, electricity consumption at head office and 56 branches, and solar power, which we sell to the national grid.

Energy type	Amount (Joules)	
	2023	2024
Total fuel consumption non-renewable sources	6.43 x 10 <sup>12</sup>	3.71 x 10 <sup>12</sup>
Total fuel consumption renewable sources	NA	NA
Electricity consumption	2.05 x 10 <sup>12</sup>	1.86 x 10 <sup>12</sup>
Heating consumption	NA	NA
Cooling consumption	NA	NA
Steam consumption	NA	NA
Electricity sold	1.15 x 10 <sup>11</sup>	1.01 x 10 <sup>11</sup>
Heating sold	NA	NA
Cooling sold	NA	NA
Steam sold	NA	NA
<b>Total energy consumption</b>	<b>9.63 x 10<sup>12</sup></b>	<b>5.57x10<sup>12</sup></b>

## Reduction of energy consumption

The reduction in energy consumption against the previous 12 months, is limited to reduction in electricity consumption, due to the use of solar power.

Energy consumption	Amount (Joules) 2024	Amount (Joules) 2023	How the reduction was achieved
Fuel	No reduction	No reduction	
Electricity	8.4 x 10 <sup>10</sup>	7.9 x 10 <sup>10</sup>	Through the solar panel system in Head office
Cooling	NA	NA	

## Water consumption

We have commenced monitoring water consumption and we hope to introduce waste minimisation systems in the future.

Water consumption	Volume (Megalitres)	
	2024	2023
Total water consumption	17.02	14.01
Total water consumption from all areas with water stress	17	14.01
Change in water storage	NA	NA

## WASTE GENERATED

The primary waste generated by our offices is paper, which is now significantly reduced. We hope to extend our recycling efforts to all our branches and start monitoring this activity in the future.

Waste generated	Volume (MT)	
	2024	2023
Paper	0.03	0.02
Plastic	NA	NA
Food waste	NA	NA
Electronic waste	NA	NA
Any other type of waste	NA	NA



## We journey towards excellence by guiding our customers, from sprouting roots to bearing the fruits of their labour



“

Since 2021, SDF has supported Premasiri, a multi-vegetable farmer in Matale. With SDF's financing, he expanded his agricultural business by acquiring more land, creating additional employment opportunities in the community. This support has significantly boosted his productivity and local economic growth.

# GOVERNANCE AND COMPLIANCE

Corporate governance at Sarvodaya Development Finance PLC (SDF), comprises of carefully articulated rules and principles on management, control and delegation of responsibility between the shareholders, the Board of Directors (Board) and the Chief Executive Officer (CEO).

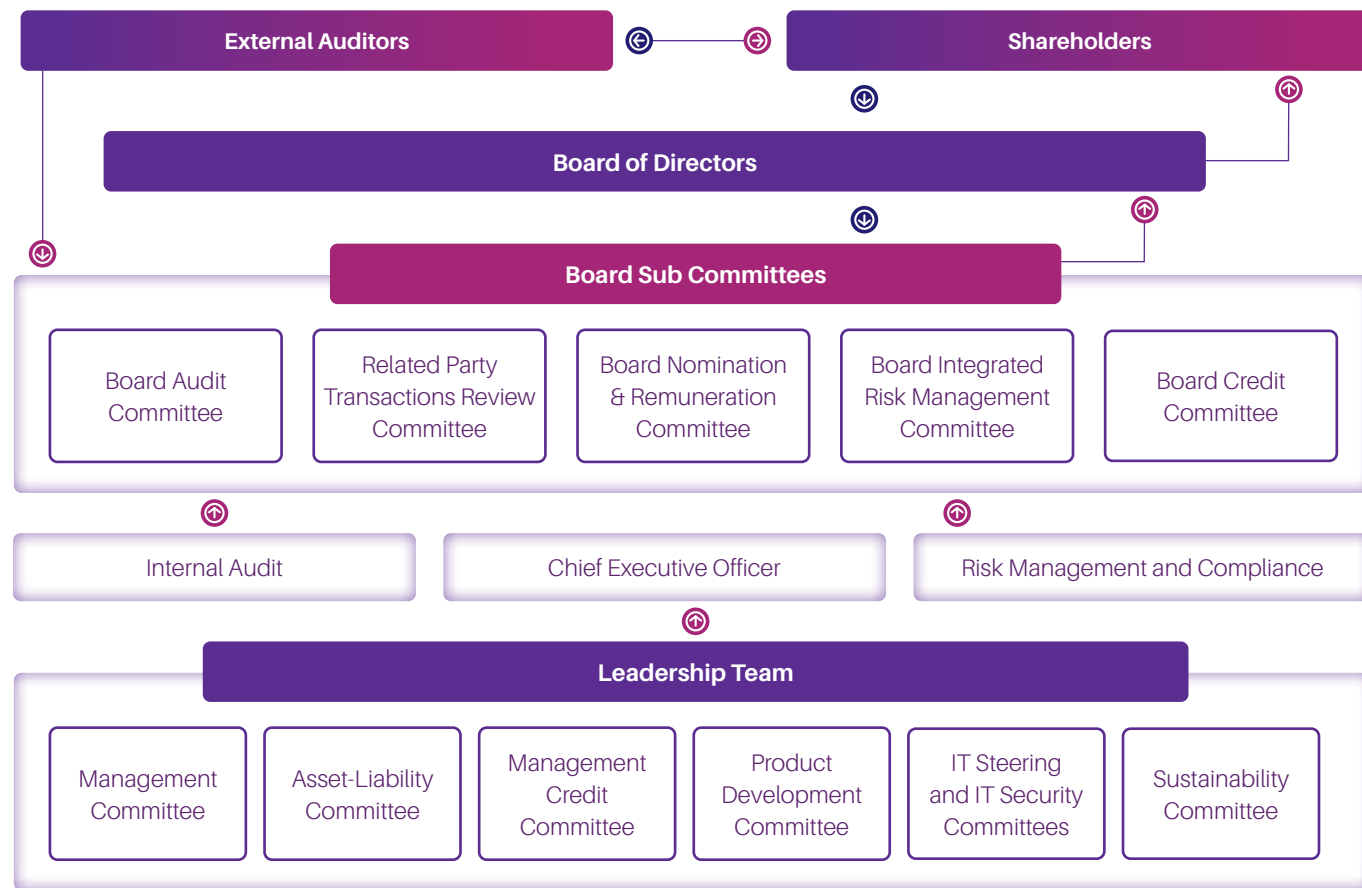
## INCORPORATION OF SUSTAINABILITY OVERSIGHT INTO THE GOVERNANCE STRUCTURE

A unique component in SDF’s governance structure is the Sarvodaya Movement’s value based policies, which incorporates an additional sustainability component into SDF’s operations from top to bottom by adopting social and environmental responsibility, which is a non-negotiable requirement of SDF’s strategic development, decision making and day-to-day activities.

In addition, SDF as a development finance company values its stakeholder opinions and takes these principles into consideration when developing and delivering new products and services.

## GOVERNANCE STRUCTURE AND COMPOSITION

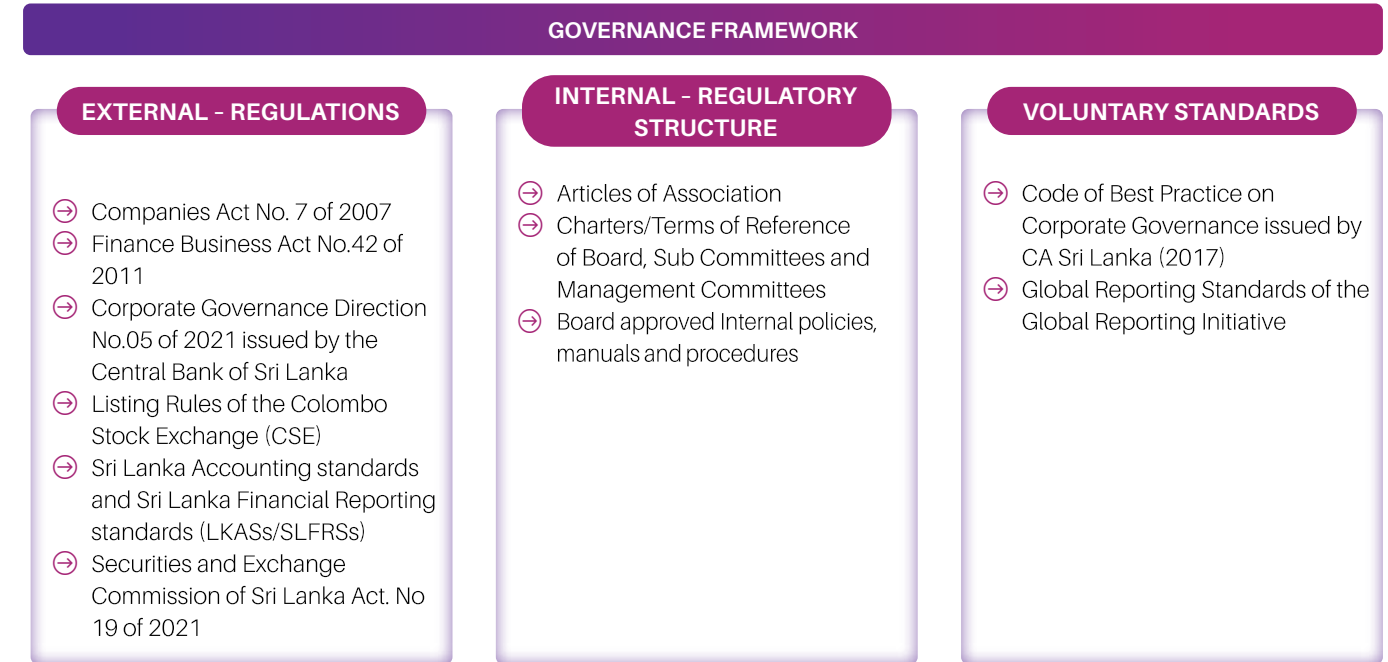
GRI 2-9



⊕ Elected/ Appointed by    ⊖ Reporting / Engage

The governance structure of SDF is built on well described roles and responsibilities, greater transparency & accountability and the establishment of clear reporting lines of the Board, Board’s various Sub Committees, Management and Management Committees.

SDF as a development finance company values its stakeholder engagement and take into consideration the stakeholders’ expectations when designing value creation of the Company.



GRI 2-9

### (A) HIGHEST GOVERNANCE BODY

The Board of Directors of SDF PLC, is the highest governing body of the Company, responsible for setting in place a governance framework for driving sustainable growth.

The Board provides the direction and leadership to SDF by setting strategy and risk appetite with oversight responsibility. The Board has an overarching responsibility for managing the affairs of SDF in the interests of the Company and all shareholders. The Board’s tasks include, but are not limited to,

- ⊖ Approving and overseeing the implementation of the Company’s overall business strategy
- ⊖ Ensuring a sound corporate culture within the Company
- ⊖ Adopting and reviewing the adequacy and the effectiveness of the Company’s internal control systems
- ⊖ Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.

The Board of Directors is collectively responsible and accountable for making certain that SDF performs according to its mandate and adheres to its obligations to its constituencies. The Board is the sole governing authority in the Company and provides strategic leadership to the Management and staff in achieving its corporate goals and objectives. The Board’s composition and balance ensures that no single individual dominates the decision-making process.

GRI 2-9

### (C) COMPOSITION OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES

The Board currently comprises six (6) Directors including the Chairman, who functions in a Non-Executive, Non-Independent capacity. Five (5) of the remaining Directors have been categorised as Non-Executive, Independent and Non-Executive, Non-Independent Directors within the provision of section 3 of Finance Business Act Directions No.5 of 2021 – Corporate Governance. Currently there are three (3) Non-Executive, Independent Directors and three (3) Non- Executive, Non-Independent Directors on the Board.

### CHANGES IN THE BOARD COMPOSITION DURING THE FINANCIAL YEAR 2023/2024

⊖ **New appointment to the Board**  
There were no new appointments to the Board during the financial year 2023/2024

⊖ **Resignations of Directors**  
There were no resignations of Directors during the financial year 2023/2024

⊖ **Retirements of Directors**  
Mr. Masayoshi Yamashita, Non-Executive, Non-Independent Director retired from the Board of SDF with effect from 27th August 2023 due to completion of nine years in SDF as a Non-Executive Director.

## GOVERNANCE AND COMPLIANCE

### ⊖ Structural changes to the Board

There were no structural changes to the Board during the financial year 2023/2024

The Board of Directors is responsible for bringing independent judgment on issues regarding strategy, performance, resources and standard of business conduct.

### BOARD APPOINTMENTS

#### GRI 2-10

#### Nomination and Selection of the Board of Directors

Director appointments to the Board are based on the recommendation of the Board Nomination & Remuneration Committee. On approval by the SDF Board, profiles are referred to the Central Bank of Sri Lanka for approval as a fit and proper person. Subsequently, the Board recommends the names of the Directors for appointment by the shareholders at its Annual General Meeting.

Director appointments are communicated to the Colombo Stock Exchange and shareholders through press releases with a brief resume of the director.

### RETIREMENT BY ROTATION AND RE-ELECTION OF DIRECTORS

At each Annual General Meeting one of the Directors shall retire from office. Director appointed to the office of Chief Executive Officer, Managing or Joint Managing Director, or as any other Executive Officer shall not, while holding that office, be subject to retirement by rotation or be taken into account in determining the Directors to retire in each year (Article No.85 of the Articles of Association of the Company).

Accordingly, Mr. Dhammika Ganegama retires under Article No.85 and being eligible offer himself for re-election with the unanimous support of the Board of Directors.

Mr. S.Nandhanan Senthilvel retires under Article No. 85 and being eligible offers himself for re-election with the unanimous support of the Board of Directors.

### DIVERSITY AND INCLUSION

The SDF Board combines an appropriate and diverse balance of skills, industry experience and perspectives to objectively and effectively discharge its responsibilities. The Board of Directors of SDF shares well diversified profiles which enable them to contribute in wide areas of the business. Accordingly, the Board comprises members with expertise in Finance & Accounting, Risk Management, Legal, Credit, Business Management, Marketing and Information Technology.

Mr. Channa de Silva represents SEEDS Gurarantee Limited and Mr. Ramesh Schaffter and Mr. Senthil Nandhanan Senthilvel represent major shareholders of SDF.

The profiles of the Board are disclosed on pages 30 to 33.

### COMMUNICATION OF CRITICAL CONCERNS

#### GRI 2-16

The Board can be made aware of any matters deemed critical through the reporting arrangements of Leadership Committees and Board Sub Committees, as described in the Governance Structure. There is a well-established, bottom-up monitoring and reporting mechanism for communicating macro environmental developments from branch level, regional level, to head office and from there, to Management Committees and Board Sub-committees.

There were no sudden critical concerns brought to the attention of the Board during the year under review, as the Board meets regularly, and operational and market information is communicated and reviewed on a regular basis.

### COLLECTIVE KNOWLEDGE OF THE BOARD

#### GRI 2-17

As SDF is part of the Sarvodaya Movement, the Company's mandate is for sustainable development, in harmony with society and nature. The SDF Board comprises of individuals who are aware of, and are supportive of, the Sarvodaya philosophy, and sustainable development. Therefore, there has been no requirement for separate dedicated measures to advance the collective knowledge, skills, and experience of the Board on sustainable development. Board members themselves are interested in the subject and invest in advancing their knowledge on the subject, and share their knowledge at Board discussions.

### Chair of the highest governance body

#### GRI 2-11

The Chairman of the Board is not a senior executive in the organization. The Chair of the Board has specific responsibilities, including;

- ⊖ Provide leadership to the Board
- ⊖ Ensure the Board works effectively and discharges its responsibilities
- ⊖ Implement decisions/directions of the regulator
- ⊖ Building and maintaining stakeholder trust and confidence.
- ⊖ Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary

The diverse experience, professional qualifications and competencies of the Chairman is disclosed under his profile on page 31.

### SEPARATION OF ROLES - CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the Chairman and the Chief Executive Officer of the Company are distinct and clearly separated, ensuring the

balance of power and authority. The Chairman of the Board leads the Board, preserving good corporate governance and ensuring that the Board works effectively. The Chief Executive Officer is accountable for implementation of strategic plan and driving performance.

There is no financial, business, family or other relationship between the Chairman and the Chief Executive Officer and other material relationship with other members of the Board which will impair their respective roles.

### DIRECTOR INDEPENDENCE

All Non-Executive, Independent Directors of SDF met the criteria for independence according to the section 3.7 of Finance Business Act Directions No.5 of 2021. The Board evaluates the independence annually through submitting annual declarations by the Non-Executive, Independent Directors.

### APPOINTMENT OF SENIOR INDEPENDENT DIRECTOR

Mr. Dhammika Ganegama Non-Executive, Independent Director has been appointed as the Senior Independent Director, with effect from 10th January 2022 to strengthen the independence of the Board.

### INFORMED DECISION MAKING

The Board as a whole and Directors individually, identify their duty to comply with the laws of the country. The Board ensures that policies and procedures are in place to ensure that the Company complies with all applicable laws and regulations. The Company has a Board-approved procedure in place for seeking independent professional advice. The Board obtains independent professional advice in appropriate circumstances, at the expense of the Company.

### BOARD INDUCTION AND TRAINING

Every new Director was given appropriate induction about the Company background, its business affairs and rules and regulations when first appointed to the Board. The Directors participate in trainings conducted by the corporate management and external parties in key business areas.

### EVALUATION OF PERFORMANCE OF THE DIRECTORS

#### Disclosure 2-18

The Board submits self-evaluations of the Board members annually in line with the Corporate Governance regulations set by the Central Bank of Sri Lanka. Copies of the Board evaluation forms are presented to the Board, for the Board members to discuss and critically assess how they have performed during the year and the weaknesses identified in order to take required remedial action, if deemed necessary. The Board recognises that the Board evaluation is an essential component of good governance.

### REMUNERATION POLICIES

#### GRI 2-19

SDF has a Board Nomination & Remuneration Committee (BNRC) which make recommendations on remuneration for the Board and employees. The Remuneration policy is to ensure a transparent and a smooth "Hire to Retire" process, to enhance SDF's brand through quality recruitment and retention of staff while complying with the statutory and regulatory requirements of the Central Bank and other regulatory bodies.

Aligning with the principles of good governance, our Remuneration Policy reinforces our desired culture and encourages behaviour consistent with our values, while motivating the employees to deliver and sustain high levels of performance supporting achievement of our strategic Priorities.

The remuneration paid to the Board of Directors is disclosed in aggregate in note number 43 to the Financial Statements on page 265 and in 'the Report of the Board of Directors of the Affairs of the Company' on page 170 of this Annual Report.

### PROCESS TO DETERMINE REMUNERATION

#### Disclosure 2-20

The BNRC reviews the remuneration packages of the employees, taking into consideration the performance of the Company Vs set KPIs, the individuals at the management level, remuneration comparison with peer group companies, institutional guidelines and reports from specialist consultants at the industry level.

### COMPANY SECRETARY

M/s PW Corporate Secretarial (Pvt) Ltd was the Secretaries of the Company upto 31st October 2023

The present Company Secretary, who is a qualified Chartered Corporate Secretary and a registered Company Secretary in accordance with the Companies (Secretaries) Regulations No.1 of 2023 made under Section 527 read with Section 222 of the Companies Act No.07 of 2007, was appointed by the Board with effect from 1st November 2023. She is not an employee of any other organization or institution.

The Company Secretary guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance. All Directors have access to the Company Secretary. The Company Secretary's service is available to all Directors and advise the Board on Board procedures, applicable rules and regulations and Corporate Governance matters.

### BOARD MEETINGS AND ATTENDANCE

The Board of Directors meets once a month and whenever the need arises. The Board convened Twelve (12) routine monthly meetings during the year under review. The Board

## GOVERNANCE AND COMPLIANCE

dedicates adequate time and effort to the meetings of the Board and sub committees to ensure that the duties and responsibilities are satisfactorily discharged. The Company Secretary maintains meeting minutes and circulates them to all Board members which shall be opened for inspection at any reasonable time to any Director. The Board meeting attendance of the Board of Directors are indicated as follows.

No.	Name of the Director	Executive	Non-Executive Non-independent	Non-Executive Independent	Alternate	Attendance at Board meetings (held within monthly intervals)											
						26/04/2023	29/05/2023	26/06/2023	26/07/2023	25/08/2023	27/09/2023	25/10/2023	29/11/2023	20/12/2023	31/01/2024	28/02/2024	27/03/2024
1	Mr. Channa de Silva		√			√	√	√	√	√	√	√	√	√	√	√	√
2	Mr. Dhammika Ganegama			√		√	√	√	√	√	√	√	√	√	√	√	√
3	Mr. C Amrit CanagaRetna			√		√	√	√	√	√	√	√	√	√	√	√	√
4	Mr. Ramesh Schaffter		√			√	√	√	X	√	X	√	√	√	√	√	√
5	Mr. S N Senthilverl		√			√	√	√	√	√	√	√	√	√	X	√	√
6	Mr. Masayoshi Yamashita (Retired w.e.f.27/08/2023)		√			√	X	X	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	Ms. Shehara de Silva			√		√	√	√	√	√	√	√	√	X	√	√	√

Present - √  
Absent/Excused - X  
Not Applicable - N/A

**COMMITTEES OF THE HIGHEST GOVERNANCE BODY**

The Board of Directors has delegated the authority to the following Board sub-committee for the effective function of operations of the Company. Each sub-committee functions according to its Board approved Terms of Reference.

- Board Integrated Risk Management Committee (BIRMC)
- Board Audit Committee (BAC)
- Board Nomination & Remuneration Committee (BNRC)
- Related Party Transactions Review Committee (RPTRC)
- Board Credit Committee (BCC)

The Board dissolved the Board Nomination Committee (BNC) during the financial year 2018 and the scope and responsibilities assigned to BNC were amalgamated with BRC for effective functioning. All Board Sub-Committees report directly to the Board.

**DUTIES AND RESPONSIBILITIES OF THE BOARD COMMITTEES**

Each committee is chaired by a Non-Executive Director who has the requisite qualifications and experience and is assisted by one or more of the Non-Executive Board Directors. The committees also co-opt Key Management Personnel and relevant Senior Managers in monitoring specific areas under their purview to committee meetings, for effective discussion and decision making. They attend meetings on invitation. The respective reports of the first four committees mentioned above for the year ended 31 March 2024 are given in pages 172 to 180 in this Annual Report.

**Role of the highest governance body in sustainability reporting****GRI 2-14**

The Board of SDF has given its approval for annual sustainability reporting. SDF's sustainability report is compiled under the direct supervision of the senior management with the full approval of the Board, and it is the Chairman of SDF who describes the Company's Vision in terms of the sustainable growth strategy.

**GRI 2-9**

(b) List the committees of the highest governance body that are responsible for decision making and overseeing the management of impacts on the economy, environment, and people.

The entire Board, participates in sustainability related decision making and in trying to minimise any negative impacts, while augmenting positive impacts. The CEO is directly involved in making sustainability related decision making at operational level. In addition, the below committees are actively involved in monitoring impacts of our operations on customers and other stakeholders.

- Management Committee
- Product Development Committee
- Sustainability Committee

**BOARD COMMITTEE MEETINGS AND ATTENDANCE**

The Board of Directors by Name, their dates of appointment and attendance to Board Committees are given in the table below. The Secretaries to these Committees keep detailed minutes of the Committee meetings.

Name	Status	Appointment Date to the Board	Attendance 2023/2024				
			BIRMC	BAC	BCC	RPTRC	BNRC
Mr. Channa de Silva	Chairman/Non-Executive, Non-Independent Director	19th April 2011 and reappointed on 10th January 2022	N/A	5 of 5	6 of 6	4 of 4	3 of 3
Mr. Dhammika Ganegama	Senior Director/Non-Executive, Independent Director	15th July 2020 and appointed as the Senior Independent Director on 10th January 2022	7 of 7	N/A	N/A	4 of 4	3 of 3
Mr. C. Amrit CanagaRetna	Non-Executive, Independent Director	19th October 2018	7 of 7	5 of 5	6 of 6	4 of 4	2 of 3
Mr. Ramesh Schaffter	Non-Executive, Non-Independent Director	20th April 2022	N/A	5 of 5	N/A	N/A	N/A
Mr. S. N. Senthilverl	Non-Executive, Non-Independent Director	15th July 2021	N/A	N/A	5 of 6	N/A	N/A
Ms. Shehara De Silva	Non-Executive, Independent Director	27th June 2019	N/A	N/A	N/A	N/A	3 of 3

N/A – Not a member

**Role of the highest governance body in overseeing the management of impacts****GRI 2-12**

The Board, the highest Governing Body, is ultimately responsible for managing SDF's impacts on the economy, environment and people, and for ensuring compliance with regulations and codes of conduct. The Executives are delegated to develop, approve, and update the organization's purpose, mission statements, strategies, policies, and goals related to Sustainable Development.

**Conflicts of Interest****Disclosure 2-15****(a) Processes for the Board to ensure that conflicts of interest are prevented and mitigated**

Under Article 115 of the Company's Articles of Association addresses the provisions on management of conflicts of interest of Directors.

GOVERNANCE AND COMPLIANCE

The Company has established a Related Party Transactions Review Committee that meets periodically and has developed a Related Party Transactions and Avoidance of Conflict of Interest policies and established a documented process approved by the Board identifying the particular related parties and to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with related parties as per the CBSL Directions.

The Company's Related Party Transaction Policy clearly defines the responsibilities of the Board of Directors, among other things, to ensure that the Company does not engage in transactions with related parties in a manner that would grant such party 'more favourable treatment' than that is accorded to other similar constituents of the Company.

Please refer section 12 on Related Party Transactions in the Compliance status of corporate governance table in page 144.

**(b.) Whether conflicts of interest are disclosed to stakeholders**

Related party transactions that have been carried out during the year are disclosed under related party transactions on pages 265 of these Financial Statements.

**Communication of Critical Concerns**

GRI 2-16

The Board, Board Sub-committees and Management Committees meet regularly and can be made aware of any matters deemed critical through the reporting arrangements of Management Committees and Board sub-committees, as described in the Governance Structure. There is a well-established, bottom-up monitoring and reporting mechanism for communicating business impacts on the economy, environment and people and also external developments from branch level, to regional level, to head office and from there, to Management Committees and Board Sub-committees.

Despite the precipitous deterioration of the economic situation in the country at the start of the financial year, SDF did not experience any sudden critical concerns that needed to be brought to the attention of the Board. The Board continued to meet regularly, and operational impacts and market information was communicated and reviewed on a regular basis.

**Collective knowledge of the BOD on sustainable development**

GRI 2-17

With the approval of the Board, during the current year, the Chairman and CEO participated in an international event on Regenerative Agriculture as a learning exercise. They have updated the Board on their learnings, and are currently

considering ways of channeling this knowledge to the agriculture sector in Sri Lanka.

As SDF is part of the Sarvodaya Movement, the Company's mandate is for sustainable development, in harmony with society and nature. The SDF Board comprises individuals who are aware of, and are supportive of, the Sarvodaya philosophy, and sustainable development. Therefore, there has been no requirement for separate dedicated measures to advance the collective knowledge, skills, and experience of the BOD on sustainable development. Board members themselves are interested in the subject and invest in advancing their knowledge on the subject, and share their knowledge at Board discussions.

**Annual Total Compensation Ratio**

GRI 2-21

The ratio of the annual total compensation for SDF's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) is approximately 3:1.

The ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) is: 1.3:1 Please note that the increase in annual compensation to staff (excluding the highest paid individual), includes gratuity payments as well as increments.

MANAGEMENT

**DELEGATION OF RESPONSIBILITY FOR MANAGING IMPACTS**

GRI 2-13

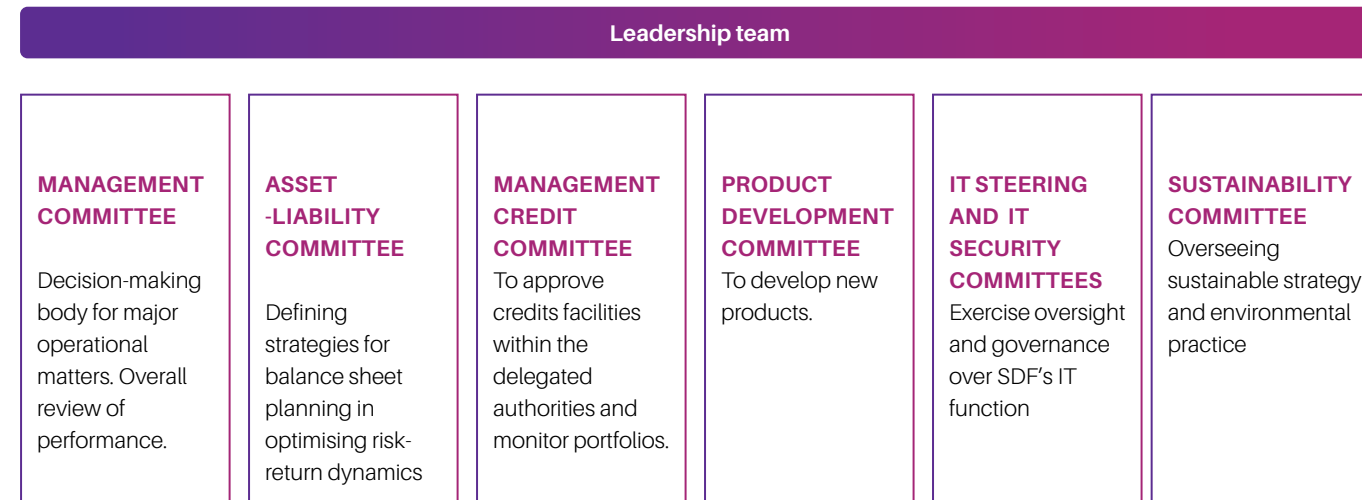
The Board has delegated its responsibilities to duly appointed Board Committees and also Management Committees. The functional heads are responsible for management of risks and impacts on their respective operational areas and report on progress to the CEO.

The Management of SDF is responsible for strategy execution and driving performance of the Company.

**MANAGEMENT'S ROLE IN THE STRUCTURE OF CORPORATE GOVERNANCE**

The Chief Executive Officer, having authority and responsibility of planning, directing and controlling the activities of the Company in accordance with the delegated authority limits given to him by the Board, relies upon a number of management level committees to implement corporate strategies and policies in accordance with appropriate risk parameters in day-to-day management. The following management level committees

have been formed by the Board to manage the day-to-day business and the operation of the Company with the main objective of achieving a sustainable growth while maintaining best practices in Corporate Governance.



**APPRAISAL OF CHIEF EXECUTIVE OFFICER**

The CEO is appraised by the Chairman and the Board annually using aligned to the short, medium and long-term objectives of the Company. The performance of the CEO is reviewed at the end of the financial year and the Board evaluates the set targets and the actual performance.

**SHAREHOLDER COMMUNICATION**

SDF is committed to promoting effective and open communication with all shareholders, ensuring consistency and clarity of disclosure at all times. SDF aims to engage with shareholders transparently and regularly in order to facilitate a mutual understanding of our respective objectives. SDF strives to be accessible to investors and pro-actively encourages all shareholders to participate at the AGM. Communication with shareholders is governed by the Stakeholder Communication Policy of the Company, which is approved by the Board.

**ANNUAL GENERAL MEETING**

The shareholders of SDF exercise their influence at the Annual General Meeting (AGM), which is the Company's highest decision making forum. In addition, Extraordinary General Meetings can be called.

- ➡ adopting the Annual Report and the Audited Financial Statements
- ➡ appointing the Auditors and fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed
- ➡ electing Directors in the place of those retiring by rotation or otherwise

Board sub-committee Chairpersons, Directors and KRPs are available at the AGM to interact with Shareholders and respond to queries raised by the shareholders. All shareholders are encouraged to exercise their voting rights at the AGMs.

**EMPLOYEE PARTICIPATION IN CORPORATE GOVERNANCE**

The active participation of the employees has helped serve the interest of the stakeholders. SDF has been able to do so by empowering employees to positively contribute towards good corporate governance. To assist and facilitate transparency, SDF has institutionalised processes across all functionalities.

Moreover, SDF has been able to provide a safe, secure and conducive environment for employees. Equally, SDF also ensures that human resource standards and regulations are followed. SDF does not condone discrimination of any kind.

**FINANCIAL DISCLOSURES AND TRANSPARENCY**

Financial Statements have been prepared in accordance with accounting standards comprising of SLFRSs/LKAs. Financial Statements are also in accordance with the Finance Business Act No. 42 of 2011, Companies Act No. 07 of 2007, Directions issued by Central Bank of Sri Lanka and internal policies.

Messrs, Ernst and Young are the External Auditors of the Company. The External Auditors are permitted to act independently without the intervention of the Corporate Management or the Board of Directors. All the information required by the External Auditors has been provided to them for audit requirements.

## GOVERNANCE AND COMPLIANCE

## COMPLIANCE STATUS OF CORPORATE GOVERNANCE PRINCIPLES

The following disclosures are prepared and presented in conformity with the Finance Business Act Directions (Corporate Governance) No. 5 of 2021, issued by the Central Bank of Sri Lanka and which came into operation with effect from 1 July 2022. This report shall be deemed as SDF's Corporate Governance Report for the financial year 2023/24, prepared in compliance with this Direction.

Rule Reference	Principle	Extent of Compliance
1.	<b>Board's overall responsibilities</b>	SDF Board holds responsibility for setting effective business strategy, ensuring sound corporate culture, and adhering to the rules and regulations. The Board responsibilities are specified in the Governance Charter.
1.1	The Board shall assume overall responsibility and accountability for the responsibilities operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements.	
1.2	<b>Business Strategy and Governance Framework</b>	The Board approved three-year business strategy is in force. The Board as a whole review the business strategy periodically to ensure that the Business strategy aligns with current economic environment.
	a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	
	b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	The Governance Charter of SDF was approved by the Board. The Board discharges its responsibilities according to the Governance Charter and assess the effectiveness of charter periodically.
	c) Assessing the effectiveness of its governance framework periodically.	
	d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	The Board has appointed the Chairman and the Chief Executive Officer, and clear division of responsibilities have been defined in the Governance Charter.
1.3	<b>Corporate Culture and Values</b>	The SDF Board actively contributes to ensure sound corporate culture and values within the Company.
	a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	
	b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	The sustainable financing is incorporated in the Board approved strategic plan and Board reviews the progress of the implementation of the same.
	c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	
	d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	The Board approved Stakeholder Communication Policy reflects the effective delivery of stakeholder communication and the Board reviews the policy to enhance its scope of policy implementation.

Rule Reference	Principle	Extent of Compliance
1.4	<b>Risk Appetite, Risk Management and Internal Controls</b>	SDF has established the Risk Appetite Statement in line with the SDF's three-year strategic plan and the overall governance framework.
	a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	
	b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	SDF Board ensures the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently, through Board Integrated Risk Management committee and the Board Audit Committee.
	c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	
	d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	SDF reviews the adequacy and the effectiveness of the internal control systems and management information systems periodically.
		SDF has a Board approved Disaster Recovery Plan that ensures stability, financial strength, and preserve critical operations and services under unforeseen circumstances. The Business Continuity plan of SDF is further reviewed by the Board.
1.5	<b>Board Commitment and Competency</b>	The Board as a whole allocate sufficient time in exercising functions of the Company.
	a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	
	b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	Members of the Board possess sufficient competency levels including necessary qualifications, knowledge, experience and skills,
	c) The Board shall regularly review and agree the training and development needs of all the members.	
	d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.	During the annual appraisal process, the Board reviews and agrees on the training and development needs of all the members.
	e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	An annual appraisal procedure is in place for self-assessment and assessment of individual performance of each director of its Board as a whole and that of its committees and maintains records of such assessments.
		The Board obtains external independent professional advice to the Board to discharge duties of SDF successfully.



## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
1.6	<p><b>Oversight of Senior Management</b></p> <p>a) Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.</p> <p>b) Defining the areas of authority and key responsibilities for the senior management.</p> <p>c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.</p> <p>d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.</p> <p>e) Ensuring the FC has an appropriate succession plan for senior management.</p> <p>f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.</p>	<p>The Board has identified and designated Senior Management to execute business strategy, who possess the necessary qualifications, skills, experience and knowledge. The job descriptions of the Senior Management define the responsibilities of each member. Board approved succession plan is available for SDF Senior management.</p>
1.7	<p><b>Adherence to the Existing Legal Framework</b></p> <p>a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.</p> <p>b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.</p> <p>c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.</p>	<p>SDF Board ensures conformity with the rules and regulations. The Board acts with due care and prudence, and with integrity and is aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.</p>
2. 2.1	<p><b>Governance Framework</b></p> <p>Board shall develop and implement a governance framework in line with these directions and including but not limited to the following.</p> <p>a) role and responsibilities of the Board</p> <p>b) matters assigned for the Board.</p> <p>c) delegation of authority</p> <p>d) composition of the Board</p> <p>e) the Board's independence</p> <p>f) the nomination, election and appointment of directors and appointment of senior management</p> <p>g) the management of conflicts of interests</p> <p>h) access to information and obtaining independent advice.</p> <p>i) capacity building of Board members</p> <p>j) the Board's performance evaluation</p> <p>k) role and responsibilities of the chairperson and the CEO</p> <p>l) role of the Company secretary</p> <p>m) Board sub committees and their role; and</p> <p>n) limits on related party transactions.</p>	<p>The SDF Board has developed a Corporate Governance Charter in line with the Corporate Governance Direction No.5 of 2021.</p>

Rule Reference	Principle	Extent of Compliance
3.	<p><b>Composition of the Board</b></p>	
3.1	<p>The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.</p>	<p>The SDF Board composition adds value to the Company through their knowledge and experience.</p>
3.2	<p>The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).</p>	<p>The Company's Board comprised of seven Directors upto 27 August 2023 and due to the retirement of a Director, currently the Board comprises of six Directors.</p> <p>Will be complied in line with the effective date as of 1 July 2024.</p>
3.3	<p>The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.</p>	<p>The approval of Central Bank of Sri Lanka has been granted to reappoint Mr.Channa de Silva to the Board w.e.f 10 January 2022.</p>
3.4	<p>Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (14) of the total number of directors of the Board.</p>	
3.5	<p><b>Executive Directors</b></p>	<p>SDF Board does not comprise of Executive Directors.</p>
3.6	<p><b>Non-Executive Directors</b></p> <p>a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct</p> <p>b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC</p>	<p>Profiles of the Non-Executive Directors are given in Page 30.</p>

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
3.7	<p><b>Independent Directors</b></p> <p>a) The number of independent directors of the Board shall be at least three (03) or one-third ( 1 / 3 ) of the total number of directors, whichever is higher</p> <p>b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience</p> <p>c) A non-executive director shall not be considered independent if such:</p> <p>i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC.</p> <p>ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.</p> <p>iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.</p> <p>iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director.</p> <p>v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC</p>	<p>The SDF Board comprises of three Non-Executive Independent Directors.</p> <p>The Non-Executive, Independent Directors of SDF fulfil the given independent requirements.</p>

Rule Reference	Principle	Extent of Compliance
3.7	<p>vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC</p> <p>vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director</p> <p>viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.</p> <p>d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence</p> <p>e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.</p>	
3.8	<p><b>Alternate Directors</b></p> <p>a) Representation through an alternate director is allowed only;</p> <p>i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and</p> <p>ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.</p> <p>b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC</p> <p>c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board</p> <p>d) An alternate director cannot be appointed to represent an executive director.</p> <p>e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director</p>	No alternate Director has been appointed.

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
3.9	<p><b>Cooling off Periods</b></p> <p>a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.</p> <p>b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent</p>	Such a situation has not arisen during the Financial Year 2023/2024
3.10	<p><b>Common Directorships</b></p> <p>Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f)</p>	The SDF Board members do not hold directorships in other Finance Companies.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	The Directorships or any equivalent positions held by the Directors of SDF in other entities do not exceed the given threshold.
4.4.1	<p><b>Assessment of Fitness and Propriety Criteria</b></p> <p>No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.</p>	SDF follows a formal procedure when appointing Directors to the Board in accordance with regulatory requirements.
4.2 & 4.3	A person over the age of 70 years shall not serve as a director of a FC.	No Director serves the Company over the age of 70 years.
5.5.1	<p><b>Appointment and Resignation of Director and Senior Management</b></p> <p>The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.</p>	SDF follows the regulatory guidelines during appointments, resignations or removal of Directors and Senior Management.
6.6.1	<p><b>The Chairperson and the CEO</b></p> <p>There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing</p>	The functions and responsibilities of the Chairman and the CEO have been clearly defined and approved by the Board of Directors.

Rule Reference	Principle	Extent of Compliance
6.2 and 6.3	<p>The chairperson shall be an independent director, subject to 6.3 below</p> <p>In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.</p>	The Chairman is a Non-Executive, Non-Independent Director and a Senior Director has been appointed subsequently.
6.4	<p><b>Responsibilities of the Chairperson</b></p> <p>The responsibilities of the chairperson shall at least include the following:</p> <ol style="list-style-type: none"> <li>Provide leadership to the Board</li> <li>Maintain and ensure a balance of power between executive and non-executive Directors</li> <li>Secure effective participation of both executive and non-executive directors</li> <li>Ensure the Board works effectively and discharges its responsibilities</li> <li>Ensure all key issues are discussed by the Board in a timely manner</li> <li>Implement decisions/directions of the regulator</li> <li>Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company secretary</li> <li>Not engage in activities involving direct supervision of senior management or any other day to day operational activities</li> <li>Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board</li> <li>Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO</li> </ol>	<p>Responsibilities of the Chairman includes providing leadership to the Board, ensuring effective discharge of responsibilities of board members and implementing decisions of regulator.</p> <p>The Non-Executive Directors annually evaluate the performance of the Chairman.</p>

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
6.5	<p><b>Responsibilities of the CEO</b></p> <p>The CEO shall function as the apex executive-in-charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at least include:</p> <ol style="list-style-type: none"> <li>I. Implementing business and risk strategies in order to achieve the FC's strategic objectives</li> <li>II. Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions</li> <li>III. Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior</li> <li>IV. Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator</li> <li>V. Strengthening the regulatory and supervisory compliance framework</li> <li>VI. Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner</li> <li>VII. CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10</li> </ol>	The Chief Executive Officer is responsible for implementing business strategy of the Company while ensuring sound internal controls and effective risk management.
7.	<b>Meetings of the Board</b>	
7.1	The Board shall meet at least twelve times a financial year at approximately the Board monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible	There have been twelve Board meetings during the financial year 2023/2024.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings	Company has established a procedure to enable all Directors to include matters and proposals in the agenda for regular Board meetings.
7.3	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	Agenda letters have been circulated by the Company Secretary to the Board of Directors at least 3 days prior to the Board meeting.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions	The Directors allocate adequate time to contribute effectively during the Board meetings.
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors	The company duly complied with the requirement.
7.6	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year	The Board comprises with Non-Executive Directors.

Rule Reference	Principle	Extent of Compliance
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting	The Directors refrain from voting on any Board resolution pertinent to a matter which has a substantial interest to them.
7.8	A director who has not attended at least two-thirds (2 / 3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors	No such instances had been occurred in respect of the attendance of the Board meetings.
7.9	<b>Scheduled Board Meetings and Ad Hoc Board Meetings</b> For the scheduled meetings, participation in person is encouraged and for adhoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	No such Ad Hoc Board meetings were held during the year.
8.	<b>Company Secretary</b>	
8.1	<ol style="list-style-type: none"> <li>a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.</li> <li>b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company secretary, such person shall become an employee of FC and shall not become an employee of any other institution</li> </ol>	The Board has appointed Ms Shiromi Patabendige, a qualified Chartered Corporate Secretary and a Registered Company Secretary in accordance with the Companies (Secretaries) Regulations No.1 of 2023 made under Section 527 read with Section 222 of the Companies Act No.07 of 2007 as the In-House Company Secretary to carry out all functions and responsibilities in accordance with statutory and regulatory requirements.  She is an employee of SDF and not an employee of any other institution.
8.2	All directors shall have access to advice and services of the Company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed	A Board-approved procedure is in place to enable all Directors to access the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function	Company Secretary prepares and circulates the Agenda.
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/ video recordings for a minimum period of 6 years	The company secretary maintains minutes of the Board meetings and other recording materials for the period specified in the Direction.

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
8.5	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC	The Company Secretary records the proceedings of the meetings and the decisions taken throughout in sufficient detail.
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions	Detailed minutes are kept covering the given criteria and the Board minutes contain the required details such as contribution of individual Director, decisions and Board resolutions, ultimate decision of the Board, whether it complies with strategies and policies of the Company, Board knowledge and understanding of risk management measures adopted by the Company.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director	
9	<b>Delegation of function by the Board</b>	
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC	The Board approves delegation of authorities and provide clear directions to the Senior Management to executive strategic functions.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself	The Board has appointed Board Audit committee, Board Integrated Risk Management Committee, Board Nomination and Remuneration Committee and Related Party Transactions Review Committee as specified in the section 10 of this Direction.
9.3	The Board may establish appropriate senior management level subcommittees with appropriate DA to assist in Board decisions	The Board has established Management level committees with appropriate delegation authorities such as Management Committee, Assets and Liability Committee, IT Steering Committee, Management Credit Committee, Product Development Committee, IT Security Committee and Sustainability Committee.
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions	The Board delegates matters to its board sub-committees or senior management to an extent that such delegation would not significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC	The Board periodically reviews the delegation of authorities and the pertinent processes to ensure its effectiveness.

Rule Reference	Principle	Extent of Compliance
<b>10. Board Sub - Committees The Company will be adopting the section 10 of the Direction from the Financial Year 2024/2025 under transitional provision specified in the Direction. Accordingly, section 8 of Finance Companies (Corporate Governance) Direction No.3 of 2008, is currently being adhered.</b>		
8	<b>Board appointed Committees</b>	
8.1	Every finance company shall have at least the two Board Committees set out in sections 8 (2) and 8 (3) hereof. Each Committee shall report directly to the Board. Each Committee shall appoint a Secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the Chairman of the Committee.  The Board shall present a report on the performance, duties and functions of each committee, at the Annual General Meeting of the Company.	During the financial year 2023/2024, there were five (05) Board appointed Committees directly reporting to the Board, namely; the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Credit Committee (BCC), Board Nomination & Remuneration Committee (BNRC) and Related Party Transactions Review Committee (RPTRC). Each committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the Chairman of the respective committees.  Pages 172 to 180 provides the details of the scope and composition of the above committees
8.2	<b>Audit Committee</b> The following shall apply in relation to the Audit Committee: a) The Chairman of the Committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/ or audit  b) The Board members appointed to the Committee shall be Non- Executive Directors.	Chairman of the Board Audit Committee (BAC), Mr. Ramesh Schaffter, is a Non-Independent , Non-Executive Director. He is a former Council Member of the Chartered Institute of Management Accountants SL, and he is Fellow Member of the Chartered Institute of Management Accountants (UK), and an Associate Member of the Chartered Institute of Marketing. Mr. Ramesh Schaffter was appointed as the Chairman of the BAC on 31 August 2022.  All the members appointed to the BAC are Non-Executive Directors.

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
8.2	<p>c) The Committee shall make recommendations on matters in connection with:</p> <p>i. The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;</p> <p>ii. The implementation of the Central Bank guidelines issued to Auditors from time to time;</p> <p>iii. The application of the relevant accounting standards; and</p> <p>iv. The service period, audit fee and any resignation or dismissal of the Auditor, provided that the engagement of an audit partner shall not exceed five years and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term</p>	<p>The Company has complied with the Direction issued by the Central Bank of Sri Lanka to select an External Auditor from the panel of authorized auditors to audit the accounts of licensed finance companies. The Company has appointed Messrs. Ernst &amp; Young (Chartered Accountants) as the External Auditor.</p> <p>The Board Audit Committee has at its meetings during the year under review recommended that:</p> <ul style="list-style-type: none"> <li>➔ Messrs, Ernst &amp; Young, Chartered Accountants be reappointed as the External Auditors of the Company for the financial year 2023/24;</li> <li>➔ the implementation of Central Bank guidelines issued to Auditors from time to time; and</li> <li>➔ the application of Sri Lanka Accounting Standards (LKASs/SLFRSs).</li> </ul> <p>The Committee during the year met the External Auditors on two occasions. Main objective of these meetings were to discuss their external audit plan, discuss audited accounts, and to discuss the Management Letter of the External Auditors.</p> <p>A policy has been established in relation to the service period, audit fee and resignation or dismissal of the Auditor which has addressed that the engagement partner does not exceed five (05) years, and is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p> <p>No resignation or dismissal of the auditor has occurred during the period under review, and since Ms. Nayana sanjeevani has been completed 5 years as the audit partner, Ms. Hiranthi Fonseka appointed as the new audit partner for FY 2023/24, Ms. Hiranthi Fonseka, has not been engaged with SDF for audit before.</p>

Rule Reference	Principle	Extent of Compliance
8.2	<p>d) The Committee shall review and monitor the External Auditors' independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p> <p>e) The Committee shall develop and implement a policy with the approval of the Board on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditors' independence or objectivity. When assessing the External Auditors' independence or objectivity in relation to the provision of non-audit services, the Committee shall consider:</p> <ul style="list-style-type: none"> <li>i) whether the skills and experience of the Auditor make it a suitable provider of the non-audit services;</li> <li>ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by External Auditor; and</li> <li>iii) Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the Auditor, pose any threat to the objectivity and/or independence of the External Auditor.</li> </ul>	<p>The Board Audit Committee monitors and reviews the External Auditors' independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.</p> <p>The Company's External Auditors for financial year 2023/24, Messrs. Ernst &amp; Young, Chartered Accountants, have provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules. The Auditor's Engagement Letter submitted to the committee provide evidence of Auditor's independence, and the audit is carried out in accordance with the SLAS.</p> <p>The Board Audit Committee with the approval of the Board of Directors has developed and implemented a policy for engagement of External Auditors to provide non-audit services to safeguard the Auditors' independence and objectivity.</p>

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
8.2	<p>f) The Committee shall, before the audit commences, discuss and finalise with External Auditors the nature and scope of the audit, including:</p> <p>i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting.</p> <p>ii) the preparation of Financial Statements in accordance with relevant accounting principles and reporting obligations; and</p> <p>iii) The co-ordination between Auditors where more than one Auditor is involved.</p>	<p>The Committee has before the audit commences, discussed and agreed upon the audit plan for the audit.</p> <p>Scope of the audit includes an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting and the preparation of financial statements in accordance with relevant accounting principles and reporting obligations.</p> <p>The Company has appointed Messrs. Ernst &amp; Young, as the External Auditor of the Company hence, the coordination between Auditors where more than one Auditor was involved was not required during the period under review.</p>
	<p>g) The Committee shall review the financial information of the finance company, in order to monitor the integrity of the Financial Statements of the finance company, its Annual Report, accounts and periodical reports prepared for disclosure and the significant financial reporting judgments contained therein. In reviewing the finance company's Annual Report and accounts and periodical reports before submission to the Board. The Committee shall focus particularly on -</p> <p>i. major judgmental areas;</p> <p>ii. any changes in accounting policies and practices;</p> <p>iii. significant adjustments arising from the audit;</p> <p>iv. the going concern assumption; and</p> <p>v. the compliance with relevant accounting standards and other legal requirements</p>	<p>The Committee periodically reviews the financial information of the Company in order to monitor the integrity of the Financial Statements of the Company and other financial disclosures.</p> <p>Also, Board Audit Committee has a process to review the financial information of the Company as required by the Direction when the Annual Audited Financial Statements and reports prepared for disclosure are presented to the Committee by the Head of Finance in attendance with the External Auditors in order to monitor the integrity of the Financial Statements of the Company.</p>
	<p>h) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary,</p>	<p>The Committee has met the External Auditors in the absence of the Key Management Personnel in two occasions during the year under review. Each Committee Member has had a personal conversation with External Auditors for better governance.</p>

Rule Reference	Principle	Extent of Compliance
8.2	<p>i) The Committee shall review the External Auditors' Management Letter and the Management's response thereto.</p>	<p>The Committee has reviewed and discussed the External Auditors' Management Letter for financial year 2022/23 and the Management response thereto and provided necessary guidance to the management for improvement/ implementation of better internal controls, best practices and governance.</p>
	<p>j) The Committee shall take the following steps with regard to the internal audit function of the finance company:</p> <p>i. Review the adequacy of the scope, functions and resources of the Internal Audit Department and satisfy itself that the department has the necessary authority to carry out its work;</p>	<p>The Committee has discussed the Internal audit scope, function and resources of the staff requirements. Company has an Internal Audit Charter established at the Company approved by the Board Audit Committee which covers to provide independent, objective assurance and support designed to add value and improve the Company's operations and systems of internal controls. The Board Audit Committee oversees the proper functioning of internal audit and make changes to internal audit charter when necessary. The Internal Audit Department assists the Company with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, governance and accountability processes.</p>
	<p>ii. Review the internal audit programme and results of the Internal Audit process and , where necessary, ensure that appropriate action are taken on the recommendations of the Internal Audit Department;</p>	<p>The Committee has reviewed and approved the Internal Audit Plan for the financial year 2023/24 presented by the Internal Audit Department prepared based on overall risk assessment and the significant audit observations made during the previous year. This plan also includes the scope, functions and the resources of the Internal Audit Department.</p>
	<p>iii. Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;</p>	<p>Assessment of the Internal Audit staff evaluations has been carried out by the Audit Committee.</p>
	<p>iv. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the Internal Audit function</p>	<p>Manager Internal Audit was resigned with effect from 31st January 2024.</p> <p>Reviewing Financial Processes, ECL Calculation, Classification of Financial Instruments and Lease Calculation have been outsourced to Messer KPMG (Chartered Accountants) and it has been discontinued from 30th September 2023.</p>

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
8.2	v. Ensure that the Committee is apprised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning:	The Committee has appraised the resignation of Manager Internal Audit and outsourced arrangement with Messrs. KPMG (Chartered Accountants).
	vi. Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	The Internal Audit Charter of the Company addresses that the audit work should be performed with impartiality, proficiency and due professional care. Accordingly, the Internal Audit functions have been performed impartially and with proficiency and due care. The Head of the Internal Audit Department directly reports to the Committee thus ensuring the independence and impartiality of the Internal Audit Department.
	k) The Committee shall consider the major findings of internal investigations and the Management's responses there to.	Based on the investigation reports submitted by the Internal Audit Department, the Committee reviews and considers major audit findings and the Management's responses thereto.
	l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least once in six months, the Committee shall meet with the External Auditors without the Executive Director being present.	The Board Audit Committee does not include any Executive Directors. During the current financial year, the Committee met the External Auditors on two occasions. The Chief Executive Officer and other Key Management Personnel attended these meetings by invitation.
	m) The committee shall have: <ul style="list-style-type: none"> <li>i) explicit authority to investigate into any matter within its terms of reference;</li> <li>ii) the resources which it needs to do so;</li> <li>iii) full access to information;</li> <li>iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary</li> </ul>	The Board approved Terms of Reference of the Board Audit Committee mandates explicit authority to investigate into any matter within its purview and take necessary action thereto. 'Board Audit Committee Report', from pages 174 to 175 this Corporate Governance Report provides a summary of the Terms of Reference of the Committee.

Rule Reference	Principle	Extent of Compliance
8.2	n) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	There were five meetings of the Board Audit Committee during the financial year 2023/24 Page 174 of this Annual Report, provides the details of the meetings of the Board Audit Committee during the financial year 2023/24 and the members' attendance thereat.
	o) The Board shall, in the Annual Report, disclose in an informative way – <ul style="list-style-type: none"> <li>i) details of the activities of the Audit Committee</li> <li>ii) the number of Audit Committee meetings held in the year; and</li> <li>iii) details of attendance of each individual member at such meetings</li> </ul>	The 'Board Audit Committee Report' from pages 174 to 175 of this Annual Report, provides details of the activities of the Committee and attendance of members at meetings of the Committee.
	p) The Secretary to the Committee (who may be the Company Secretary or the Head of the Internal Audit function) shall record and keep detailed minutes of the Committee meetings.	In accordance with the Terms of Reference, the Secretary to the Committee records and maintains minutes of all committee meetings with sufficient detail.
	q) The Committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the External Auditor.	The Company has established a 'Whistle-Blower Policy' which has been approved by the Board Audit Committee and Board of Directors and practiced through-out the Company. The whistle blower matters are submitted to the Committee for their review and instructions. The board has reviewed and approved the updated policy.
8.3	<b>Integrated Risk Management Committee</b> The following shall apply in relation to the Integrated Risk Management Committee (IRMC)	
	a) The Committee shall consist of at least one Non-Executive Director, CEO and Key Management Personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.  The Committee shall work with Key Management Personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	The Committee consists of two Non-Executive, Independent Directors and invites the CEO and the Key Management Personnel supervising broad risk categories such as credit, market, liquidity, operational and strategic risk.



## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
8.3	b) The Committee shall assess all risks, i.e. credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	All key risk areas such as Credit, Liquidity, Market, Capital Adequacy and Operational are assessed by the Committee on a regular basis through Key Risk Indicators (KRIs) and other reports which include Risk Database and Top Risks which cover the risk profile of SDF.
	c) The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	The Committee has taken for discussion the key areas of concerns of the Management Level Committees at the BIRMC meetings. The Committee has reviewed in full the adequacy and the effectiveness of the Management Level Committees during the year under review and provided the necessary guidance and direction to those committees for effective functioning of those Committees in relation to their TORs.
	d) The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the finance company's policies and regulatory and supervisory requirements.	The Committee reviews risk assessment reports and takes prompt corrective action to mitigate the effects of specific risks.
	e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	According to the Charter of the BIRMC, the Committee shall meet at least quarterly or more frequently if required and as per the current practice, Committee is meeting once in two months whereas according to the new Finance Companies Direction No.5 of 2021 on Corporate Governance requires the BIRMC meetings to hold at least quarterly. The Committee has met seven times during the financial year 2023/24. Refer the report on Board Integrated Risk Management Committee on page No. 178 provides the details of the meetings of the Committee during financial year 2023/24 and the members' attendance thereat.
	f) The Committee shall take appropriate action against the officers responsible for failure to identify specific risk and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of the Department of Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka.	The Committee refers such matters, if any, to the HR Department such decisions for necessary actions. However, specific risk and limits are identified by the BIRMC and such decisions are taken collectively.

Rule Reference	Principle	Extent of Compliance
8.3	g) The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	The Head of Risk Management prepares detailed risk assessment reports of the Company and presents at each BIRMC. These risk assessments are categorically discussed at each BIRMC and necessary guidance is given to the Management to take prompt mitigating actions.  The Committee submits these risk assessments along with the minutes of the BIRMC to the next immediate Board Meeting which describes fully the risks applicable to the Company and mitigating actions discussed seeking the Board views and actions deemed necessary.
	h) The Committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved polices on all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	The Compliance Officer monitors compliance of CBSL rules, regulations and directions issued under the Finance Business Act and submit a monthly compliance report to the Board and BIRMC for their review. Monitoring compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved polices on all areas of business operations is carried out by the Compliance Department.
11.	<b>Internal Controls</b>	SDF has adopted a robust internal control system that reflects clear reporting lines with segregation of duties and Board approved organization structure to effectively mitigate the operational risk.
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks	
11.2	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies	Further the Company reviews the existing internal control system to make sure it contributes effective and efficient operations, safeguards company assets, ensures effective risk management system and compliance with laws and regulations.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives	

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
12.	<b>Related Party Transactions</b>	
12.1	<p>Board shall establish a policy and procedures for related party transactions, which covers the following</p> <p>a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors</p> <p>b) All related party transactions shall be prior reviewed and recommended by the RPTRC The business transactions with a related party that are covered in this Direction shall be the following:</p> <p>i. Granting accommodation</p> <p>ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable</p> <p>iii. Providing financial or non-financial services to the FC or obtaining those services from the FC</p> <p>iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related parties.</p>	<p>The Board has formed a Related Party Transaction Review Committee who shall be responsible for the effective function of reviewing the proposed and existing related party transactions. SDF has adopted Board approved Related Party Review Committee Charter and Terms of Reference.</p> <p>The committee comprised of three Non-Executive Directors and chaired by a Non-Executive, Independent Director. The majority of the members are Non-Executive, Independent Directors.</p>
12.2	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises</p> <p>a) Directors and senior management</p> <p>b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC</p> <p>c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa</p> <p>d) Directors and senior management of legal persons in paragraph (b) or (c)</p> <p>e) Relatives of a natural person described in paragraph (a), (b) or (d)</p> <p>f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest</p>	<p>The Company has established a Board-approved Related party transaction review committee Charter to identify and report the types of transactions with related parties that is covered by this Direction.</p>

Rule Reference	Principle	Extent of Compliance
12.3	<p>The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party 'more favorable treatment' than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, 'more favorable treatment' shall mean:</p> <p>a) Granting of 'total accommodation' to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee</p> <p>b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty</p> <p>c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties</p> <p>d) Providing or obtaining services to or from a related party without a proper evaluation procedure; or</p> <p>e) Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions</p>	<p>The Company has controls in place to ensure that the Company does not engage in transactions with related parties as defined in the Direction above, in a manner that would grant such parties "more favourable treatment" as defined in the section than that accorded to other constituents of the Company.</p> <p>Related party transactions that have been carried out during the year are disclosed under related party transactions on page 265 of these Financial Statements.</p>
13.	<b>Group Governance</b>	
13.1	Responsibilities of the FC as a Holding Company	
13.2	Responsibilities as a Subsidiary	
13.2	Responsibilities as a Subsidiary If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities	Not applicable
14.	<b>Corporate Culture</b>	
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers	The company has a board approved code of conduct that addresses the issues of confidentiality, conflict of interest, integrity of reporting and other ethical practices and the Company is in the process of maintaining record of breaches.
14.2	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity	
14.3	A FC shall establish a Whistle-Blowing Policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically	The Board approved Whistle-Blower Policy is in place.

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
15. 15.1	<b>Conflicts of Interest</b> a) Relationships between the directors shall not exercise undue influence or coercion. Director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such Director has substantial interest, is interested, and such Director shall not be counted in the quorum for the relevant agenda item in the Board meeting	The company has formed a Policy on Conflict of Interest and the policy prohibits Directors from using his or her position to divulge confidential or price-sensitive information, for personal benefit or benefit of any third party, whether financially or otherwise.
15.1	b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall  i. Identify circumstances which constitute or may give rise to conflicts of interests ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy to be addressed	Directors do not participate in and excuse themselves from the Meeting when the Board considers matters in which a conflict may arise.

Rule Reference	Principle	Extent of Compliance
16. 16.1	<b>Disclosure</b> The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC,  i) <b>Financial statements</b> In addition to the set of financial statements as per LKA S 1 or applicable standard annual report shall include,  → A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.  → A statement of responsibility of the Board in preparation and presentation of financial statements.	Page 211  Page 200
	ii) <b>Chairperson, CEO and Board related disclosures</b> → Name, qualification and a brief profile. → Whether Executive, Non-Executive and/or Independent Director. → Details of the Director who is serving as the senior Director, if any. → The nature of expertise in relevant functional areas. → Relatives and/or any business transaction relationships with other directors of the Company → Names of other companies in which the Director/CEO concerned serves as a director and whether in an executive or non-executive capacity. → Number/percentage of board meetings of the FC attended during the year; and → Names of board committees in which the director serves as the Chairperson or a member.	Pages 30 to 33  Page 167 to 171
	iii. <b>Appraisal of board performance</b> → An overview of how the performance evaluations of the Board and its committees have been conducted	Pages 119 and 170

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
16.1	<b>iv. Remuneration</b>	Page 119
	→ A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)	
	→ The aggregate values of remuneration paid by the FC to its directors and senior management.	Page 265
	<b>v. Related party transactions</b>	Pages 119 and 265
	→ The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.	
	→ Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital.	
	→ The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	
<b>vi. Board appointed committees</b>	Pages 172 to 180	
→ The details of the chairperson and members of the board committees and attendance at such meetings.		
<b>vii. Group Structure</b>		
→ The group structure of the FC within which it operates.	Not applicable	
→ The group governance framework.		

Rule Reference	Principle	Extent of Compliance
16.1	<b>viii. Director's report</b>	Page 167
	→ A report, which shall contain the following declarations by the Board:	
	→ The FC has not engaged in any activity, which contravenes laws and regulations.	
	→ The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.	
	→ The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.	
	→ The business is a going concern with supporting assumptions; and	
	→ The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	
	<b>ix. Statement on Internal Control</b>	Page 200
	→ A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	
	→ The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.	
→ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.		
→ A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions.		

## GOVERNANCE AND COMPLIANCE

Rule Reference	Principle	Extent of Compliance
16.1	<p><b>x. Corporate governance report</b></p> <p>⊕ Shall disclose the manner and extent to which the Company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.</p>	Page 116
	<p><b>xi. Code of Conduct</b></p> <p>⊕ FC's code of business conduct and ethics for directors, senior management and employees.</p> <p>⊕ The Chairperson shall certify that the Company has no violations of any of the provisions of this code.</p>	Pages 145 and 164
	<p><b>xii. Management report</b></p> <p>⊕ Industry structure and developments</p> <p>⊕ Opportunities and threats</p> <p>⊕ Risks and concerns</p> <p>⊕ Sustainable finance activities carried out by the Company</p> <p>⊕ Prospects for the future</p>	Pages 60 to 114
	<p><b>xiii. Communication with shareholders</b></p> <p>⊕ The policy and methodology for communication with shareholders.</p> <p>⊕ The contact person for such communication.</p>	Page 123

## COMPLIANCE WITH SECTION 9 OF THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE ON CORPORATE GOVERNANCE

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption
9.2	<b>Policies</b>	
9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; <ul style="list-style-type: none"> <li>(a) Policy on the matters relating to the Board of Directors.</li> <li>(b) Policy on Board Committees</li> <li>(c) Policy on Corporate Governance, Nominations and Re-election.</li> <li>(d) Policy on Remuneration</li> <li>(e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities</li> <li>(f) Policy on Risk management and Internal controls</li> <li>(g) Policy on Relations with Shareholders and Investors</li> <li>(h) Policy on Environmental, Social and Governance Sustainability</li> <li>(i) Policy on Control and Management of Company Assets and Shareholder Investments</li> <li>(j) Policy on Corporate Disclosures</li> <li>(k) Policy on Whistle-blowing</li> <li>(l) Policy on Anti-Bribery and Corruption</li> </ul>	Will be fully complied in line with the effective date as of 1st October 2024.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	No such waivers were granted during the year under review.
9.2.3	Listed Entities shall disclose in its Annual Report: <ul style="list-style-type: none"> <li>(i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website.</li> <li>(ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.</li> </ul>	Will be fully complied in line with the effective date as of 1st October 2024.
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	
9.3	<b>Board Committees</b>	The Company has established the Board Committees including Board Nomination & Remuneration Committee
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; <ul style="list-style-type: none"> <li>(a) Nominations and Governance Committee</li> <li>(b) Remuneration Committee</li> <li>(c) Audit Committee</li> <li>(d) Related Party Transactions Review Committee.</li> </ul>	
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	The Company complies with the said requirement
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	
9.4.	<b>Adherence to Principles in the adoption of meeting procedures and conduct of all General Meetings with Shareholders</b>	

## GOVERNANCE AND COMPLIANCE

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption
9.4.1	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC. (a) The number of shares in respect of which proxy appointments have been validly made; (b) The number of votes in favour of the resolution; (c) The number of votes against the resolution; and (d) The number of shares in respect of which the vote was directed to be abstained.	The Company maintains records of all resolutions which are being considered at the Annual General Meeting.
9.4.2	Communication and relations with shareholders and investors (a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity. (b) Listed Entities shall disclose the contact person for such communication. (c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity. (d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	The Company has a Board approved Stakeholder Communication Policy and complies with the requirements.
9.5	Policy on matters relating to the Board of Directors	

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption
9.5.1	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall: (a) recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO. (b) where a Listed Entity decides to combine the role of the Chairperson and CEO, (i) set out the rationale for combining such positions; and, (ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest. (iii) set out the measures implemented to safeguard the interests of the SID. (c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors. (d) stipulate the maximum number of Directors with the rationale for the same (e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules. (f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules. (g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position. (h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements. (i) specify the maximum number of directorships in Listed Entities that may be held by Directors. (j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.	The Company has a Board approved Policy on Matters Reserved for the Board of Directors. Will be fully complied in line with the effective date as of 1st October 2024.
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	
9.6	<b>Chairperson and CEO</b>	
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	The Chairperson is a Non-Executive Director and the Chairperson and the CEO positions are held by two separate individuals.

## GOVERNANCE AND COMPLIANCE

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption
9.6.2	A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules). Such Market Announcement shall include the following: The reasons for non-compliance The rationale for combining the positions of the Chairperson and CEO	Not applicable
9.6.3	<b>The Requirement for a Senior Independent Director</b> (a) A Listed Entity shall appoint an Independent Director as the SID in the following instances: i. The Chairperson and CEO are the same person ii. The Chairperson and CEO are Close Family Members or Related Parties  Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.  (b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members. (c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate. (d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above. (e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.	In terms of the Section 6.3 of Finance Business Act Direction No.05 of 2021 of CBSL the requirement, a Senior Independent Director has been appointed since the Chairperson is a Non-Executive, Non-Independent Director.  The Company complies with the requirements
9.7	<b>Fitness of Directors and CEOs</b>	
9.7.3	<b>Fit and Proper Assessment Criteria:</b>	
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	The Company complies with the Fitness & Propriety Assessment of Directors requirements under Finance Business Act Direction No.06 of 2021.
9.7.5	Disclosures in the Annual Report of Listed Entities Listed Entities shall include the following disclosures/reports in the Annual Report; (a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. (b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.	

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption
9.8	<b>Board Composition</b>	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board consists of six (06) Directors, which is within the listing rules requirement.
9.8.2	Minimum Number of Independent Directors: (a) The Board of Directors of Listed Entity shall include at least 2 Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. (b) Any change to this ratio shall be rectified within ninety (90) days from the date of the change.	<ul style="list-style-type: none"> <li>➔ Mr. Channa de Silva, Chairman/ Non-Executive, Non-Independent Director</li> <li>➔ Mr. Dhammika Ganegama, Senior Director/Non-Executive, Independent Director</li> <li>➔ Mr. Amrit CanagaRetna, Non-Executive, Independent Director</li> <li>➔ Mr. Ramesh Schaffter, Non-Executive, Non-Independent Director</li> <li>➔ Mr. Senthil Nandhanan Senthilverl, Non-Executive, Non-Independent Director</li> <li>➔ Ms. Shehara de Silva, Non-Executive, Independent Director</li> </ul>
9.8.3	Criteria for determining independence:	The Board consist of 3 independent directors during the year.
9.8.5.	The Board of Directors of Listed Entities shall require: (a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. (b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report. (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.	The Company obtained a declaration from each Independent director as specified in appendix 9A to ensure their independence.
9.9	<b>Alternate Directors</b>	There are no Alternate Directors in the Board.
9.10	<b>Disclosures relating to Directors</b>	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	Will be fully complied in line with the effective date as of 1st October 2024.
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;	No such matters occurred during the year under review.

## GOVERNANCE AND COMPLIANCE

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	No such matters occurred during the year under review.
9.10.4	<b>Details relating to Directors in the Annual Report:</b>	Directors Details are given in pages 30
9.11	<b>NOMINATIONS AND GOVERNANCE COMMITTEE</b>  Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules  Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.  The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Board Nomination & Remuneration Committee (BNRC) has been formed covering the requirements under Nominations and Governance Committee as well as Remuneration Committee.
9.12	<b>REMUNERATION COMMITTEE</b>	
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	A Board Approved TOR is available defining its scope, roles and responsibilities etc.
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	
9.12.6	Composition (1) The members of the Remuneration Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity.  (2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.  (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	The BNRC is comprised of three Non-Executive, Independent Directors and is chaired by Mr. Dhammika Ganegama, Senior Director/Non-Executive, Independent Director. Other members of the committee are Mr. Channa de Silva, Mr. Amrit CanagaRetna and Ms. Shehara de Silva.

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption
9.12.7	Functions (1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations. (2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.	The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Non-Executive Directors and senior management are decided by the BNRC.
9.12.8	Disclosure in Annual Report	The report of BNRC is given in pages 172
9.13	<b>AUDIT COMMITTEE</b>	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	The Company currently has two separate committees in operation a Board Audit Committee (BAC) and a Board Integrated Risk Management Committee (BIRMC).
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Board approved Terms of References is in place.
9.13.3	Composition	All members of the Board Audit Committee are Non Executive Directors. Members are Mr. Ramesh Schaffter, Non-Executive, Non-Independent Director, Mr. Channa de Silva, Non-Executive, Non-Independent Director and Mr. Dhammika Ganegama, Senior Director/Non-Executive, Independent Director.  Please refer the BAC Report on Page 174
9.13.4	Functions (iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. (iv) Obtain and review assurance received from: (a) The CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and (b) The CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems. (v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.	The Company complies with the requirements.



## GOVERNANCE AND COMPLIANCE

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption	
	(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	The Company complies with the requirements.	
	(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.		
	(viii) Review the risk policies adopted by the Entity on an annual basis.		
	(ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.		
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.		
	(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.		
	(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.		
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.		
	(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.		
9.13.5	Disclosures in Annual Report		
	(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.		The Company complies with the requirements.
	(2) The Audit Committee Report shall contain the following disclosures: (a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);		

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption	
	(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).	The Company complies with the requirements.	
	(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.		
	(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.		
	(e) Whether the listed entity has a formal Audit Charter		
	(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;		
	(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;		
	(h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and		
	(i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.		
9.14	<b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE</b>		The Company has established its own Related Party Transactions Review Committee (RPTRC).  RPTRC comprises a total of three Non-Executive Directors, out of which two of them are Independent Directors. The Chairperson is an Independent Director.
9.14.7	<b>Immediate Disclosures</b>		
9.16	<b>Additional Disclosures</b>		
	(1) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;	Directors and the relevant interests of Directors in the shares of the Company are given in page 78	
	(2) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;	Directors' Statement on Internal Control over Financial Reporting given in page 200	

## GOVERNANCE AND COMPLIANCE

Rule No.	Applicable Requirement	Affirmation/Extent of Adoption
(3)	they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	Given in Corporate Governance and Compliance with Laws and Regulations section of the Annual Report of the board of Directors on the affairs of the company - page 167 Given in Corporate Governance Report - 'Governance Framework' section given in page 116
(4)	disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	None

## COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Code Ref	Requirement	Complied	Reference within the report
A	<b>Directors</b>		
A.1	<b>The Board</b> Should be headed by an effective Board, which should direct, lead and control the Company.		
A.1.1	Board should conduct regular meetings, provide information to the board on structured and regular basis	Complied	Board meetings and attendance Page 120
A.1.2	Role and responsibility of the Board	Complied	Highest governance body Page 117
A.1.3	Act in accordance with laws and seek professional advice	Complied	Informed decision making Page 119
A.1.4	Access to advice and services of the Company Secretary	Complied	Company Secretary Page 119
A.1.5	Independent judgement	Complied	Board composition Page 118
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Complied	Board meetings and attendance Page 119
A.1.7	Calls for resolutions by at least 1/3 of Directors	Complied	Necessity did not arise during the financial year
A.1.8	Board induction and training	Complied	Board induction and training, page 119
A.2	Chairman and Chief Executive Officer	Complied	Separation of roles -Chairman and Chief Executive Officer Page 118
A.3	Chairman's role in preserving good Corporate Governance	Complied	Chair of the highest governance body Page 118
A.4	Availability of financial acumen	Complied	Board profiles Page 30
A.5	Board balance		
A.5.1	The Board should include sufficient number of Non-Executive Directors	Complied	Composition of the highest governance body and its committees Page 117
A.5.2	If the Board includes only three Non-Executive Directors, they should be independent	Complied	

## GOVERNANCE AND COMPLIANCE

Code Ref	Requirement	Complied	Reference within the report
A.5.3	Independence of Directors		
A.5.4	Annual declaration of independence by directors	Complied	Director Independence Page 119
A.5.5	Annual determination of independence of Non-Executive Directors		
A.5.6	Alternate Directors	Not applicable	No alternative director appointed during the financial year 2023/2024.
A.5.7 & A.5.8	Senior Independent Directors	Complied	Appointment of Senior Independent Director Pages 119 and 166
A.5.9	Annual meeting with Non-Executive Directors	Complied	Board meetings and attendance Page 119
A.5.10	Recording of dissent of minutes	Complied	Board meetings and attendance Page 119
A.6	Supply of information	Complied	Informed decision making Page 119
A.7	Appointments to the Board and Re-election	Complied	Retirement by rotation and re-election of Directors Page 118
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	Complied	Remuneration and Nomination Committee report. Page 172
A.7.2	Annual assessment of Board composition	Complied	Evaluation of performance of Directors Page 119
A.7.3	Disclosures on appointment of new directors	Complied	Board appointments Page 117
A.8	Directors to submit themselves for re-election	Complied	Retirement by Rotation and Re-Election of Directors. Page 118
A.9	Appraisal of Board and sub-Committee Performances	Complied	Evaluation of performance of Directors Page 119
A.10	Annual report to disclose specified information regarding Directors	Complied	Board profiles Page 30 Board Meetings and attendance, Page 119
A.11	Appraisal of the CEO	Complied	Appraisal of Chief Executive Officer Page 123

Code Ref	Requirement	Complied	Reference within the report
<b>B</b>	<b>Directors' remuneration</b>		
B.1	Establish process for developing policy on executive and Director remuneration.	Complied	There were no Executive Directors on the Board of the Company during the year 2023/2024.
B.2	Level and Make Up of Remuneration	Complied	Remuneration and Nomination Committee report Page 172
B.3	Disclosures related to remuneration in Annual Report Remuneration Policy statement, Aggregate Board remuneration paid	Complied	Remuneration and Nomination Committee report Page 172
<b>C</b>	<b>Relations with Shareholders</b>		
C.1	Constructive use of the AGM & other General Meetings	Complied	Annual General Meeting Page 123
C.2	Communication with shareholders	Complied	Shareholder Communication Page 123
C.3	Disclosure of major and material transactions	Complied	No major transaction during the year
<b>D</b>	<b>Accountability &amp; Audit</b>		
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Complied	SDF has reported a true and fair view of its financial position and performance for the year ended 31 March 2024 and at the end of each quarter of the financial year and all price sensitive information has been disclosed in a timely manner.
D.1.1	Balanced Annual Report	Complied	Directors' report in the Annual report, page 167
D.1.2	Balanced and understandable communication	Complied	Directors' report in the Annual report, page 167
D.1.3	CEO/CFO declaration	Complied	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement, Page 199
D.1.4	Directors Report declarations	Complied	Directors' report in the Annual report, page 167
D.1.5	Financial reporting - statement on Board responsibilities	Complied	Directors' Responsibility for Financial Reporting page 200
	Statement on internal control	Complied	Directors' Statement on Internal Control over Financial Reporting page 202
D.1.6	Management Discussion & Analysis	Complied	Management Discussion Analysis, page 60

Code Ref	Requirement	Complied	Reference within the report
D.1.7	Net Assets < 50%	Complied	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.
D.1.8	Related Party Transactions Report	Complied	All related party transactions as defined in Sri Lanka Accounting standard 24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 43 to the financial statements on page 265
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Complied	Risk Management Report of the Board Integrated Risk Management Committee, page 177 and Directors' Statement of Internal Control, page 202
D.3	Audit Committee	Complied	Report of the Board Audit committee, page 174
D.4	Related Party Transactions Review Committee	Complied	Related party transactions review committee report, page 176
D.5	Code of Business Conduct and Ethics	Complied	The code of conduct and ethics and the procedure for disseminating, monitoring and compliance with the code have been introduced company wide and the Chairman confirms that he is not aware of any material violations of the Code of Conduct.
D.6	Corporate Governance Disclosures	Complied	Corporate Governance Report, Page 116
E/F	<b>Institutional and other investors</b> Institutional and other investors	Complied	The company has 2,361 Ordinary voting shareholders of which above 1,300 are institutional shareholders. All shareholders are encouraged to participate at AGM and cast their votes. Investor relations hotline/email is open for any investor to reach out to the CEO or Directors if required
G	<b>Internet of Things &amp; Cybersecurity</b>	Complied	Integrated Risk Management report, Page 182
H	<b>Principles of Sustainability Reporting</b>	Complied	Independent Assurance Report On Sustainability Reporting Page 204

## We journey towards excellence by supporting women entrepreneurs, strengthening the backbone of our nation



“

Sirima is a carpet weaver from Matara who transforms rope into beautiful, colourful carpets. Stepping in to expand her production capacity, SDF provided an infusion of capital to procure more raw materials, leading to an increase in sales and a surge of popularity in her products.



## REPORT OF THE SENIOR INDEPENDENT DIRECTOR

This report is presented in accordance with the requirement set out in Section 9.6.3 (e) of the revised Listing Rules of Colombo Stock Exchange (CSE), which came into effect on 1st October 2023.

In terms of the Section 6.3 of Finance Business Act Direction No.05 of 2021 of Central Bank of Sri Lanka (CBSL) the requirement of appointing a 'Senior Independent Director' (SID) to Sarvodaya Development Finance PLC (SDF) has been arisen. As per said requirement, the Chairperson of the Licensed Finance Company to be an Independent Director and in case where the Chairperson is not independent, one of the Independent Directors to be appointed as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element.

Mr. Channa de Silva, Non-Executive, Non-Independent Director was re-appointed to the Board of SDF as the Chairman with effect from 10th January 2022 and the undersigned was appointed as the Senior Independent Director (SID) of the Company with effect from 10th January 2022.

### ROLE AND RESPONSIBILITIES OF SENIOR INDEPENDENT DIRECTOR

In terms of role and responsibilities of the SID of the Company as stated in the Terms of Reference, SID shall preserve good governance in Board proceedings and facilitate the effective discharge of Board functions with a greater independent element, including effective participation of Non-Executive Directors meetings whilst ensuring an independent element in those discussions and deliberations and the views of Directors on issues under considerations are ascertained and are considered by the Chairman in arriving at decisions and recommendations of the Board.

Further, among the principal responsibilities of SID, the crucial role is to assist the Chairman in fulfilling his duties effectively. This involves serving as a liaison between the Chairman and the Non-Executive Directors, as needed, and ensuring smooth communication and collaboration among them, thus ensuring the efficient functioning of the Board.

The role and responsibilities of the SID are crucial within the framework of Corporate Governance regulations, which are subject to frequent review and revision by regulators. The SID is dedicated to upholding the necessary governance standards while providing necessary assistance to the Chairman of the Board. This is achieved through fostering discussions and communications among Non-Executive and Independent Directors to address the Board's developmental needs, ultimately enhancing its overall effectiveness.



**Dhammika Ganegama**  
Senior Independent Director

29 May 2024

## REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Sarvodaya Development Finance PLC. (SDF) take pleasure in presenting their Annual Report on the state of affairs of the Company together with the Audited Financial Statements for the year ended 31 March 2024 as required by Section 168 of the Companies Act No. 07 of 2007, Finance Business Act Directions No. 5 of 2021-Corporate Governance and the Listing Rules of the Colombo Stock Exchange. It is also guided by the Recommended Best Practices on Corporate Governance.

This Report was approved by the Directors at its meeting held on 29 May 2024.

### CORPORATE PHILOSOPHY

The Vision and Mission Statements, the Guiding Values and the Arthadharma Geethaya (Song), express the overarching philosophy and culture of the Company.

### LEGAL FORM

The Company was a limited liability company incorporated in Sri Lanka on 1 January 2010 under the Companies Act No. 07 of 2007 bearing Registration PQ 00251293, converted to a public limited liability company on 6 January 2022 and was admitted to the Official List of the Colombo Stock Exchange on 14 December 2021. It commenced business operations as a Licensed Finance Company (LFC) on 19 December 2012, regulated under the Finance Business Act No. 42 of 2011.

### LOCATION

The Company's Registered Office, which is also its Head Office, is located at No.155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka. The contact details of the Company are given under Corporate Information.

### BRANCH NETWORK

As at 31 March 2024, the Company's branch network comprised 56 Branch Offices within the purview of eleven regions (pages 39 to 40). During the financial year, five branches were rebranded and strategically relocated with greater visibility to enable our customers in those strategic locations to have easy access to our products and services. This move not only helped to retain the existing customers but also helped to attract new customers.

### REVIEW OF PERFORMANCE AND RISK MANAGEMENT

The Chairman's Message (pages 18 to 21) and the Chief Executive Officer's Review (pages 22 to 24) encapsulate the Company's business performance during the current financial year, set against the wider economic background as indicated in the Management Discussion and Analysis (pages 60 to 114). A detailed report on Assessing and Managing Risk is given in page 182 to 197.

### STATUTORY/REGULATORY COMPLIANCE

The disclosures in this Annual Report conform to the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto; as well as the Directions, Rules, Notices, Determinations and Guidelines, for Non-Bank Financial Institutions, issued by the Central Bank of Sri Lanka (CBSL) under enabling legislation. The Directors are also taking steps to resolve any issues of non-compliance and the Listing Rules of the Colombo Stock Exchange.

### PRINCIPAL ACTIVITIES

Pursuant to obtaining the finance company's license in December 2012, the Company's principal business activities during the year were deposit mobilisation, microcredit (represented by bulk loans to Sarvodaya Societies), microcredit including gold loans to individuals and individual entrepreneurs, corporate and retail credit (represented by personal loans, business loans, mortgage loans, SME, and leasing), and other credit facilities and related services.

### FINANCIAL STATEMENTS

The Financial Statements of the Company (pages 211 to 284), have been prepared in accordance with the Sri Lanka Accounting Standards and the Sri Lanka Financial Reporting Standards (SLFRSs /LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 and the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.

The Financial Statements of the Company duly signed by the Head of Strategic Planning/Acting Head of Finance and the Chief Executive Officer with the approval of the Chairman and a Director on behalf of the Board which are attached hereto form an integral part of the Annual Report.

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In terms of Section 150(1) and 151 of the Companies Act No. 07 of 2007, The Directors confirm by declaration (page 200) that they are responsible for the preparing and presenting of the Financial Statements and that they give a true and fair view of the affairs of the Company for the year ended 31 March 2024.

The Directors are of the view that the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes to the Financial Statements for the year ended 31 March 2024 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs/LKASs), the Companies Act No.

## Governance and Risk Management

REPORT OF THE BOARD OF DIRECTORS  
ON THE AFFAIRS OF THE COMPANY

07 of 2007, the listing rules of the Colombo stock exchange, the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and the Directions/Rules made under Finance Business Act No. 42 of 2011 and Directions issued thereto.

Furthermore, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future and has adopted the 'going concern' basis in preparing these Financial Statements.

**DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board has issued a statement on the internal control mechanism of the Company as per Section 16.1 (ix) of Finance Business Act Directions No. 5 of 2021 - Corporate Governance.

The Directors confirm by declaration (page 202) that they are responsible for the adequacy and effectiveness of the internal control mechanism in place in the Company. Recognising its responsibility in maintaining the safety and soundness of the Company and safeguarding its assets and resources, the Board has instituted an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and the process includes the system of internal control over financial reporting.

The Board confirms that apart from regularly reviewing this process, it has also instituted systems and procedures which comply with relevant laws and regulations to keep abreast of industry norms. The Board also affirms that the Company's internal control mechanism has been designed to provide reasonable assurance with regard to the reliability of financial reporting and that the preparation of Financial Statements has been carried out according to the Sri Lanka Accounting Standards (SLFRSs/LKASs), and the other regulatory requirements of the Central Bank of Sri Lanka.

**AUDITOR'S REPORT**

The Auditor's Report on the Financial Statements of the Company for the year in review is set out in this Annual Report (pages 211 to 214).

**ACCOUNTING POLICIES AND CHANGES DURING THE YEAR**

The Board of Directors wishes to confirm that there were no changes to the Accounting Policies applied by the Company during the year under review. The Directors are of the view that these policies have been applied consistently supported by informed judgements. Significant Accounting Policies together with the notes adopted in preparation of the Financial Statements of the Company is given from the pages 220 to 284 of these Financial Statements comply with the requirements of

Sri Lanka Accounting Standards 01 on "Presentation of Financial Statements" (LKAS 01) and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

**ARTICLES OF ASSOCIATION AND CHANGES DURING THE YEAR**

During the financial year under review, no revisions and/or amendments were made to the Company's Articles of Association.

**ACCOUNTING PERIOD**

The financial accounting period reflects the information from 01 April 2023 to 31 March 2024.

**FINANCIAL RESULTS AND APPROPRIATIONS****Interest Income**

The Company recorded a total interest income of Rs. 3,326.77 Mn for the year ended 31 March 2024 (Rs. 2,597.49 Mn in financial year 2023). This represents a positive growth of total interest income by Rs. 729.28 Mn or 28% compared to the previous year. A more descriptive analysis of the interest income is given in note no. 5 (page 227) to these Financial Statements.

**Profit and Appropriations**

The Company recorded a profit after tax of Rs. 249.60 Mn for the year ended 31 March 2024 (a profit after tax of Rs. 221.65 Mn in financial year 2023). This represents an increase of Rs. 27.95 Mn or 12.6% compared to the previous year. The Company recorded a total comprehensive income of Rs. 233.43 Mn for the year ended 31 March 2024 (a total comprehensive income of Rs. 219.49 Mn in financial year 2023).

As per the guidelines and criteria laid down in the Section 3 (b) (i) of Finance Companies (Capital Funds) Direction No.1 of 2003 of the Central Bank of Sri Lanka, the Board of Directors transferred Rs. 12.48 Mn (Rs. 11.08 Mn in financial year 2023) to the Company's 'Statutory Reserve Fund' during the year under review.

Details of the Company's performance and appropriation of profit are tabulated below.

	2024 LKR ('000)	2023 LKR ('000)
Profit/(Loss) After Taxation	249,596.65	221,649.45
Profit Brought Forward from Previous Year	570,926.67	437,316.53
Profit Available for Appropriation	820,523.32	658,965.98
<b>Appropriations</b>		
Other Comprehensive Income / (Expenses)	(16,168.98)	(2,158.82)
Transfer to Reserves	(12,479.83)	(11,082.47)
Final Dividend	(112,197.04)	(74,798.03)

	2024 LKR ('000)	2023 LKR ('000)
Total Appropriation	(140,845.85)	(88,039.32)
Un-appropriated Profit Carried Forward	679,677.47	570,926.67
Proposed final dividend	Nil	Nil

**PROPERTY, PLANT & EQUIPMENT**

The total capital expenditure incurred on Property, Plant and Equipment (including capital work in progress) of the Company in the year ended 31 March 2024 amounted to Rs. 114.34 Mn (Rs. 40.87 Mn in financial year 2023). The detailed analysis of Property, Plant & Equipment belonging to the Company as at year end are disclosed in note no 25, on pages 248 to 249.

During the financial year under review, Company revalued its land as at 31 March 2024 to comply with the provisions of section 31 of LKAS 16 : Property, Plant and Equipment. The details of such revaluation and the resulted revaluation surplus are fully described under note no 25 (Page 248) to the Financial Statements.

**STATED CAPITAL**

The stated capital of the Company as at 31 March 2024 amounted to Rs. 2,696.11 Mn (Rs. 2,696.11 Mn as at 31 March 2023). The stated capital is the total of all amounts received by the Company in respect of the issued share capital.

**RESERVES**

Total Reserves of the Company, including Retained Earnings, stood at Rs. 874.61 Mn (Rs. 753.34 Mn in the financial year 2023) at the end of the financial year.

A summary of Reserves of the Company at the end of the financial year is as follows.

	2024 LKR ('000)	2023 LKR ('000)
Statutory Reserve Fund	138,413.09	125,933.26
Revaluation Reserve	56,514.76	56,514.76
Retained Earnings	570,926.66	570,926.66
Total	679,677.47	753,374.69

**CONTINGENT LIABILITIES**

There were no material contingent liabilities as at the reporting date except as disclosed in note no 38 on page 262 to these Financial Statements.

**OUTSTANDING LITIGATIONS**

In consultation with the Company Lawyers, the Board of Directors opine that the pending litigations against the Company as at the reporting date will not have any material impact

on the reported financial results or the future operations of the Company. The litigations against the Company are fully disclosed under note no 38 on page 262 to the Financial Statements.

**ENVIRONMENTAL PROTECTION**

The Directors, to the best of their knowledge and belief, are satisfied that the Company has not engaged in any activities, which have caused adverse effects on the environment and it has complied with the relevant environmental regulations.

**EVENTS OCCURRING AFTER THE REPORTING DATE**

There have been no material events and/or circumstances that have arisen since the reporting date that would require adjustments to or disclosure in the financial statements, other than those disclosed in note no 44 on page 267 to the Financial Statements.

**ISSUE OF SHARES OR DEBENTURES**

The Company did not issue any shares or debentures during the financial year under review.

**SHARE INFORMATION**

There were 2,361 shareholders registered as at 31 March 2024 (2,385 shareholders as at 31 March 2023). Top 20 shareholders and the shareholding structure information are set out on page 77 under Investor Review.

**DIRECTORS' SHAREHOLDINGS**

The Directors shareholding and the relevant interests of Directors in the shares of the Company as at 31 March 2024 are disclosed in page 78.

**DIRECTORATE**

Mr.Masayoshi Yamashita who was a Non-Executive, Non-Independent Director of the Company retired during the year under review and thus, ceased to be a Director w.e.f. 27 August 2023

Accordingly, the following Directors held office at the end of the financial year.

Name	Status
Mr. Channa de Silva	Chairman/Non-Executive, Non Independent Director
Mr. Dhammika Ganegama	Senior Director/Non-Executive, Independent Director
Mr. C. Amrit CanagaRetna	Non-Executive, Independent Director
Mr. Ramesh Schaffter	Non-Executive, Non-Independent Director
Mr. S. Nandhanan Senthilverl	Non-Executive, Non-Independent Director
Ms. Shehara De Silva	Non-Executive, Independent Director

## Governance and Risk Management

### REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The six-member Board of Directors of the Company who held directorships as at 31 March 2024 are composed of distinguished professionals whose financial acumen in banking, finance, economics and allied fields have been invaluable in guiding the destinies of the Company during their tenure of office. The profiles of the Directors appear on pages 30 to 33.

#### MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors held twelve (12) monthly meetings, during the year under review. The attendance schedule is given in the Corporate Governance Report on page 120.

#### BOARD SUB-COMMITTEES

The Board has delegated some responsibilities to five (5) oversight committees without derogating from its ultimate responsibility to the Company. They are:

- (i) Board Integrated Risk Management Committee (BIRMC);
- (ii) Board Audit Committee (BAC);
- (iii) Board Nomination and Remuneration Committee (BNRC);
- (iv) Related Party Transactions Review Committee (RPTRC) and;
- (v) Board Credit Committee (BCC).

The composition, functions and responsibilities of the first four committees are set out in their respective reports as at 31 March 2024 and included in this Annual Report.

#### MANAGEMENT LEVEL COMMITTEES

The Board also appointed five (5) management level committees in line with industry norms. These are:

- (i) Asset-Liability Committee (ALCO),
- (ii) Management Committee (ManCom),
- (iii) IT Steering Committee (ITSC)
- (iv) Management Credit Committee (MCC) and;
- (v) Product Development Committee (PDC).

#### DIRECTORS' REMUNERATION

As required by Section 168 (1) (f) of the Companies Act No.07 of 2007, the Directors' fees and emoluments for the financial year ended 31 March 2024 and 31 March 2023 are stated below and disclosed under note no 43 to these Financial Statements on page 265.

	2023 LKR ('000)	2022 LKR ('000)
Directors' Fees and Emoluments	9,140	7,940

#### CORPORATE GOVERNANCE

The Company's report on Corporate Governance, which appears on pages 116 to 164, complies with Finance Business Act Directions No.5 of 2021 - Corporate Governance and other regulatory requirements.

SDF has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.

The Board has obtained the Assurance Report from its External Auditors, Messrs Ernst & Young (Chartered Accountants) on the Internal Control over Financial Reporting and the same is disclosed on page 201 Also, the Company has obtained a factual findings reports on Corporate Governance from External Auditors over the compliance of corporate governance directions and the Company is in the process of strengthening the procedure.

#### APPRAISAL OF BOARD PERFORMANCE

Each Board Director of the Company, in conformity with the section 1.5 (d) of Finance Business Act Directions No.5 of 2021 - Corporate Governance, undertakes a self-assessment annually by answering a self-assessment questionnaire. The Board of Directors undertook the self-assessment for the year under review. The extent of compliance is fully described on page 125 in the Company's report on Corporate Governance.

The Board also carried out an annual self-evaluation of its subcommittees to ensure that they discharge their duties and responsibilities satisfactorily, in terms of Finance Business Act Directions No. 5 of 2021 - Corporate Governance and the Best Practices of Corporate Governance.

#### STATUTORY PAYMENTS

The Directors are satisfied, to the best of their belief and knowledge, that all statutory dues, vis-à-vis the Government and the Company's employees, have been paid up-to-date on a timely basis.

#### EMPLOYEE SHARE OWNERSHIP AND PROFIT SHARING PLANS

There are no immediate plans to introduce employee share ownership and profit sharing schemes.

#### AUDITORS

The Company's External Auditors during the period under review were M/s Ernst & Young, Chartered Accountants. They were appointed with effect from 14 February 2013, pursuant to a Directive by the Central Bank of Sri Lanka (CBSL) in October 2012, where Licensed Finance Companies were required in terms of the Finance Business Act No. 42 of 2011, to appoint an External Auditor from a Panel of Independent Auditors, as listed by the Central Bank.

With the completion of a 10-year period with Messrs Ernst & Young, the company has appointed Deloitte Associates as the company auditors according to section 10 of the Corporate Governance Direction. A resolution regarding the new

appointment and remuneration will be submitted for approval by the shareholders at the Annual General Meeting scheduled for 27 June 2023.

Auditors' remuneration consists of two types of fees, as follows:

- i. Audit service fees for the year under review and;
- ii. Audit-related fees for non-audit services.

The Company paid the following sums for audit and related services, as well as non-audit services, to M/s. Ernst & Young, Chartered Accountants. Agreed-Upon Procedures engagement to comply with the Finance Business Act Directions No. 5 of 2021 - Corporate Governance and Assurance engagement on the Directors' Statement of Internal Control have been classified as audit-related services. The fees paid for these services during the year under review are included under audit and related services accordingly. Non-audit services mainly comprised fees paid during the year under review for tax consultancy services and payment for the Accountants' Report provided by auditors.

	2024 LKR ('000)	2023 LKR ('000)
Audit and Related Services	2,470.00	2,470.00
Non Audit Services	1,521.99	1,521.99

#### COMPLIANCE WITH PRUDENTIAL REQUIREMENTS, REGULATIONS LAWS AND INTERNAL CONTROLS

The Company has not engaged in any activity contravening any laws and regulations. There have been no irregularities involving management or employees that could have material financial effect or otherwise resulting in non-compliance with prudential requirements, regulations, laws and internal controls. The Directors' Statement on Internal Control over Financial Reporting (page 202) confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Company has obtained a certificate from the External Auditors on the effectiveness of the Internal Control mechanism on page 201.

#### GOING CONCERN

The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business in the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

#### PREPARATIONS FOR ADOPTING NEW REGULATIONS

An alternative format has been used in presenting accounting policies to minimize disclosure overload and clutter in the Financial Statements. These Financial Statements comply with the requirements of the Sri Lanka Accounting Standards - LKAS 1 on 'Presentation of Financial Statements' and with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 220 to 226. The significant changes to accounting policies adopted if any, in the preparation of the Financial Statements are given in Note 3.1 on pages 222 to 223.

#### NOTICE OF MEETING

Notice convening the 14 Annual General Meeting of the Company is given on page 297.

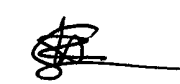
#### ACKNOWLEDGMENT OF THE CONTENTS OF THE REPORT

As required by section 168 (1) (k) of the Companies Act No 07 of 2007 the Board of Directors hereby acknowledge the contents of this report.

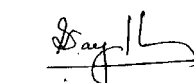
For and on behalf of the Board of Directors of Sarvodaya Development Finance PLC.



**Channa de Silva**  
Chairman



**Dhammika Ganegama**  
Senior Director



**(Mrs) Shiromi Patabendige**  
Company Secretary

29 May 2024

## REPORT OF THE BOARD NOMINATION AND REMUNERATION COMMITTEE

### OBJECTIVES AND SCOPE

The Board Nomination & Remuneration Committee (BNRC) is a pivotal component in ensuring the financial health and success of SDF. Established to safeguard the interests of both the Board and employees, the BNRC focuses on optimizing HR policies, remuneration structures, and corporate governance practices to align with SDF's strategic objectives. With a keen eye on financial sustainability, the BNRC meticulously evaluates and recommends new Board appointments to enhance decision-making prowess and drive organizational growth. By championing a transparent and efficient "Hire to Retire" process, we aim to bolster SDF's reputation and attract high-caliber talent, thereby bolstering the company's financial performance.

Moreover, by adhering to statutory and regulatory requirements outlined by CBSL and other governing bodies, the BNRC ensures compliance while fostering a culture of integrity and accountability within SDF. This commitment to financial prudence and regulatory compliance not only mitigates risk but also enhances investor confidence and strengthens the company's financial standing in the market.

### THE ROLE AND RESPONSIBILITIES

The BNRC is entrusted with pivotal functions geared towards enhancing financial governance and strategic human resource management within the organization. These responsibilities include:

- I. Formulating recommendations to the Board concerning the compensation and benefits structure for Non-Executive Directors, ensuring alignment with corporate objectives and industry standards.
- II. Determining and finalizing remuneration packages during recruitment and performance evaluation cycles for key management personnel within the SDF, ensuring competitiveness and alignment with organizational goals.
- III. Conducting interviews and providing recommendations on employment terms or contractual adjustments for key management hires, facilitating strategic talent acquisition and retention.
- IV. Establishing the terms of compensation packages in cases of premature termination of Executive Director contracts, and advising the Board on the content of the Annual Report on Directors' remuneration.
- V. Assisting the Board in shaping and optimizing Human Resource Policies, ensuring compliance with statutory and regulatory frameworks while fostering a conducive work environment.

- VI. Approval of Performance Goals for Key Management Personnel, aligning individual objectives with organizational strategies to drive performance excellence.
- VII. Providing guidance on best practices and initiatives to bolster employee well-being, training, and retention efforts, thereby nurturing a skilled and motivated workforce.

Accordingly, the following role and responsibilities of BNRC has been amalgamated with BNRC; namely,

- I. Propose suitable Charter for the appointment and re-appointment of Directors to the Board and to act in accordance with such Charter in proposing appointments and re-appointments. Such Charter shall cover areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict vis-à-vis the business of the Company, etc.
- II. Consider making of any appointment or re-appointment to the Board
- III. Provide advice and recommendations to the Board or the Chairman (as the case may be) on any such appointment
- IV. Regularly review the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes (a member of the Nomination BNRC should not participate in decisions relating to his/her own appointment)
- V. Adopt a scheme of self-assessment to be undertaken by each Director annually
- VI. Designating Key Management Personnel
- VII. Ensure 'fit and proper' of Directors and Key Management Personnel
- VIII. Approve Key Management Personnel Succession Plan and periodically review selected successors for Key Positions

### COMPOSITION

The BNRC comprised four (4) Non-Executive Directors as at 31st March 2024 as mentioned below. The Chairman of the BNRC is an Independent, Non-Executive Director.

Name	Designation
Mr. Dhammika Ganegama	Chairman/Non-Executive, Independent Senior Director
Mr. Channa de Silva	Member/Non-Executive, Non Independent Director
Mr. C. Amrit CanagaRetna	Member/Non-Executive, Independent Director
Ms. Shehara De Silva	Member/Non-Executive, Independent Director

The Profiles of the BNRC members are set out on pages 30 to 33 of this Annual Report. Mr. Ruwin Yapa, Head of Human Resource, functions as the Secretary to the BNRC.

### MEETINGS

The BNRC meets regularly, at least two times a financial year. The Chief Executive Officer and the Head of Human Resource participate at meetings of the BNRC by invitation. The Minutes of each BNRC meeting held are submitted to the Board for their information and decision making on the implementation of recommendations made by the BNRC.

The BNRC held two (2) meetings during the current year and the recommendations made by the BNRC were circulated and ratified by the Board of Directors.

	07-APR-23	18-SEP-23
Mr. Dhammika Ganegama - Chairman	✓	✓
Mr. Channa de Silva - Member	✓	✓
Mr. C. Amrit CanagaRetna - Member	✓	✓
Ms. Shehara De Silva - Member	✓	✓

### REMUNERATION POLICY

#### Reward strategy

The Committee is responsible for supervising the Company's reward strategy, ensuring that employees receive compensation commensurate with their performance, skills, experience, and level of responsibility. This approach facilitates the retention of talented individuals essential for executing the Company's strategic objectives.

In accordance with principles of good governance, our remuneration policy is designed to reinforce our organizational culture and promote behaviour aligned with our values. By motivating employees to maintain high performance levels, it contributes to the attainment of our strategic priorities.

### REMUNERATION PACKAGE AND OTHER BENEFITS

The Committee diligently evaluates the compensation structure of our employees, aligning it with the Company's performance against predetermined Key Performance Indicators (KPIs), the contributions of individuals at the managerial level, comparative remuneration analysis with peer organizations, institutional directives, and insights from specialized industry consultants.

In parallel, we prioritize the well-being of our employees by offering an array of benefits, such as staff loan programmes, comprehensive health insurance coverage, critical illness protection, and personal accident insurance, ensuring their holistic welfare and security.

### KEY POLICY MATTERS REVIEWED/INTRODUCED DURING THE REVIEW PERIOD

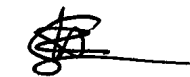
The BNRC continued providing visionary guidance and support to the Management team to realise agreed sustainable growth by introducing new HR policies/procedures, developing staff talent to align the entire workforce towards a performance-driven culture.

### THE BNRC REVIEWED/INTRODUCED THE FOLLOWING POLICY MATTERS DURING THE FY 2023/24.

- ➔ Based on the performance appraisal process, eligible employees were given Bonuses based on their performance.
- ➔ Continuous advocating and guidance on skills development, capacity building and succession planning.
- ➔ Continuous monitoring and highlighting the need for effective staffing, cost management, adoption to diversity guidelines, Transparency & fair policy and best practices within SDF.
- ➔ Closely monitor and suggest staff welfare and motivational programmes.

The BNRC prioritizes training, highlighting its significance in fostering continuous growth and development within the organization. By actively promoting ongoing training and exposure, HR plays a pivotal strategic role in enhancing employees' existing skill sets, broadening their experiences, and deepening their knowledge base. Such training initiatives not only introduce fresh perspectives and innovative ideas but also serve to motivate employees by demonstrating the organization's investment in their professional development. With the BNRC's expansion and diversification, there is a recognized need for employees to possess versatile skill sets, enabling them to function effectively across various roles and regions.

Aggregate remuneration paid to Non-Executive Directors is disclosed in note 43 to the financial statements on page 265 as per the requirements of section 10 (2) (e) of the Corporate Governance Direction No. 3 of 2008 and Amendments thereto.



**Dhammika Ganegama**  
Chairman - Board Nomination and Remuneration Committee

29 May 2024



## REPORT OF THE BOARD AUDIT COMMITTEE

### CHARTER OF THE COMMITTEE

The Terms of Reference of the Board Audit Committee (BAC) are clearly defined in the Charter of the BAC which is periodically reviewed and revised with the concurrence of the Board of Directors. The process ensures that new development and concerns are adequately addressed. The BAC is responsible to the Board of Directors and reports on its activities regularly. The functions of the BAC are designed to assist the Board of Directors in its general oversight on financial reporting, internal and external audits and compliance with legal and regulatory requirements and risk management.

### THE ROLE AND RESPONSIBILITIES

The BAC is expected to ensure;

- ⊖ the integrity of the financial reporting of the Company and the compliance with financial reporting requirements, information requirements of the Company's Act and other related financial reporting regulations.
- ⊖ the effectiveness of the internal control system and the Company's Risk Management function
- ⊖ the Company's ability to continue as a going concern in the foreseeable future
- ⊖ independence and effectiveness of the Company's External Auditors
- ⊖ performance of the Company's Internal Audit function
- ⊖ the Company's compliance with legal and regulatory requirements including the performance of the Company's compliance function

The BAC is currently in compliance with section 8.2 of Finance Companies (Corporate Governance) Direction No.3 of 2008 and the Section 10.2 of the Finance Business Act Directions No.5 of 2021 – Corporate Governance will be adopted from the financial year 2024/2025 which is under transitional provision until 1st July 2024.

### AUTHORITY

The BAC has the entire authority to investigate into any matter, including call any employee to be questioned at a meeting of the BAC, full access to information and authority to obtain external professional advice, at the Company's expense.

### COMPOSITION

Members of the BAC are appointed by the Board and comprised entirely of Non-Executive Directors. The BAC comprised of three Non-Executive Directors of the Company as at 31st March 2024, as shown below:

Name	Designation
Mr. Ramesh Schaffter	Chairman of the Committee/ Non-Executive/Non-Independent Director
Mr. Channa de Silva	Member /Non-Executive/Non-Independent Director
Mr. C. Amrit CanagaRetna	Member / Non - Executive Independent Director

The Profiles of the BAC members are set out from pages 30 to 33 of this Annual Report. Mr. Dilusha Samarathunga, Manager - Internal Audit, who is a Member of Certified Management Accountant, functioned as the secretary to the BAC until 31st January 2024 due to his resignation and subsequently Officer in charge - Internal Audit performed secretarial duties to the BAC until 31st March 2024.

Mr. Ramesh Schaffter, the Chairman of the Audit Committee, has been appointed to the Board Audit Committee w.e.f. 31st August 2022.

### MEETINGS

The attendance of the BAC members at the meetings during the financial year under review was as follows:

Name	No. of meetings applicable	No of meetings attended
Mr. Ramesh Schaffter	05	05
Mr. Channa de Silva	05	05
Mr. C. Amrit CanagaRetna	05	05

On the invitation of the BAC, any officer of the Company, External Auditors and any outsider may attend all or part of any meeting. The proceedings of the BAC meetings are recorded with adequate details and reported to the Board of Directors.

### SUMMARY OF ACTIVITIES DURING THE YEAR

#### Financial Reporting

The BAC reviewed the audited Financial Statements of the Company before submission to the Board, in order to monitor the integrity of the Financial Statements and the significant financial reporting judgments contained therein. In reviewing the audited Financial Statements, the BAC focuses particularly on:

- (i) Major judgmental areas,
- (ii) Any changes in accounting policies and practices,
- (iii) Significant adjustments arising from the audit,
- (iv) The going concern assumption, and;
- (v) The compliance with relevant accounting standards and other regulatory requirements.

The BAC also assessed the Company's compliance status with financial reporting requirements, information requirements of the Companies Act, Finance Business Act, SEC Act, and other relevant financial reporting related regulations.

#### INTERNAL CONTROLS, RISK MANAGEMENT FUNCTION AND GOING CONCERN

The BAC keeps under review the Company's internal controls and risk management systems ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing

Standards and Assurance from the CEO and the HOSP of the Entity's operations and finances.

The BAC also assesses the Company's ability to continue as a going concern in the foreseeable future. The BAC reviewed and approved the 'Directors' Statements on Internal Controls over Financial Reporting' to be included in the Annual Report.

### EXTERNAL AUDIT

The BAC monitors independence and objectivity of the audit processes of external audit in accordance with applicable standards and best practice. The BAC with the approval of the Board of Directors developed and implemented a policy for engagement of External Auditors to provide non-audit services to safeguard the Auditors' independence and objectivity.

The BAC met the External Auditors Messrs Ernst & Young during the year under review and provided the opportunity to discuss the issues, problems and reservations arising from audits including those matters that may need to be discussed in the absence of Key Responsible Persons. The BAC also reviewed the External Auditors' Management Letter and management responses thereto.

The BAC recommended to the Board that Messrs Ernst & Young; Chartered Accountants be reappointed as External Auditors of the Company for the financial year ending 31st March 2024, subject to the approval of the Shareholders at the next Annual General Meeting held on 26th Jun 2023.

### INTERNAL AUDIT

The BAC reviewed the adequacy of the scope, functions and resources of the Internal Audit Department and satisfied itself that the Department has the necessary authority to carry out its work and monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system. The BAC ensured that the internal audit function is independent from the activities it audits and that it is performed with impartiality, proficiency and with due professional care. The BAC also reviews and monitors Management's responsiveness to the significant audit findings and recommendations of the Internal Auditor. The Internal Audit Department carried out 46 branch annual audits, 12 branch spot audits, 41 Gold stock audit, 03 functional audits and 08 special investigation audits during the year under review.

### OVERSIGHT ON REGULATORY COMPLIANCE

The BAC with the assistance of internal audit closely examined the compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

### ETHICS AND GOOD GOVERNANCE

Highest standards of Corporate Governance and adherence to the Company's Code of Ethics are ensured. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other means.

### WHISTLE-BLOWING AND FRAUD

The Whistle Blower Policy that was implemented in year 2017 which was subsequently revised is intended to encourage and enable employees and others to raise serious concerns internally, so that Board of Directors and the Corporate Management can address and correct inappropriate conduct and actions.

In the event of whistle-blower is uncomfortable or reluctant to report his/her supervisor, then he/she could report the matter to the next higher level of Management including the BAC.

The Whistle-Blower Policy guarantees the maintenance of strict confidentiality of the identity of the whistle-blowers. The policy is subject to regular review in order to further improve the effectiveness.

The BAC engaged the main Board in taking decisions related to matters implemented by the BAC. The main Board thereafter, is fully briefed and take part in making decisions in regards to certain key areas of Operations.

### CONCLUSION

The evaluation of reports and based on independent judgment, the BAC is satisfied about the financial reporting, internal control environment, compliance with statutory requirements, independence and effectiveness of External Auditors and performance of internal audits of the Company.

I take this opportunity to thank the External Auditors, Internal Audit Department and members of the BAC for their participation and contribution to the efforts of the BAC. Also appreciate the support of the Board of Directors in regard to all our activities at the BAC.

We believe that it was a year that we strengthened the organization and moved forward as a financial institution in Sri Lanka.



**Ramesh Schaffter**  
Chairman - Board Audit Committee

29 May 2024

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company.

### COMPOSITION AND ATTENDANCE AT THE MEETINGS OF THE COMMITTEE

During the year under review, the Board Related Party Transactions Review Committee ("the Committee" or "RPTRC") comprised of the following Non-Executive Directors. Profiles of the members as at 31 March 2024, are indicated on pages 30 to 33.

Name of the Director	Director status	Attendance at the Committee Meetings
Mr. C. Amrit CanagaRetna -	Chairman of the Committee / Non-Executive, Independent	4/4
Mr. Channa De Silva	Member/ Non-Executive, Non-Independent	4/4
Mr. Dhammika Ganegama	Senior Director/ Non-Executive, Independent Director	4/4

### TERMS OF REFERENCE & CHARTER OF THE COMMITTEE

The Committee was established by the Board of Directors to assist the Board in reviewing all Related Party Transactions (RPTs) carried out by the Company in terms of the Section 9 of the Listing Rules of Colombo Stock Exchange (CSE) (prior to the revision of the Rules of the CSE on Corporate Governance) and Section 9.14 of the revised Listing Rules of the CSE on Corporate Governance and operates within its Terms of Reference.

### REVIEW OF RELATED PARTY TRANSACTIONS BY THE COMMITTEE

The mandate of the Committee is derived from the the CSE Rules, and the Finance Business Act Directions No. 05 of 2021 on Corporate Governance as applicable to Licensed Finance Companies which includes mainly the following:

- The Committee shall review all Related Party Transactions (RPTs) prior to the transaction being entered into as required by Finance Business Act Directions No. 05 of 2021 on Corporate Governance.

- The Committee shall identify and report all recurrent and non-recurrent related party transactions as required in Section 9.14.6 of CSE Rules for shareholder approval as necessary.
- The Committee shall identify related party transactions that require immediate disclosures, in terms of Section 9.14.7 of CSE Rules, and ensure that required disclosures are made by the Company Secretary to CSE.
- The Committee shall ensure that there is an adequate, effective, and efficient process/system in place at the Company to capture the information with regard to related party transactions relevant to its review function.
- The Committee shall adopt an acceptable process to ensure that conflict of interest situations are avoided, in exercising the review function.
- To publish required disclosures in the Annual Report.
- The Committee shall consider any other areas and enlarge its scope of review if the Board desires to do so.

### METHODOLOGY

In accordance with the guiding principles, a self-declaration is obtained from each Director and Key Management Personnel (KMPs) of the Company to identify persons related to the Directors and KMPs. Therefore, the Company adopts a disclosure-based approach when identifying related parties.

Based on the information provided in these declarations, the Company has established a process that enables the Company to generate related party transaction data across the Company's network.

If a member has a material personal interest in the matter under consideration, or if the RPT directly or indirectly involves a member of this committee, the conflicting member immediately informs the committee and excludes himself from the meeting, and the member was not present at the meeting during the matter considered and abstained from voting on the matter.

### ACTIVITIES IN 2023/2024

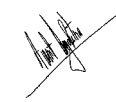
- The Committee met four (04) times during the financial year ended 31st March 2024, and the proceedings of the Committee meetings have been regularly reported to the Board of Directors during the financial year.
- There were no non recurrent or recurrent RPT that exceeded the respective thresholds mentioned in the Listing Rules of the CSE.

- Reviewed all Related Party Transactions and confirmed that such transactions occurred at arm's length price.

Details of other RPTs entered into by the Company during the above period are disclosed in Note 43 (Pages 265 to 266) to the Financial Statements.

### DECLARATION

The Board of Directors declares that the Company has related party transactions within the scope of the listing rules in 2023/24, as set out in the annual report of the Board of Directors on the Affairs of the Company on pages 169.



**C. Amrit CanagaRetna**  
Chairman - Related Party Transactions Review Committee

29 May 2024

## Governance and Risk Management

## REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Despite the several challenges faced by the Sri Lankan economy, during the year under review [FY2023-24], the economy has steadily indicated signals of improved macroeconomic stability.

The BIRMC has been closely assessing and reviewing the elevated risks which have arisen from internal and external factors on an ongoing basis while escalating those risks which are seen to be pertinent to the Board in a timely manner to mitigate their impact on the operations of the Company in order to ensure SDF's continued resilience while well managing the risk profile of the Company.

Sarvodaya Development Finance PLC (SDF) firmly believes that the risk management function is the core of the organization since SDF functions as a financial intermediary. A robust risk management system ensures the protection of depositors, investors and key stakeholder interest along with secured long term growth in the organization. The Board of Directors of SDF is the apex body which reviews and monitors the different risk profiles of the Company.

## CHARTER OF THE COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) was established by the Board of Directors in compliance with the Finance Business Act Directions No. 3 of 2008 on Corporate Governance (as amended). The composition and the scope of work of the Committee are in conformity with the provisions of the aforesaid Direction. The provisions of the new Finance Business Act Directions No.5 of 2021 on Corporate Governance relating to the BIRMC will be adopted timely as there is a transitional provision till 1st of July 2024.

The BIRMC Charter clearly sets out the membership, source of authority, duties and the responsibilities of the BIRMC. The Committee assists the Board of Directors in ensuring the Company is financially viable and sustainable by regularly assessing a diverse range of risks faced by SDF in its business operations and assuring the adequacy and effectiveness of the Risk Management Framework implemented by SDF. According to the Charter of the BIRMC, the Committee shall meet at least quarterly or more frequently if required and as per the current practice, the Committee meets once in two months whereas according to the new Finance Business Act Directions No.5 of 2021 on Corporate Governance requires the BIRMC meetings to hold at least quarterly.

## MAIN RESPONSIBILITIES AND DUTIES OF THE COMMITTEE

The BIRMC;

- ⊖ Works with the Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.

- ⊖ Assesses the impact of risks, including credit, market, liquidity, operational, compliance, technology, legal, reputational and strategic risks to the SDF at least on a once in two- months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- ⊖ Develops the risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Company will accept, or avoid, in order to achieve the Company's strategic business objectives.
- ⊖ Reviews the Company's risk policies including RAS, at least annually.
- ⊖ Reviews the adequacy and effectiveness of senior management level committees (such as ALCO, Management Level Credit Committee, Management Committee, Information Technology Steering Committee, Information Security Committee, Product Development Committee and Sustainability Committee) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- ⊖ Oversees and reviews the implementation of risk management as well as compliance and control systems.
- ⊖ Assesses all aspects of risk management including updated business continuity and disaster recovery plans.
- ⊖ Submits a risk assessment report for upcoming Board meetings following the BIRMC meeting seeking the Board's views, concurrence and/or specific directions.
- ⊖ Reviews the overall and the individual branch level risk reports on a quarterly basis based on the reports submitted by the Senior Management to the Committee.

## COMPOSITION OF THE COMMITTEE

During FY2023-24, the BIRMC consisted of two Independent, Non-Executive Directors and their attendance for the seven (7) meetings held during the financial year has been tabled as below.

Name	Designation	No. of Meetings Attended
Mr. C. Amrit CanagaRetna	Chairman – BIRMC Non- Executive, Independent Director	7/7
Mr. Dhammika Ganegama	Senior Director of SDF Non- Executive, Independent Director	7/7

The Profile of the BIRMC Chairman is set out in page 32 of this Annual Report.

The CEO, the COO, Head of Risk Management, Compliance Officer and the other Key Management Personnel supervising broad risk categories i.e. credit, market, liquidity, Capital adequacy, legal, operational, IT & IS, and strategic risks, attended

the meetings upon the invitation. Currently, the Head of Risk Management functions as the secretary to the BIRMC.

All key risk areas such as Credit, Liquidity, Market, Capital Adequacy, IT and Operations are assessed by the Committee on a regular basis through MIS reports and other reports prepared to cover the risk profile of SDF. Apart from assisting the Board in identifying and performing its oversight in relation to both qualitative and quantitative risks, the Committee also ensures the adequacy, soundness and effectiveness of the Risk Management Framework of the Company.

## RISK MANAGEMENT AT SDF

The work of the Committee is supported by the Risk Management Department (RMD) which is headed by the Head of Risk Management. The RMD functions as an independent unit and the Head of Risk Management directly reports to the Chairman of the BIRMC.

## KEY ACTIVITIES IMPLEMENTED IN THE FY 2023-24

Following is a summary of the key areas addressed by the BIRMC during the year under review;

## Integrated Risk Management

- ⊖ Reviewed the KRIs developed for FY 2023/24 to identify significant risks and assessed the adequacy of risk mitigation actions.
- ⊖ Reviewed the Risk Database and top risks of the Company.
- ⊖ Formulated the Risk Appetite Statement (RAS) in line with the SDF's Corporate Strategy.
- ⊖ Assessed all risks, i.e., credit, market, liquidity, operational, legal and reputational and strategic risks of the Company.
- ⊖ Reviewed the implementation of risk management as well as compliance and control systems.
- ⊖ Assessed and reviewed the macro economic factors of local and global to identify the impact on SDF to initiate proactive and corrective measures in terms of changing business, economic, industry and Company dynamics.
- ⊖ Reviewed Risk Management Policy & Procedure.
- ⊖ Reviewed Stress Testing Policy and Framework.
- ⊖ Reviewed Delegated Authority Limits of the MANCOM members.

## Credit Risk

- ⊖ Key focus was given on the deterioration of overall credit quality within the financial industry whilst focusing on internal measures which needs to be undertaken to improve the overall credit quality of the Company.
- ⊖ Frequently reviewed the results of the Stress Tests developed on credit risk.
- ⊖ Reviewed Credit Risk Management Policy & Framework.
- ⊖ Reviewed the Procedure for the Disposal of Repossessed Vehicles and Equipment.

## Operational Risk

- ⊖ Reviewed policies and procedures related to Operational risks such as Business Expansion Policy, Cheque Handling SoP, Gold Loan Manual and Operational Risk Management Framework and Policy.
- ⊖ Reviewed the Whistle Blowing Policy and the Fraud Prevention Policy and Procedure to set guidelines to minimize the operational risks.
- ⊖ Reviewed the Business Continuity Plan of the Company.
- ⊖ Reviewed Customer Complaint Handling Policy.
- ⊖ Frequently reviewed the Operational Loss Database.
- ⊖ Introduced a comprehensive Branch Wise Operational Risk Format and reviewed the Branch Operational Risk Assessment on a quarterly basis.
- ⊖ Reviewed exception reports generated by the Risk Management Department.

## Market Risk &amp; Liquidity Risk

- ⊖ Reviewed policies and procedures related to liquidity risk such as Contingency Funding Policy, and Asset & Liability Management Policy.
- ⊖ Reviewed Market Risk Management Policy and Framework.
- ⊖ Frequently reviewed the results of the Stress Tests developed on Liquidity risk.
- ⊖ Reviewed the adequacy and effectiveness of ALCO activities and reviewed the liquidity position, funding pipeline and liquidity management strategies of the Company.

## IT Risk

- ⊖ Reviewed the newly formulated Technology Risk Management Framework which is a requirement specified in the Finance Business Act Direction no.1 of 2022 on Technology Risk Management and Resilience.
- ⊖ Reviewed the IT Risk Database formulated.

## Compliance

- ⊖ Reviewed the Policy & procedure on Anti Money Laundering (AML) & Combat Terrorist Financing (CTF).
- ⊖ Reviewed Transaction Monitoring reports, Compliance Risk database and Branch wise compliance reviews and the Departmental Wise Compliance confirmations to the CBSL Directions and regulations.
- ⊖ Reviewed annual Risk Assessments conducted on ML & TF for product wise and overall Company wise.
- ⊖ Reviewed the Compliance reviews conducted by the Compliance Department on;
  - publication of financial information and other disclosures on the official website,
  - identification of Ultimate Beneficial Ownership (UBO),
  - screening and creating BSP codes for vehicle buyers,
  - follow up review on Related Party Transactions (RPT),
  - gap analysis between new financial consumer protection regulation and current practice.

**Governance and Risk Management****REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE****ESG Risk & Sustainability**

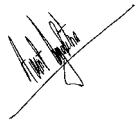
⊖ Reviewed Sustainable Development Policy.

**General**

- ⊖ Reviewed and approved the Terms of Reference of the BIRMC.
- ⊖ Reviewed the Terms of References of the Management Level Committees such as ALCO and Management Committee to ensure effective functioning of these committees and also reviewed the minutes of the management level sub-committees (ALCO, Product Development Committee, ITSC, ManCom).

**Committee Evaluation**

- ⊖ The BIRMC has carried out its self-assessment for the financial year [FY2023/24].



**C. Amrit CanagaRetna**

*Chairman - Board Integrated Risk Management Committee*

29 May 2024

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Acknowledging education's power to change the world, SDF played a principal role with a housing loan for renovating the only preschool in Batawala, Padukka. The improved amenities and facilities of this 25-year-old kindergarten continue to provide the foundation for over 30 children in the area, vital to transitioning them into success stories.

**We journey towards excellence by creating an environment that fosters new ideas and a progressive nation**



# INTEGRATED RISK MANAGEMENT REPORT

## RISK ENVIRONMENT

Following its worst post-Independence downturn, during the year under review, the economy of the country embarked on a transformative path showing promising signs of a positive turnaround with various economic indicators pointing towards growth and resilience. Decisive policy adjustments and structural reforms spearheaded by the Government and Central Bank restored macroeconomic stability, with inflation contained to a single digit in July 2023, marking the beginning of monetary policy normalization. After six consecutive quarters of contraction, a positive GDP growth rate was recorded in the 2nd quarter of the FY 2023-24. Additionally, the upgrade of Sri Lanka's local currency rating by S&P Global Ratings from selective default to CCC+/C reflected an optimistic view of the country's solvency and signified growing confidence in Sri Lanka's financial stability and the effectiveness of its reform measures. In 2023, policy rates have dropped by 5.5%, while the three-month Treasury bill (T-bill) rate dropped by 18.1% and the Average Weighted Prime Lending Rate (AWPLR) by 15.1% and the demand for credit has shown an increasing trend and the private credit to businesses and individuals has surged. Gross Official Reserves stood at US dollars 5.0 billion by end March 2024 which exhibits an improved foreign currency liquidity position supported by import restrictions, bloom in tourist arrivals and elevated workers' remittances. However, the issues of labour market pressure and brain drain have become increasingly prominent.

## GLOBAL AND LOCAL LANDSCAPE

	Risk Event	Risk Level	Trend in FY2024-25	Impact to the Company
Global	Increase in Interstate armed conflicts degrading global security and destabilizing the global financial system and supply chains.	Medium	↻	<ul style="list-style-type: none"> <li>↻ Would result in volatilities in the exchange rate and commodity prices (gold prices, oil prices etc.).</li> <li>↻ Would cause higher NPLs in Gold Loan product.</li> <li>↻ Would lead to an increase in utility expenses.</li> </ul>
	Increased trend in cyberattacks.	Medium	↻	<ul style="list-style-type: none"> <li>↻ A breakdown in critical information infrastructure/ system could result in leakage/ misuse of customer/ business sensitive data.</li> <li>↻ Would expose the Company to reputational and/or legal risks while impairing the customer confidence earned by the Company.</li> <li>↻ Heavy investments required for implementation of preventive and detective measures in technology risk management to ensure resilience.</li> </ul>
Local	Increase in government taxes.	Medium	↻	<ul style="list-style-type: none"> <li>↻ Increased tax rates reduce the profitability of the Company and discourage investments.</li> <li>↻ Would result in the impairment of the repayment capacity of the customers leading to higher credit default risk.</li> </ul>
	Low economic growth than expected.	Low	↻	<ul style="list-style-type: none"> <li>↻ Lower disposable income resulting in low savings.</li> <li>↻ Would impair the repayment capacity of the customers leading to higher credit default risk.</li> </ul>
	Labour market pressure and brain drain.	Medium	↻	<ul style="list-style-type: none"> <li>↻ Would result in difficulties in talent acquisition and talent retention.</li> <li>↻ Increase the acquisition cost which would result in a higher cost to income ratio.</li> </ul>

## RISK UNIVERSE

Being a Licensed Finance Company offering a wide range of financial services, risk is inherent in all our business activities and thereby SDF is prone to internal and external risk events. These risk events can be broadly categorized into two categories as;

- ↻ Quantitative risks and
- ↻ Qualitative risks.

## A SNAPSHOT OF OUR MATERIAL RISKS - FY2023-24

Main Risk Category and Objective	Sub Risk Category	Risk Level FY2023-24	Trend Anticipated in FY 2024-25
<b>Credit Risk</b> To maintain asset quality and a well-diversified portfolio (refer page 190)	Default Risk	Medium	↻
	Concentration Risk	Medium	↻
	Settlement Risk	Low	↻↻
<b>Liquidity Risk</b> To ensure adequate funding for the business operations throughout market cycles, including periods of financial stress (refer page 192)	Funding Liquidity Risk	Low	↻↻
	Market Liquidity Risk	Low	↻↻
<b>Market Risk</b> To safeguard against the adverse movements of market variables (refer page 194)	Interest Rate Risk	Medium	↻↻
	Commodity Price Risk	Low	↻
	Foreign Exchange Risk	Low	↻
	Equity Price Risk	Low	↻↻
<b>Capital Management</b> To maintain sufficient capital buffer to absorb unexpected shocks (refer page 194)		Low	↻↻
	<b>Strategic Risk</b> To minimise risks that affect the achievement of the Company's business strategy and strategic objectives (refer page 195)	Low	↻↻
<b>Operational Risk</b> To streamline the operations while ensuring smooth and effective functioning (refer page 195)		Low	↻↻
	<b>IT and Information Security Risk</b> To minimize cyber risks and data leakage to promote business continuity (refer page 196)	Low	↻↻
<b>Legal/Regulatory Risk</b> To minimize cost of non-compliance and litigation (refer page 196)		Low	↻↻
	<b>Human Resources Risk</b> To retain and attract skillful and competent human resources to carryout business operations (refer page 197)	Low	↻
<b>Environmental, Social and Governance (ESG) Risk</b> To safeguard the Company's sustainable success and long term viability. (refer page 197)		Low	↻↻
	<b>Reputational Risk</b> To safeguard the Company's brand value/goodwill (refer page 197)	Low	↻↻

INTEGRATED RISK MANAGEMENT REPORT

**RISK MANAGEMENT AT SDF**

Risk is inherent in all business activities of a financial institution engaged in a varied offering of financial services. Sound risk management enables the Company to protect its depositors and investors whilst delivering an adequate risk adjusted return to its shareholders.

**Approach to risk management**

Risk management efforts at SDF are aimed at risk steering, as opposed to risk prevention or minimization. The Company takes a comprehensive approach to risk management with a defined Risk Management Framework approved by the Board of Directors. The Company's risk management process is steered by the Board Integrated Risk Management Committee (BIRMC). An appropriate and effective risk management system, ensures that risks and their impacts are identified and evaluated at an early stage and that contingency plans and measures are in place where necessary to handle risks and to prevent their accumulation. Through proper implementation of an enterprise risk management system, the Company strives to achieve the following goals:

- ➔ Development of a risk culture that fosters awareness of risks and a common understanding of risks across functions and departments
- ➔ Capital protection, both for internal as well as regulatory purposes
- ➔ Limitation of earnings volatility
- ➔ Risk-based performance measurement and decision-making
- ➔ Ability to act proactively or to respond quickly and effectively to adverse events
- ➔ Better understanding of risks for competitive advantage
- ➔ Increase transparency and optimize information flows between business functions, control functions, the management committees and the Board of Directors.

**Key Risk Management Initiatives during the FY 2023-24**

- ➔ Comprehensive review of Key Risk Indicators (KRIs) developed for FY 2023-24 to identify significant risks and assessed the adequacy of risk mitigation actions
- ➔ Formulated the Risk Appetite Statement (RAS) in line with the SDF's Corporate Strategy
- ➔ Reviewed the Risk Database and top risks of the Company
- ➔ Introduced a comprehensive Branch Wise Operational Risk Format and reviewed the Branch Operational Risk Assessment on a quarterly basis
- ➔ Reviewed Risk Management Policy & Procedure and other policies related to risk management
- ➔ Reviewed the newly formulated Technology Risk Management Framework which is a requirement specified in the Finance Business Act Direction No.1 of 2022 on Technology Risk Management and Resilience and formulated a separate IT Risk Database

- ➔ Put in place a mechanism for detective and reporting for the early detection of internal/external frauds and exceptions through generation of exception reports and data analytics and introduced Operational Loss Database
- ➔ Conducted Money Laundering and Terrorist Financing (ML & TF) risk assessment for the overall Company and product wise (deposit products & lending products)
- ➔ Strengthened the scope of stress testing
- ➔ Centralized the customer complaints handling function to deliver a more efficient dispute management to minimize reputational risk
- ➔ Conducted a refreshing session on the Fraud Prevention Policy and assessed the understanding of the staff via a questionnaire
- ➔ Reviewed Transaction Monitoring reports, Compliance Risk Database and Branch Wise Compliance Reviews and the Departmental Wise Compliance confirmations to the CBSL Directions and regulations

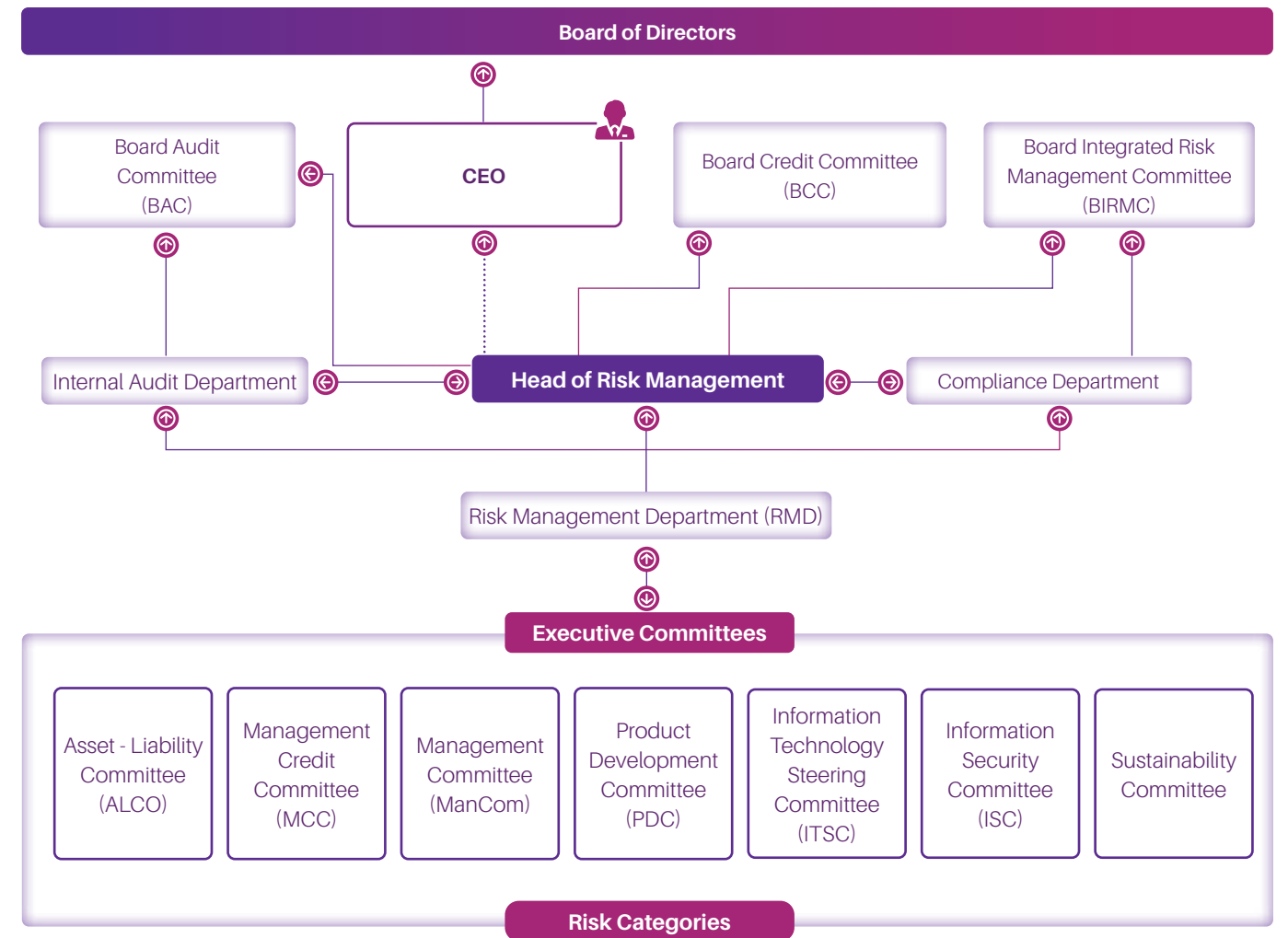
**Risk Management Priorities for the FY 2024-25**

- ➔ Conduct a comprehensive risk assessment for all the outsourcing arrangements of the Company
- ➔ Broaden the scope of the Stress Testing Framework and generation of Exception Reports
- ➔ Conduct a 100% reliability testing of the enhanced Disaster Recovery (DR) site
- ➔ Continuously review the Business Continuity Plan
- ➔ Adoption of the Internal Capital Adequacy Assessment Process (ICAAP) under BASEL III
- ➔ Conduct Money Laundering and Terrorist Financing (ML & TF) risk assessment for the overall Company, customers, deposit products, lending products and processes
- ➔ Initiation of Departmental Wise Fraud Risk Assessment of processes
- ➔ Continuous update of SDF's policies and procedures according to be in line with the Directions issued by the CBSL
- ➔ Broaden the scope of Credit Risk Management according to the Finance Business Act Directions No.2 of 2024 on Credit Risk Management
- ➔ Automating the AML & CFT mechanism through procurement and deployment of AML system which would be integrated to the core banking system of the Company
- ➔ Strengthen the adoption of guidelines issued on Sustainable Finance Activities and introduce Environmental, Social and governance (ESG) Risk Management to the Company's Integrated Risk Management function

**RISK GOVERNANCE STRUCTURE**

The Company's Board of Directors is responsible for developing the overall risk strategy, including; supervision of the Risk Management Framework, approval of the overall Risk Management Policy and overseeing and challenging the risk levels to which the Company is exposed, while ensuring compliance with laws and regulations. The Board has delegated its authorities to the Board Sub-Committees and hence the overall adequacy and effectiveness of the Risk Management Framework is managed by the Board Integrated Risk Management Committee (BIRMC) while the Board Audit Committee (BAC) is providing an assurance to the Board. These sub-committees comprise of Non-Executive, Independent Directors and Non-Executive, Non-Independent Directors. In order to increase the soundness and effectiveness of the supervision, SDF has formed Management Level Committees such as Asset-Liability Committee (ALCO), Management Credit Committee (MCC), Management Committee (ManCom), Product Development Committee (PDC) and Information Technology Steering Committee (ITSC), Information security Committee (ISC) and Sustainability Committee. These Committees comprise of senior level staff members who are in charge of key business functions.

Acting within the authority delegated by the Board, these committees review specific risk areas and receive regular reports on risk management, internal controls, portfolio trends, policies, limits and standards.



## INTEGRATED RISK MANAGEMENT REPORT

Board Sub Committee	Role	Membership
BIRMC	BIRMC operates primarily as an oversight committee monitoring risk types, concentrating particularly on Credit, Liquidity, Capital Management, Operational, Market, Strategic, IT & IS, Legal/Regulatory, Human resources, ESG and Reputational risks and related issues.	Comprises of two Independent Non-Executive Directors. The Committee is chaired by an Independent Non-Executive Director. The CEO, the COO, the Head of Risk Management, the Compliance Officer and the other Key Management Personnel supervising broad risk categories i.e. credit, market, liquidity, Capital adequacy, legal, operational, IT & IS, and strategic risks attending the meetings upon the invitation. Currently, the Head of Risk Management functions as the secretary to the BIRMC. Details of the members are given in the Board Integrated Risk Management Committee Report on Page 178.
BAC	BAC reviews the accounting policies and practices, controls and procedures established by the Management for compliance with regulatory and financial reporting requirements.	Comprises of a Non-Executive Independent Director and two Non-Executive Non Independent Directors. The Chairman of the Committee is a Non-Executive Non Independent Director who possesses qualifications and experience in accountancy and audit. Details of the members are given in the Board Audit Committee Report on Page 174.
BCC	BCC oversees the management of credit quality of the lending portfolio and recovery actions.	Comprises of three Non-Executive Directors from which the Chairman to the Committee is a Non-Executive Independent Director. The key management personnel attend the meetings upon invitation.
Management Level Committee	Role	Membership
ALCO	ALCO is responsible for identifying, managing and controlling risks in executing the business strategy of the Company and mainly focuses on Interest Rate Risk and Liquidity Risk while maintaining profitability.	ALCO comprises of senior management personnel who are in charge of Finance, Risk Management, Credit, Fund Mobilisation, Operations and Compliance. The CEO acts as the Chairman of the Committee .
MCC	MCC approves credit facilities within its delegated authority and reviews the methodologies for assessing credit risk and monitors concentration risk.	MCC comprises of senior management personnel and headed by the CEO.
MANCOM	MANCOM oversees the overall strategy and the new developments in the risk environment to take timely precautions and corrective measures.	ManCom comprises of senior management personnel and headed by the CEO.
PDC	The Committee covers all the new developments as well as significant changes to existing products, processes and systems of SDF.	The Committee comprises of Senior Management personnel, internal stakeholders from business units and other 'ad hoc' members with expertise in applicable functions such as credit, operations, legal, information technology, information security, audit, risk management, and compliance. The Committee is headed by the COO.
ITSC	The primary role of the ITSC is to exercise oversight and governance over SDF's IT function. The Committee is authorized to take decisions to improve or secure Information Resources, within the context of the Delegation of Authority assigned by the Board of Directors to the Chair.	The committee is chaired by the CEO and will be facilitated by the Head of IT who will serve as the Committee Secretary. Permanent Invitees to the Committee will be the Chief Operating Officer (COO), the Head of Risk Management, the Compliance Officer and the Head of Strategic Planning, Head of Finance and the Head of Operations & Administration.

Board Sub Committee	Role	Membership
ISC	The prime objective of the ISC is to oversee the information security and technology resilience of the Company and would be responsible for both the strategic and operational aspects of information security and technology risk management.	The ISC is chaired by the CEO. The Chief Operating Officer (COO), Head of Operations and Head of IT shall be the other ex-officio members of ISC. Head of Risk Management and Compliance Officer will be permanent invitees to ISC. Head of Legal and Head of Human Resource Management shall be required to attend as co-opted members whenever a matter relating to their areas is to be discussed. Head of Internal Audit is invited to present internal audit findings on information security at least on a quarterly basis. The Committee reports to the Board of Directors through BIRMC.
Sustainability Committee	The Committee is responsible for overseeing sustainable strategy and environmental practice of the Company and ESG risk Management while adhering to the SDF's Sustainable Development policy safeguarding the Company's sustainable success and long term viability.	The Committee comprises of COO, Head of Credit, Head of Strategic Planning, Head of Operations and Administration, Head of Risk Management and Compliance Officer where the committee is headed by the COO. Upon the requirement, the Committee can invite any other member from the Senior Management, Product Heads and etc.

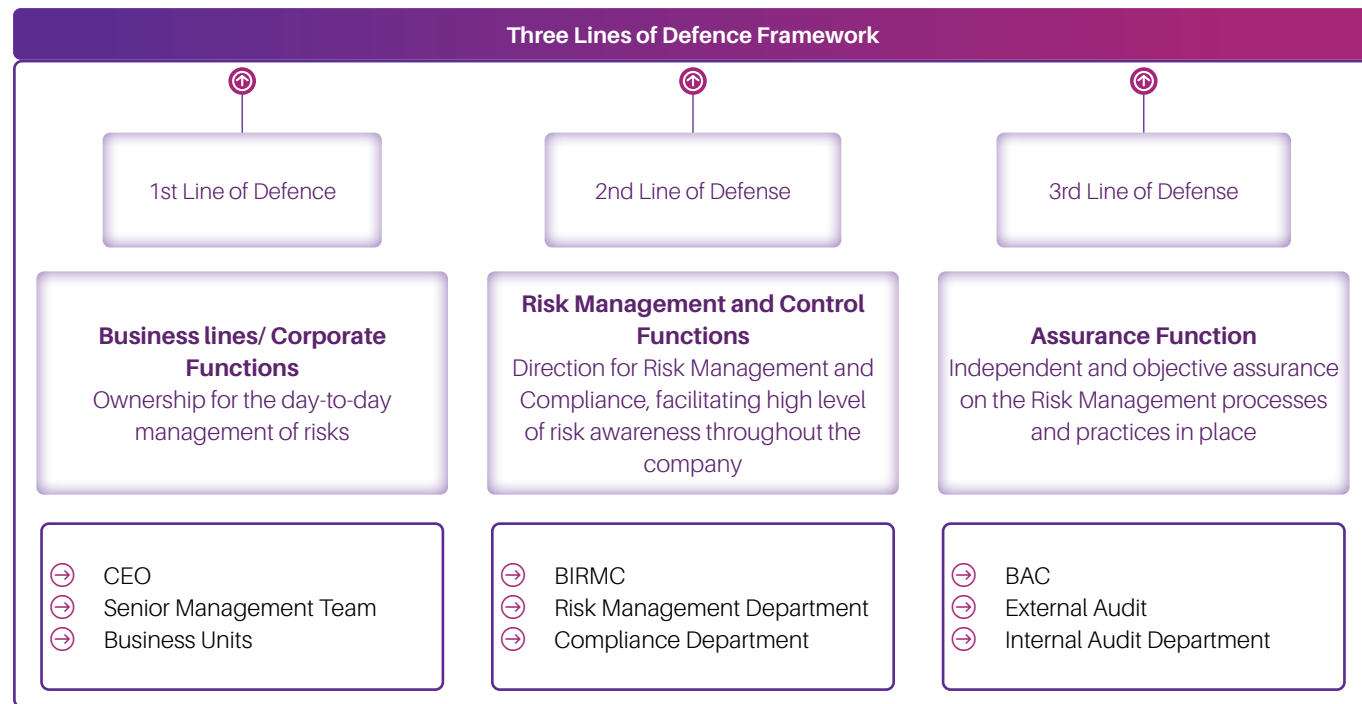
**RISK CULTURE**

SDF recognises the importance of having a strong risk culture to support its efforts to create value for its stakeholders. In this regard, the Company focuses on multiple drivers to enhance the risk culture and emphasises the principle of best business practices in order to empower employees and give them the confidence to act responsibly and transparently in executing their day-to-day job functions.

The Company's Risk Management Department (RMD) takes the lead in the development and implementation of necessary policies and procedures to ensure the principles of risk management are incorporated into the day-to-day business activities. This is supported by the 'three-lines-of defence mechanism' which facilitates building and maintaining a robust companywide risk culture promoting a high level of risk awareness at all levels of the business.

INTEGRATED RISK MANAGEMENT REPORT

THREE LINES OF DEFENCE FRAMEWORK



A culture of risk awareness and compliance is facilitated within the Company by the Risk Management and Compliance Departments through ongoing trainings for the employees. Employees in specialised roles are required to gain specified levels of skills and experience relevant to their roles which encompass a thorough understanding of the risks relevant to these roles. This is vital to strengthen the first line of defence.

The Risk Management and Compliance Departments serve as the 2nd line of defence, implementing the Company’s risk management framework and policies. Internal Audit Department functions as the 3rd line of defence, reviewing the effective functioning of internal controls set in place and providing feedback independently to the Board Audit Committee.

**RISK MONITORING AND REPORTING**

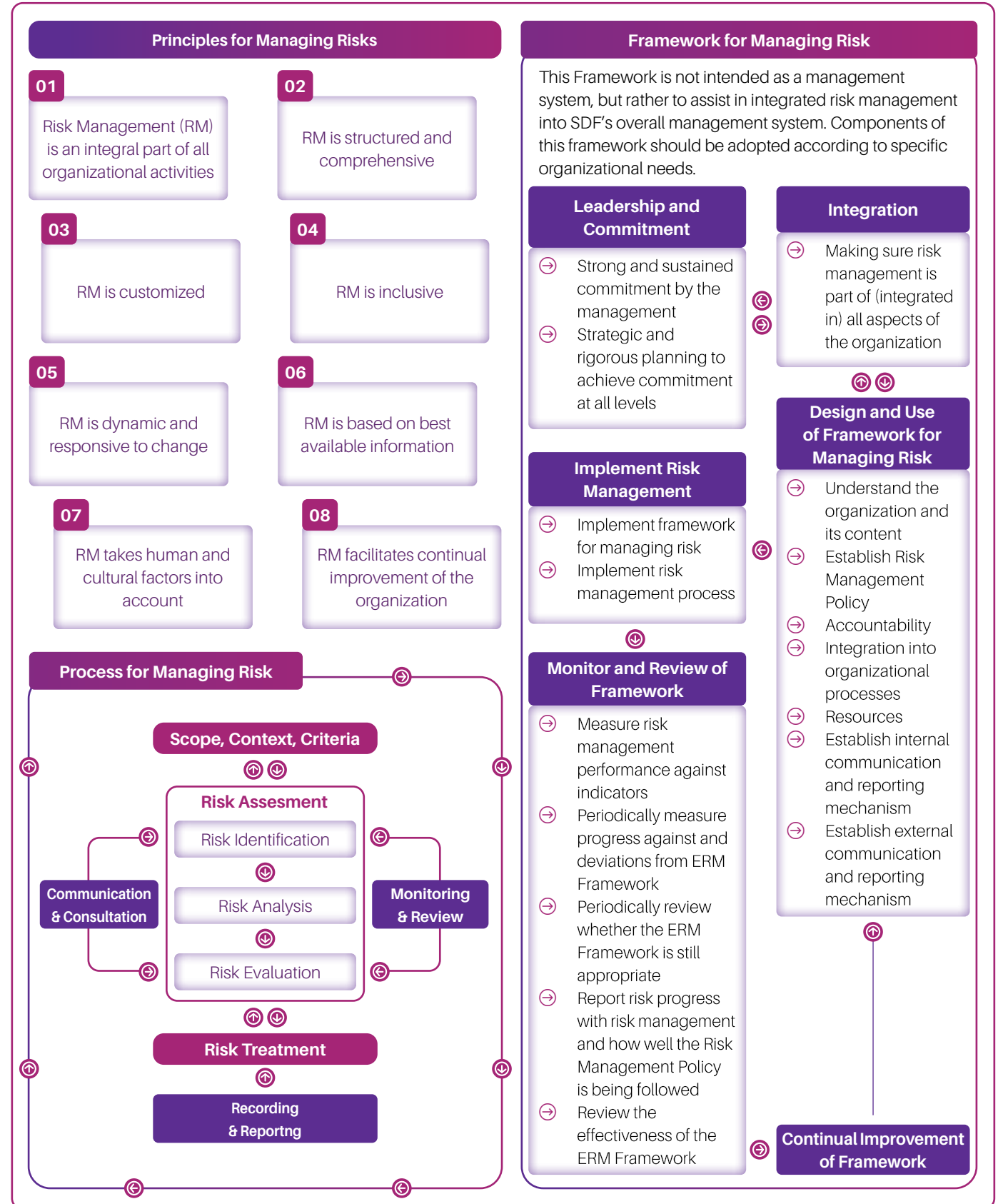
An Enterprise Risk Management (ERM) Framework, backed by a strong risk culture, is in place to identify, assess, monitor and control risks within the Company. All material risks are monitored centrally by the Risk Management Department, with any significant irregularities promptly escalated to the Corporate Management, Board Integrated Risk Management Committee and the Board of Directors for review and necessary action.

Additionally, the Branch Wise Operational Risk Assessment (ORA) process also facilitated both the management and staff to assume responsibility for internal controls. It also acts as a bottom-up feedback mechanism which supports proactivity in risk management.

**MAIN RISK REPORTS PREPARED BY THE RMD AND SUBMITTING FOR THE BIRMC**

Report	Frequency of submitting the report	Reported to
Key Risk Indicators (KRIs) and key highlights of KRIs	Once in two months	BIRMC & BoD
IT Risk Database	Once in two months	BIRMC & BoD
Risk Database (excluding IT Risks)	Once in two months	BIRMC & BoD
Top risks	Once in two months	BIRMC & BoD
Branch Wise Operational Risk Assessment (ORA)	Quarterly	BIRMC

ENTERPRISE RISK MANAGEMENT FRAMEWORK





INTEGRATED RISK MANAGEMENT REPORT

MANAGING MATERIAL RISKS

CREDIT RISK

SDF defines Credit Risk as the risk of losses arising because counterparties fail to meet all, or part, of their payment obligations to the Company. Credit Risk consists of two major components; Default Risk and Credit Concentration Risk, which together represent the most material risk for any financial institution.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. A well-defined hierarchy of delegated approval, supported by high ethical standards and well-established policies and procedures provide a robust framework for the management of credit risk.

Major credit exposures to individual counterparties, groups of counterparties and product categories are reviewed and approved by the designated officers under the delegated approving limits set by the Board. The Board approves changes to the delegated authority levels pertaining to credit as considered necessary.

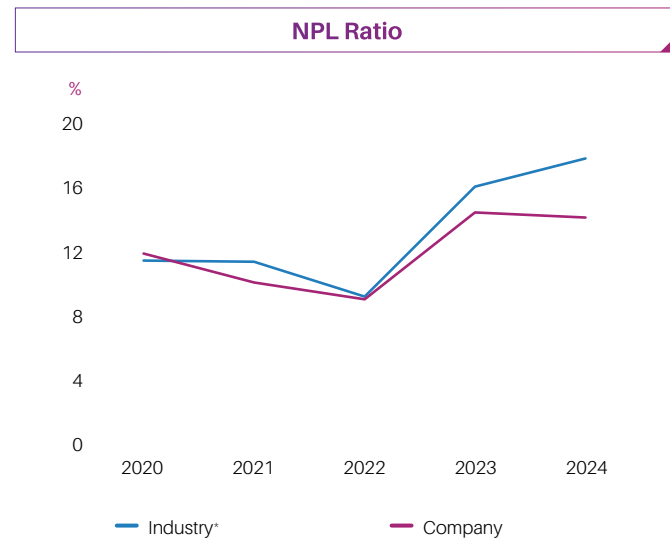
The risk of loss due to the concentration of credit risk to a specific product, asset class, sector or counterparty is monitored regularly. Credit concentration risk is managed within limits set for counterparty or groups of connected counterparties, asset types, industry sectors, etc. Credit concentrations are monitored by BIRMC and ALCO in each of the product type and such limits as material to the company are reviewed accordingly.

Key controls used are;

- ⊕ Credit Policy that serves as the foundation for prudent lending
- ⊕ Comprehensive due diligence and customer screening procedures at the pre-credit evaluation stage, including borrower rating for all obligors
- ⊕ Independent review by the Risk Management Department for individual/group exposures in excess of Rs. 5 Mn
- ⊕ A clear segregation of duties between loan origination, pre-credit evaluation and administration
- ⊕ Effective identification of Early Warning Signals and Watch Listing procedure

RMD regularly monitors credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal management reports are presented to various committees, containing information on key industry and economic trends.

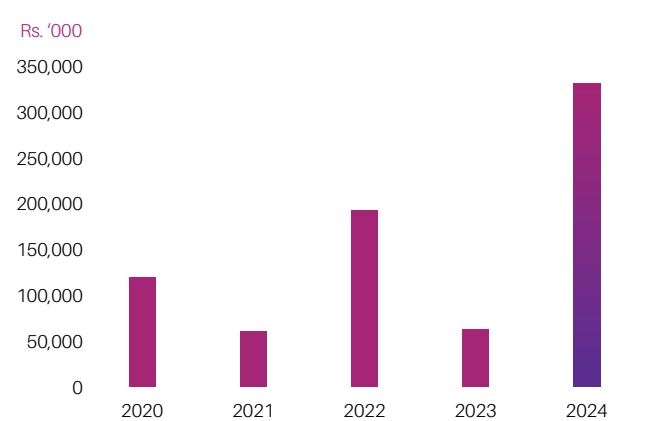
Trend Analysis - Credit Default Risk



\*Industry is comprised of LFCs and SLCs which represents data as at 31st December 2023 Source - CBSL

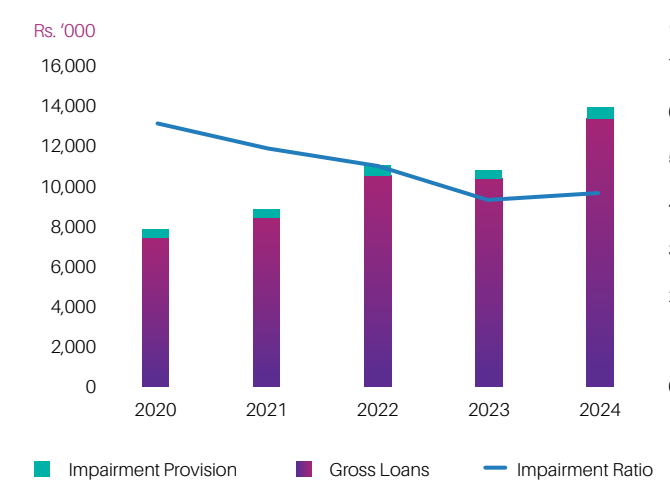
During the FY2023-24, NPL classification of the credit facilities has been changed to 90 days and above. Over the years, the NPL classifications have been changed from 180 days & above to 120 days & above, tightening the flexibility in the patterns of repayments of the customers. The Company was able to maintain its gross NPL ratio at 14.1% which is below the industry average of 17.79% (as at Dec 23) reflecting the effectiveness of strengthened credit processes and the conservative risk profile.

Impairment Charge

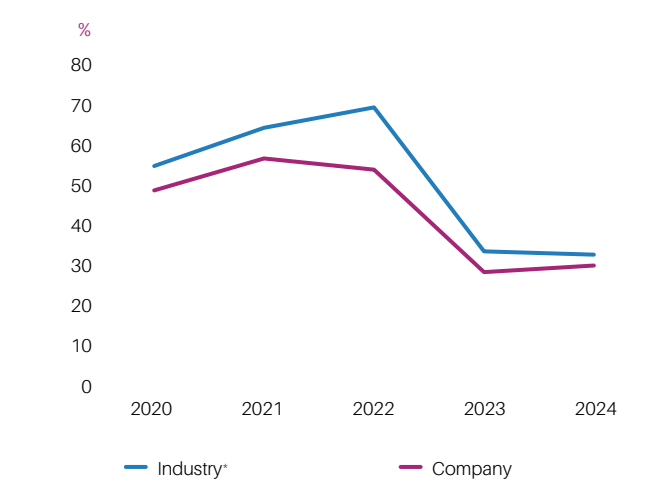


Impairment Charge has increased as a result of increased LGDs as the loan portfolio gets older.

Gross Loans and Impairment Provision



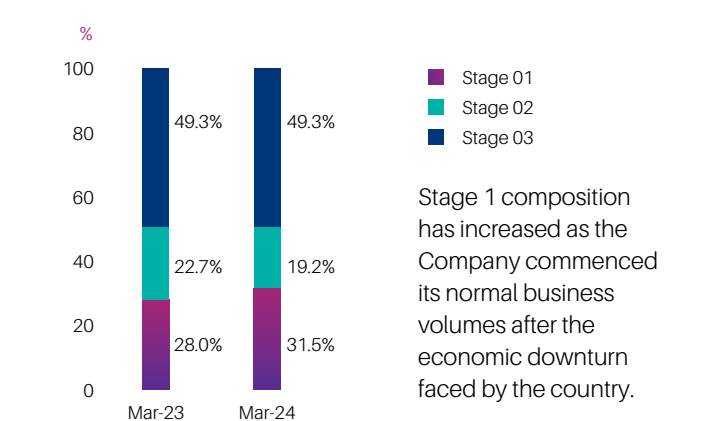
Provision Coverage Ratio



\*Industry is comprised of LFCs and SLCs which represents data as at 31st December 2023 Source - CBSL

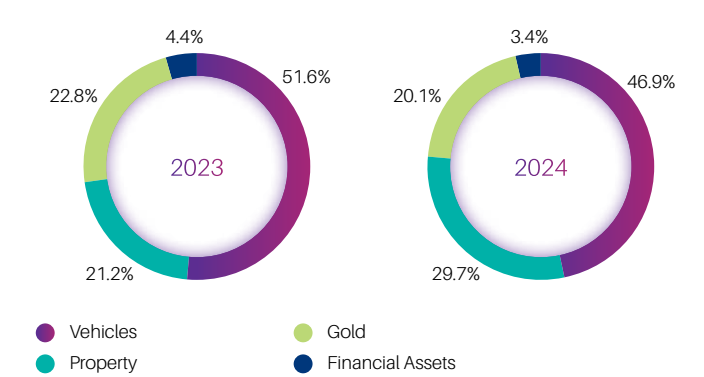
The Provision Coverage Ratio of the industry (as of Dec 23) and the Company is showing a declining trend with the change in the NPL classification.

Stage Analysis of Impairment Provision



Stage 1 composition has increased as the Company commenced its normal business volumes after the economic downturn faced by the country.

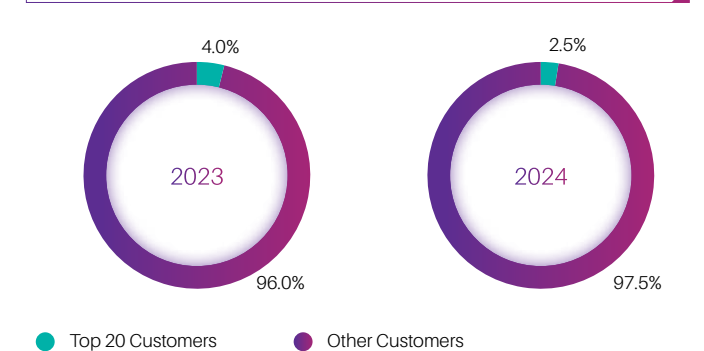
Main Types of Collaterals



Out of the total loan book, 95% is backed by either physical or financial collaterals as at 31st March 2024.

Trend Analysis - Credit Concentration Risk

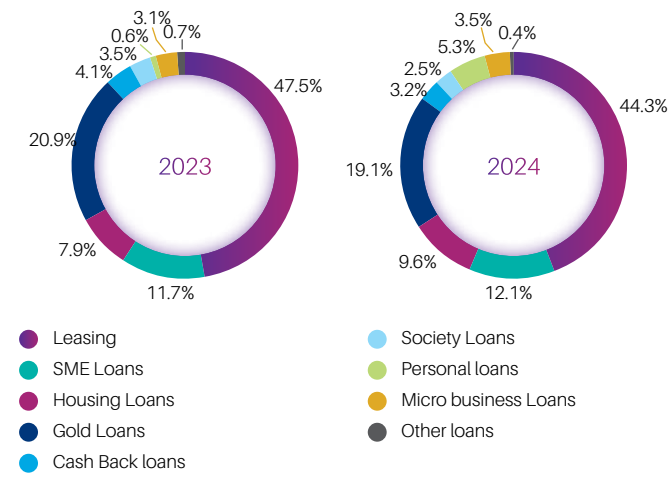
Concentration on Top 20 Customers



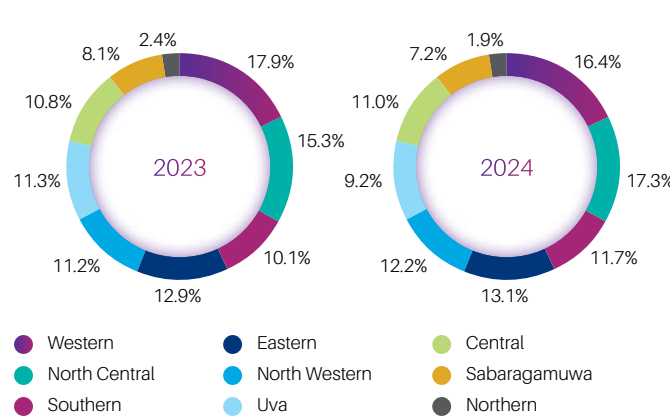
During the year under review, the Company continued its adoption of conservative risk approach and did not encourage large loan facilities, and as a result, has reduced the concentration on the top 20 borrowers' exposure.

INTEGRATED RISK MANAGEMENT REPORT

Product Wise Concentration



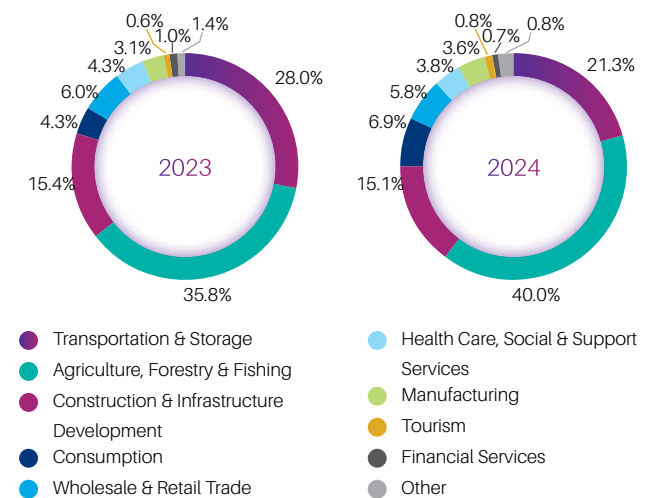
Province Wise Concentration



SDF has maintained a well-diversified portfolio sphered across the country.

During the year under review, concentration on SME Loans, Housing Loans, Personal Loans & Micro Business Loans have been increased. When comparing the recent two years, the concentration on Gold Loans has been reduced.

Industry wise Concentration



In terms of industry wise concentration, Agriculture, Forestry and Fishing sector has significantly increased. In order to mitigate the risk associated with the agricultural sector stemming from climate changes, SDF has registered under the Agricultural and Agrarian Insurance Board thus reducing the impact of catastrophic production losses. In addition, the Company has signed MOUs and have arranged buy-back agreements with the main suppliers of the agro-equipment and machineries.

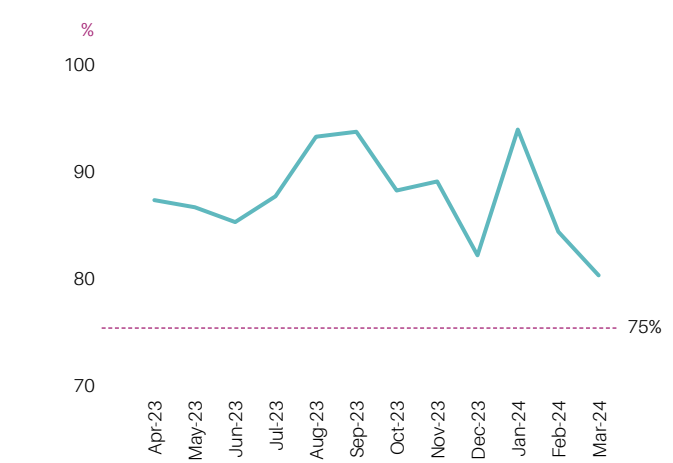
**LIQUIDITY RISK**  
The possibility of the Company being unable to meet its contractual or contingent obligations, or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets is defined as the liquidity risk. In other words, it is the possibility that the Company does not have sufficient financial resources or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

This is carefully managed by the Asset -Liability Committee (ALCO). ALCO is the monitoring body responsible for overseeing our liquidity management policies. The Finance Department receives direction from ALCO and is responsible for managing liquidity limits. Liquidity risk is a standard agenda item at our ALCO meetings.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective, the Company regularly monitors the liquidity position and maintains an adequate buffer of liquid assets. The Company also maintains access to diverse funding sources to meet unforeseen liquidity requirements.

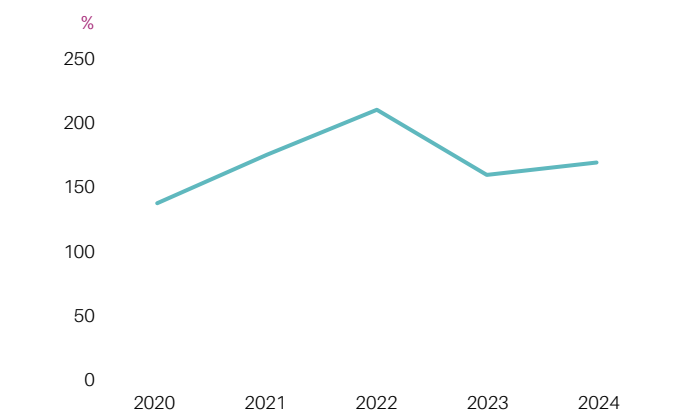
Trend Analysis - Liquidity Risk

Deposit Renewal Ratio



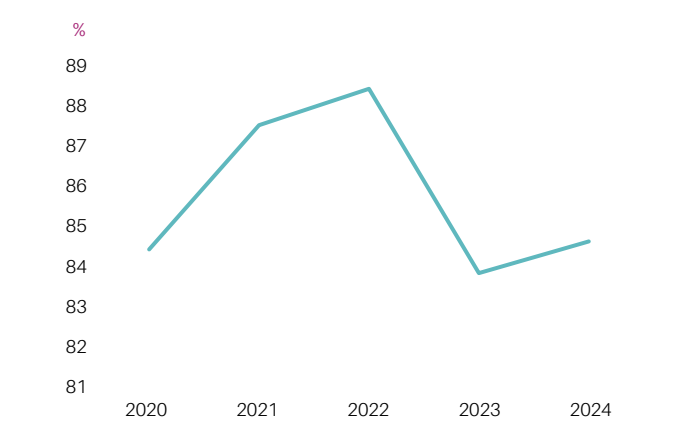
Throughout the FY2023-24, SDF has been able to maintain its FD renewal ratio above the desired level of 75%.

Loans to Deposits Ratio



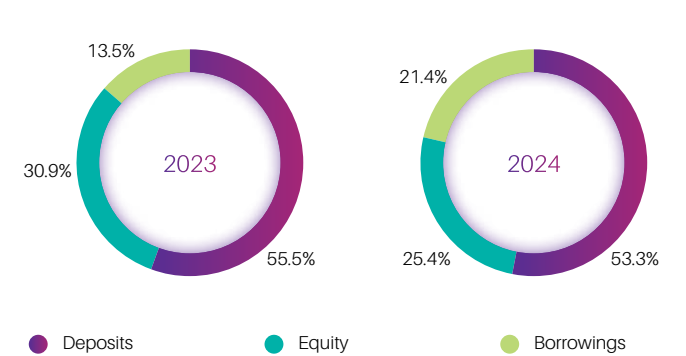
The Company's loan book is predominately financed through the deposits placed by the customers. The Loans to Deposits ratio over 100%, indicates that the Company is utilizing the deposits to transform them into interest earning assets at optimal level.

Net Loans to Total Assets Ratio



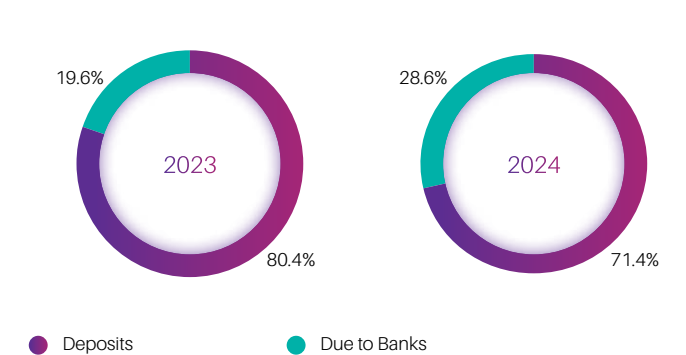
During the year, the demand for credit has increased with revival of the economy.

Funding Mix



The increased concentration on the bank borrowings has also indicated the banking sector's confidence over the NBF sector as during the economic downturn they were reluctant to lend towards the NBF sector due to the market illiquidity prevailed.

Interest Bearing Liabilities Mix



INTEGRATED RISK MANAGEMENT REPORT

**CAPITAL MANAGEMENT**

Capital risk is the risk of the Company having insufficient capital resources to meet minimum regulatory requirements and to support the credit rating, growth and strategic direction of the Company. BIRMC monitors the capital position and the capital management activities undertaken by the Company.

Capital Adequacy Ratio (CAR) is a key indicator which measures the financial strength of a finance company. This ratio is used as an indicator to protect depositors and promote the stability and efficiency of the financial system. A higher Capital Adequacy Ratio indicates that the Company can handle losses and fulfill its obligations to account holders without ceasing operations.

	01-07-18	01-07-19	01-07-20	01-07-21	01-07-22
Components of Capital	6.00%	6.50%	6.50%	7.00%	8.50%
Total Capital	10.00%	10.50%	10.50%	11.00%	12.50%

	01-01-18	01-01-19	01-01-20	01-01-21	01-01-22
Unimpaired Core Capital Requirement	1Bn	1.5Bn	1.5Bn	2.0Bn	2.5Bn

Capital Adequacy position was as follows;

Category	Mar-23	Mar-24
Risk Weighted Assets	10,095,254	13,091,678
Total Capital Base	3,433,245	3,404,171
Tier I Capital Ratio (Minimum requirement- 8.50%)	32.75%	25.84%
Tier II Capital Ratio (Minimum requirement- 12.50%)	34.01%	26.00%

(Refer Capital Adequacy Ratio calculation on page 79 for more information.

**MARKET RISK**

Market risk can be defined as the possible losses to the Company which are associated with adverse movements in market variables. Assessment of market risk is based on the volatility of the market parameters such as interest rates, stock prices, Forex rates and commodity prices.

**Interest Rate Risk**

Interest rate risk is the risk of declining earnings (profitability) due to the movement of interest rates. Impact on the Company's Net Interest Income (NII) due to fluctuations in market interest rates is closely monitored. The Company uses the interest rate sensitivity of its assets and liabilities for modelling the financial impact.

The table below illustrates the impact on Net Interest Income from different interest rate scenarios.

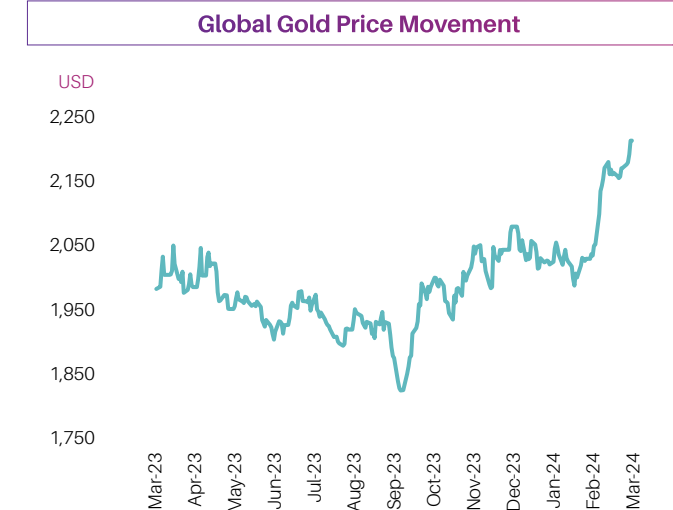
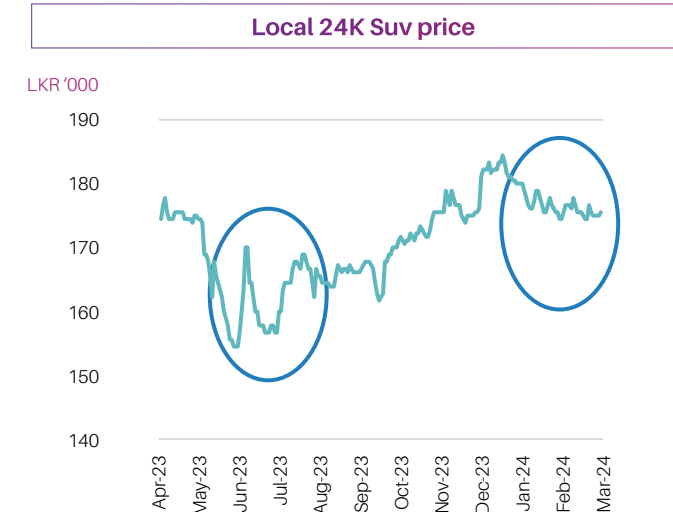
**Stress Test on NII from Parallel Interest Rate Shocks**

Annual Impact on NII	2023		2024	
	Increase	Decrease	Increase	Decrease
1%	(12.5)	12.5	(25.3)	25.3
2%	(25.0)	25.0	(50.6)	50.6
3%	(37.5)	37.5	(76.0)	76.0

**Commodity Price Risk**

In the context of SDF, the fluctuations in gold prices can impact the Company's Gold Loans Portfolio. The Company is managing healthy safety margin levels and Loan-To-Value (LTV) ratios, in order to mitigate this risk.

**Trend Analysis - Gold Market Price Movements**



**Foreign Exchange Risk**

The risk of loss due to unfavourable significant movements in the local currency (LKR) against other currencies is defined as Foreign Exchange Risk. Currently, AgriFI, the EU-funded Agriculture Financing Initiative, managed by EDFI Management Company, has announced a \$ 3 million loan to SDF. However, the exposure to foreign exchange Risk is minimized due to the conversion arrangement the Company has with one of the leading banks, where a LKR loan has been obtained against the USD. SDF also has an indirect impact on the local gold prices in the conversion of global Gold Prices (USD) to LKR where the impact is minimized due to the restrictions prevailed on gold importation.

**Equity Price Risk**

The potential loss due to adverse movements in share prices of investments is defined as Equity Price Risk. The Company is not exposed to Equity Price Risk as it has not invested in the share market.

**OPERATIONAL RISK**

Operational Risk arises due to the disruptions, breakdown of systems, failed or incomplete processes, people related issues and external events that could have an impact on the Company's performance and future prospects.

SDF seeks to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

Some of the key controls related to operational risk management are;

- ➔ Operational Risk Management Policy
- ➔ Fraud Prevention Policy
- ➔ Other Internal Policies, Procedures, along with MOUs, Service Level Agreements and Non-Disclosure Agreements to effectively manage relationships with external service providers
- ➔ Internal IT controls
- ➔ Branch wise Operational Risk Assessment (ORA)

All business units are responsible for setting and maintaining standards for operational risk management. Possible losses to the company's assets due to unforeseen events have been covered with comprehensive insurance policies.

**STRATEGIC RISK**

Strategic Risks can be defined as risks that affect, or are created by the Company's business strategy and strategic objectives. Strategic Risks are created internally as well as externally. The failure to take action where needed, to address challenges, or make timely changes in response to macroeconomic trends also constitute strategic risk.

The Company continuously follows developments taking place in the business environment and adjusts its strategies to optimise the opportunities available, whilst attempting to manage risks associated with such strategies. Business strategies are adopted after evaluating the overall risks associated with such strategies. A comprehensive Strategic Plan for three years (FY202-23 to FY2025-26) is in place with quantitative indicators which are monitored continuously.

## INTEGRATED RISK MANAGEMENT REPORT

Key controls which are in place are;

- ⊖ Budgeting Process
- ⊖ Strategic Planning Process
- ⊖ Environmental Scan through PESTLE Analysis and SWOT Analysis.

**IT AND INFORMATION SECURITY RISK**

This can be defined as potential threats to the Confidentiality, Integrity, and Availability of sensitive data and IT systems, which may include customer financial information, transaction records, and other proprietary data.

In today's rapidly digitising environment, it is imperative that Information Security and affiliated risks are identified and mitigated. This, in-turn, will reduce several attack vectors (by malicious users), the risk of service unavailability and exposure of important information (which could lead to the loss of customer confidence). Some of these risks are indicated below (at a high-level);

- ⊖ Cyber attacks
- ⊖ Sensitive data leakages
- ⊖ System(s) downtime
- ⊖ Insufficient and ineffective IT infrastructure
- ⊖ Frauds and malpractices
- ⊖ Malware

As an institution which provides financial solutions to a diverse clientele, SDF appreciates the importance of Information Security to meet its business objectives and for providing "best-in-class" services to its business, in a secure manner. SDF closely follow the "C.I.A Triad Methodology" and believe that all facets of Information Security will be encompassed within these three domains of **C**onfidentiality, **I**ntegrity and **A**vailability. Sufficient controls, procedures and best-practices need to be implemented in these domains so as to make it effective and efficient.

**C**onfidentiality ensures data is kept secret or private. To accomplish this, access to information through any of Company's systems is controlled, in order to prevent the unauthorised use of data / sharing of data — whether intentional, or accidental.

**I**ntegrity involves making sure Company's data is trustworthy and free from tampering and is only maintained if the data is authentic, accurate, and reliable. Even if Company's data is kept confidential and its integrity maintained, it is often useless unless it is **A**vailable to authorised staff who work at SDF as well as the

customers it serves. This means that systems, networks, and infrastructure must be functioning as intended and are closely monitored.

As the Company has identified the importance of its IT function, a higher focus is given from the Company's Annual Budget of FY 2024-25 to invest for the IT infrastructure and system enhancements. The Company has implemented two Management Level Committees to streamline the IT Function i.e. Information Technology Steering Committee (ITSC) and Information Security Committee (ISC).

Information Security is an ever-evolving area and constantly requires monitoring and assessments to cater to the multitude of global threats evolving. This is especially true in the recent past with the emergence of ransomware, which has crippled organisations locally and globally. Therefore, SDF would introduce more initiatives to further strengthen the Information Security. As an organisation, SDF will continue to provide dynamic and versatile financial solutions to its customers (with the use of technology wherever and whenever possible) which will only be introduced after stringent security assessments, to ensure that the Company keeps upholding the C.I.A Triad Methodology.

(Refer Intellectual Capital report on page 85 for more information)

**LEGAL/REGULATORY RISK**

Legal/regulatory risk is the risk of loss caused by non-compliance with existing or new legislation or supervisory regulations. Furthermore, legal risk includes losses due to ambiguity of laws or unfavourable contract clauses and loose contracts.

The Company conducts its business in accordance with the Company's code of conduct, laws and regulations imposed by the regulatory authorities with zero tolerance for failure, or breach, of such obligations. SDF has a zero tolerance approach towards non-compliance and has implemented a comprehensive corporate governance framework to support the achievement of this target. Compliance Function regularly reviews the Company's compliance with rules, directions and determinations of regulatory bodies.

The Board Integrated Risk Management Committee has established a compliance function to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls, and other prescribed practices.

**HUMAN RESOURCES RISK**

Employees play a pivotal role in determining the success of a company. HR risk management focuses on the specific risks employees pose to the business. This could involve risks around improper employee management, employee behaviour, or the way the Company hire and lose employees.

SDF identifies its Human Resources as a key asset of the Company and following are few measures taken by the Company to mitigate HR risks.

- ⊖ Conducting various programs to enhance employee engagement
- ⊖ Promote employee work stress managing activities to enhance efficiency and effectiveness
- ⊖ Identifying gaps in the skill level and provide required trainings to enhance the capability of the staff
- ⊖ Closely monitors the employee turnover ratios
- ⊖ Succession planning is carried out by identifying the potential staff to strengthen the second line
- ⊖ Conducting stay interviews to understand why employees stay and what might cause them to leave
- ⊖ Identifying the causes of resignations via exit interviews and taking insights for further improvements

(Refer Human Capital report on page 89 for more information)

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK**

ESG risks include a company's environmental, social, and governance factors that could cause a reputation or financial harm to the Company. With the ESG risk Management, Company targets to safeguard its sustainable success and long term viability.

SDF has recognized the significance of alignment with the United Nations' Sustainable Development Goals and the Roadmap for Sustainable Development issued by the CBSL. Being into development financing and impact financing, SDF believes it can play a bigger role in the transition of Sri Lanka towards a green, inclusive, and balanced economy. As SDF is really passionate about the sustainability, it targets in promoting businesses that are greener, climate friendly and socially inclusive through providing financial assistance and ultimately managing environmental, social, and governance (ESG) risks associated with these projects.

Following are few measures taken by the Company to mitigate ESG risks.

- ⊖ Formulated the Company's Sustainable Development Policy
- ⊖ Has already purchased an ESG platform
- ⊖ Within the 1st Quarter of the FY 2024-25, a sustainability Committee will be formed
- ⊖ A dedicated personnel to be recruited to drive these sustainability initiatives of the Company
- ⊖ Different products will be developed to cater the finance the entrepreneurs who are into green businesses at concessionary rates

(Refer Sustainability Report on page 42 for more information)

**REPUTATIONAL RISK**

Reputational Risk is any sort of threat that can damage the good standing of the business and negatively impact the Company's reputation with customers and overall business success. Reputational Risk can arise as an outcome of previously mentioned risk or combination of few risks. Popularity of social media has made Reputational Risk scenarios even more sensitive for business as they can swiftly reach a wider community of stakeholders at the same time.

SDF closely monitors the possible risks events which can harm its reputation and take prompt proactive and corrective measures promptly. Continuous trainings are being conducted for the employees on business ethics, values and professional behaviour to mitigate instances which will lead to reputational risks. Customer complaints are given a high priority and are resolving with due care and also SDF actively involved in community development through its community integration strategy.

(Refer Social and Relationship Capital section on page 99 for more information.)

## We journey towards excellence by nurturing the next generation of productive citizens

“

Since 2020, SDF has supported Susantha from Galewela in his agricultural ventures. With SDF's financing, he purchased a tractor to prepare agricultural lands and manage his own paddy and vegetable fields. This investment has significantly boosted his productivity and efficiency, benefiting his farming operations.

Ampara

## CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Sarvodaya Development Finance PLC (the Company) as of 31 March 2024 are prepared and presented in conformity with the requirements of the following:

- ⊖ Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRSs/LKASs)
- ⊖ Companies Act No. 07 of 2007 and amendments thereto
- ⊖ Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- ⊖ Directions issued to Licensed Finance Companies by the Central Bank under the Finance Business Act No. 42 of 2011
- ⊖ Listing rules of the Colombo Stock Exchange
- ⊖ Code of Best Practice on Corporate Governance issued by CA Sri Lanka

The Company, on a quarterly basis, presents Interim Financial Statements to its shareholders in compliance with the listing rules of the Colombo Stock Exchange.

The Significant Accounting Policies have been consistently applied by the Company. The application of Significant Accounting Policies and Estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the Company's External Auditors. Comparative information has been reclassified where applicable to comply with the current presentation, and material departures, if any, have been disclosed and explained.

We confirm that, to the best of our knowledge, the Financial Statements, Significant Accounting Policies and Estimates, and other financial information included in this Annual Report fairly present, in all material respects, the financial condition, results of operations, and cash flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

The Board of Directors and the Management of the Company accept responsibility for establishing, implementing, and managing Internal Controls and Procedures within the Company. We confirm, based on our evaluations, that the estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis to ensure that the Financial Statements reflect, in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. To ensure this, we have taken proper and sufficient care in implementing effective Internal Controls and Procedures to ensure that material information relating to the Company is made known to us for safeguarding assets, preventing and detecting fraud and/or error, as well as other irregularities, which are reviewed, evaluated, and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the Company for the financial year under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of Internal Controls and Procedures to the best of our knowledge. The Company's Internal Audit Department conducts periodic reviews

to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

The Company's Board Audit Committee internally reviewed all the internal and external audit and inspection programmes, the efficiency of Internal Control Systems and Procedures, and also reviewed the quality of Significant Accounting Policies and their adherence to statutory and regulatory requirements, the details of which are given in the 'Board Audit Committee Report' from page 174 of this Annual Report. The Board Audit Committee meets periodically with the internal audit team and the independent external auditor to review their audit plans, assess the manner in which these auditors are performing their responsibilities, and discuss their reports on internal controls and financial reporting issues. To ensure complete independence, the external auditor and the internal auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of Internal Controls and Procedures.

The Financial Statements of the Company were audited by Messrs. Ernst & Young, Chartered Accountants, and their Report is given from pages 211 to 214 of this Annual Report. The Board Audit Committee pre-approves the audit and non-audit services provided by Messrs. Ernst & Young to ensure that the provision of such services does not contravene the guidelines issued by the Central Bank of Sri Lanka on permitted non-audit services or impair Ernst & Young's independence and objectivity.

We confirm to the best of our knowledge that:

- ⊖ The Company has complied with all applicable laws, regulations, and prudential requirements;
- ⊖ There are no material non-compliances other than those disclosed on pages 116 to 164 in the Corporate Governance section of this Annual Report;
- ⊖ There are no material litigations pending against the Company other than those disclosed in note 38 on page 262 of the Financial Statements in this Annual Report; and
- ⊖ All taxes, duties, levies, and statutory payments by the Company, and all contributions, levies, and taxes payable on behalf of and in respect of the employees of the Company as of the reporting date, have been paid, or where relevant, provided for.



**Mahesh Jayasanka**  
Head of Strategic Planning  
Acting Head of Finance



**Nilantha Jayanetti**  
Chief Executive Officer

29 May 2024

## Financial Reports

## DIRECTORS' RESPONSIBILITY STATEMENT

The following statement sets out the responsibility of the Directors in relation to the Financial Statements of the Company, prepared in accordance with the provisions of the Companies Act No. 07 of 2007. The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors on pages 211 to 214 of the Annual Report.

As per the provisions of sections 151, 153(1) and (2), 150(1), and 152(1) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company as at the reporting date and its profit or loss for the financial year then ended. They must ensure that these statements are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements, that they comply with the said Companies Act, and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements, together with the Annual Report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act, to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting. However, under the prevailing situation in the country and the non-availability of paper and related items, the above obligation is discharged by the Directors by making a copy of the Annual Report available on the Company's official website and the Colombo Stock Exchange website in terms of Rule 7.5.b of the listing rules of the CSE. As per said rule, printed copies of the annual report will be made available to shareholders on request.

In preparing the Financial Statements, the Directors are responsible for ensuring that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made, and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy the financial position of the Company.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRSs/ LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting

Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, directions and guidelines issued under the Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating, and managing the significant risks faced by the Company throughout the year. This is primarily handled through the Audit Committee and the Integrated Risk Management Committee, as set out in their Reports that appear on pages 174 to 175 and 178 to 180, respectively.

The Directors have taken appropriate steps to ensure that the Company maintains proper books of accounts, and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee.

The Board of Directors also approves the interim Financial Statements prior to their release, following a review and recommendation by the Board Audit Committee.

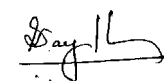
The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company has been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by section 152(1)(b), and they have also been signed by two Directors of the Company as required by section 152(1)(c) of the Companies Act.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company as at the reporting date, has been paid or where relevant, provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By order of the Board,



**Mrs. Shiromi Patabendige**  
Company Secretary

29 May 2024

## INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SARVODAYA DEVELOPMENT FINANCE PLC



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
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ey.com

HLF/WDPL/RMD/DRM

**INDEPENDENT ASSURANCE REPORT  
TO THE BOARD OF DIRECTORS OF SARVODAYA DEVELOPMENT  
FINANCE PLC**

Report on the Statement on Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control

We were engaged by the Board of Sarvodaya Development Finance PLC (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2024 (the "Statement") included in the annual report.

**Management's responsibility**

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 16 (1) (ix) of the Finance Companies Corporate Governance Direction no. 05 of 2021 by the Institute of Chartered Accountants of Sri Lanka.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our responsibilities and compliance with SLSAE 3051**

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

**Summary of work performed.**

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

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

**Our conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.



31 May 2024  
Colombo

Partners: D K Hulangamuwa FCA FCMA LLLB (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 ACMA, 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 LLLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

## DIRECTORS' STATEMENT ON INTERNAL CONTROL

In line with section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2017 issued by Chartered Accountants of Sri Lanka, the Board of Directors (“Board”) of Sarvodaya Development Finance PLC (“Company”) presents this report on internal control over financial reporting.

The Board has overall responsibility for ensuring the adequacy and effectiveness of internal control over financial reporting of the Company. The system of internal controls is primarily designed to manage the Company’s key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failing to achieve the policies and business objectives. However, it is important to note that the system of internal controls stipulated can provide reasonable but not absolute assurance against material misstatement of financial information, records, or financial losses and frauds.

In light of the above, the Board has established a continuous process of identifying, evaluating, and managing the significant risks faced by the Company. This includes enhancing the system of internal control over financial reporting, especially when there are changes to the business environment or regulatory guidelines. The Board regularly reviews this process by assessing key process-related risks against the compensating controls that may affect significant accounts of the Company.

The management is tasked with assisting the Board in implementing the policies and procedures related to risk and control. This includes identifying and assessing the risks faced by the Company as well as providing inputs on the design, operation, and monitoring of internal controls over financial reporting to mitigate and control these risks.

The Board is confident that the system of internal control over financial reporting is adequate to provide reasonable assurance regarding the reliability of financial reporting. This ensures that the preparation of the financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

### KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The Company has established a comprehensive process for reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting, which includes the following key features:

- ➔ The Board has established specialized Sub-Committees to assist in ensuring the effectiveness of the Company’s day-to-day operations in line with the corporate objectives,

strategies, annual budget, as well as the approved policies and business directions.

- ➔ Policies, charters, and procedures are in place covering functional areas of the Company, recommended by the Board-appointed Committees, and are approved by the Board. All policies, charters, and procedures are regularly reviewed and approved by the Board. The Board Audit Committee follows up the regular reviews of policies, charters, and procedures through the Compliance Officer to ensure timely updates.
- ➔ The Internal Audit Department of the Company monitors compliance with policies and procedures, and their suitability of design and effectiveness on an ongoing basis. Statistical verification procedures are used, and significant findings of non-compliance are highlighted. The risk-based annual audit plan is reviewed and approved by the Board Audit Committee. Branches and service departments are audited to provide independent and objective assurance on operations and performance. Various initiatives have been taken by the Internal Audit Department, business teams, and other monitoring authorities of the Company to review the exceptions in certain selected areas of the business through the usage of exception monitoring automated tools. The process has been gradually expanded year after year to cover an expanded scope.
- ➔ Information systems and their surrounding technology infrastructure, which support financial reporting, are independently assessed by a specialized information systems audit team to ensure confidentiality, integrity, and availability triads are preserved to reinforce the confidence level of the data processing technology facilities.
- ➔ The scope, quality, and reports of internal audits are reviewed by the Board Audit Committee at its monthly meetings, and refinements are applied wherever necessary.

Overall, the Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditor, regulatory authorities, and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems.

A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk of misrepresentation of financial reporting. The respective process owners of the Company continuously review and update all procedures and controls connected with significant accounts and disclosures of the Financial Statements of the Company. The risk department verifies the suitability of the design and effectiveness of these procedures and controls on an ongoing basis, and the internal audit department reviews the compliance and appraises the Board Audit Committee where necessary.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The external auditor, Messrs. Ernst & Young, has reviewed the above Directors’ Statement on Internal Control over Financial Reporting, and the report is included in the Company’s Annual Report for the year ended 31 March 2024. They have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Company. Their report on the statement of internal control over financial reporting is given on page 201 of this annual report.

### STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS, AND LAWS

The Board of Sarvodaya Development Finance PLC presents this report on compliance with prudential requirements, regulations, and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 - Corporate Governance.

The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and legislation laws. The Board confirms that there are no regulatory and supervisory concerns on lapses in the Company’s risk management, or non-compliance with the Act, rules, and directions.

By order of the Board,

#### Confirmation

Based on the above processes, the Board affirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

By order of the Board,



**Ramesh Schaffter**  
Chairman - Board Audit Committee

29 May 2024

## INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORTING



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### Independent practitioner's assurance report to the Board of Directors of Sarvodaya Development Finance PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2023/24

#### SCOPE

We have been engaged by Sarvodaya Development Finance PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Sarvodaya Development Finance PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Sarvodaya Development Finance PLC's (the "Entity's") Integrated Annual Report/ Annual Report/ Sustainability Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

#### CRITERIA APPLIED BY SARVODAYA DEVELOPMENT FINANCE PLC

In preparing the Subject Matter, Sarvodaya Development Finance PLC applied the following criteria ("Criteria"):

- ⊕ The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

#### SARVODAYA DEVELOPMENT FINANCE PLC'S RESPONSIBILITIES

Sarvodaya Development Finance PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

#### ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised))*, and the terms of reference for this engagement as agreed with the **Sarvodaya Development Finance PLC on 29 May 2024**.

Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

#### OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the **Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)** and have the required competencies and experience to conduct this assurance engagement.



EY also applies International Standard on *Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ⊕ Validated the information presented and checked the calculations performed by the organization through recalculation.
- ⊕ Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.

- ⊕ Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- ⊕ Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- ⊕ Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

#### EMPHASIS OF MATTER

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

#### CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Sarvodaya Development Finance PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.

31 May 2024  
Colombo



## GRI CONTENT INDEX WITH REFERENCE

Statement of use Sarvodaya Development Finance PLC has reported for the period April 1st, 2023 to March 31st 2024 with reference to the GRI Standards.

GRI 1 used GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION (Chapter and page number)
<b>General disclosures</b>		
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	About Us page 9
	2-2 Entities included in the organization's Sustainability reporting	About this report page 8
	2-3 Reporting period, frequency and contact point	About this report page 8
	2-4 Restatements of information	About this report page 8
	2-5 External assurance	About this report page 8
	2-6 Activities, value chain and other Business relationships	About us : Value creation Model from page 9 to 10
	2-7 Employees	Human Capital Page 89 to 90
	2-8 Workers who are not employees	Human Capital Page 90
	2-9 Governance structure and composition	Governance and compliance Page 116-117 and 121
	2-10 Nomination and selection of the highest governance body	Governance and compliance Page 118
	2-11 Chair of the highest governance body	Governance and compliance Page 118
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance and compliance Page 121
	2-13 Delegation of responsibility for managing impacts	Governance and compliance Page 122
	2-14 Role of the highest governance body in sustainability reporting	Governance and compliance Page 121
	2-15 Conflicts of interest	Governance and compliance Page 121
	2-16 Communication of critical concerns	Governance and compliance Page 122
	2-17 Collective knowledge of the highest governance body	Governance and compliance Page 122
	2-18 Evaluation of the performance of the highest governance body	Governance and compliance Page 119
	2-19 Remuneration policies	Governance and compliance Page 119 Remuneration Committee Report Page 172
	2-20 Process to determine remuneration	Governance and compliance Page 119
	2-21 Annual total compensation ratio	Human Capital Page 90 and Governance and compliance Page 122
	2-22 Statement on sustainable development strategy	Chairman's Message Page 18 to 21 and Sustainability Report Page 42 to 52
	2-23 Policy commitments	Sustainability Report Page 51
	2-24 Embedding policy commitments	Sustainability Report Page 52
	2-25 Processes to remediate negative impacts	Sustainability Report Page 52
	2-26 Mechanisms for seeking advice and raising concerns	Sustainability Report Page 52
	2-27 Compliance with laws and regulations	Sustainability Report Page 52
	2-28 Membership associations	Sustainability Report Page 52
	2-29 Approach to stakeholder engagement	Social Relationship Capital Page 100-104
	2-30 Collective bargaining agreements	Social Relationship Capital Page 103

GRI STANDARD	DISCLOSURE	LOCATION (Chapter and page number)
<b>GRI 3: Material Topics 2021</b>		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality assessment and material topics Page 54
	3-2 List of material topics	Materiality assessment and material topics Pages 55 to 59
	3-3 Management of material topics	Materiality assessment and material topics Pages 55 to 59
<b>GRI 201: Economic Performance 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 55
Disclosure Title	201-1 Direct economic value generated and distributed	Economic Impacts Page 72
<b>GRI 203: Indirect Economic Impacts 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 55
Disclosure Title	203-2 Significant indirect economic impacts	Economic Impacts Page 73
<b>GRI 207 Tax 2019</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 55
Disclosure Title	207-1 Approach to tax	Economic Impacts Page 74
<b>GRI 302: Energy 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic pages 55 to 59
Disclosure Title	302-1 Energy consumption within the organization	Natural Capital Page 114
	302-4 Reduction of energy consumption	Natural Capital Page 114
<b>GRI 303: Water and Effluents 2018</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 55 to 59
Disclosure Title	303-5 Water consumption	Natural Capital Page 114
<b>GRI 306: Waste 2020</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 55 to 59
Disclosure Title	306-3 Waste generated	Natural Capital Page 114
<b>GRI 401: Employment 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 58
Disclosure Title	401-1 New employee hires and employee turnover	Human Capital Page 90
<b>GRI 404: Training and Education 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 58
	404-1 Average hours of training per year per employee	Human Capital Page 92
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 58
Disclosure Title	405-1 Diversity of governance bodies and employees	Human Capital Page 92

GRI STANDARD	DISCLOSURE	LOCATION (Chapter and page number)
<b>GRI 406: Non-discrimination 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 58
Disclosure Title	406-1 Incidents of discrimination and corrective actions taken	Human Capital Page 93
<b>GRI 411: Rights of Indigenous Peoples 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 59
Disclosure Title	411-1 Incidents of violations involving rights of indigenous peoples	Social Relationship Capital Page 108
<b>GRI 413: Local Communities 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 59
Disclosure Title	Disclosure 413-1 Operations with local community engagement, impact assessments, and development programs	Social Relationship Capital Page 109
<b>GRI 417: Marketing and Labeling 2016</b>		
Disclosure Title	3-3 Management of material topic	Materiality assessment and material topic page 59
Disclosure Title	417-2 Incidents of non-compliance concerning product and service information and labeling	Social Relationship Capital Page 111

## We journey towards excellence by understanding the diverse needs of our customers and catering to them

“

Nandawati has been a client of SDF since her first loan in 2009 to float a cinnamon oil distillation plant, a partnership that further supported the evolution to a large-scale turmeric oil distillery. This strategic alliance has successfully increased productivity and enabled market reach of the oils from Kamburupitiya to Colombo.



## FINANCIAL CALENDAR

Category	2023/24	2024/25
<b>Interim Financial Statements publication</b>		
Q1 ended 30 June	15th August 2023	Before 15th August 2024
Q2 ended/ending 30 September	27th October 2023	Before 15th November 2024
Q3 ended/ending 31 December	14th February 2024	Before 15th February 2025
Q4 ended/ending 31 March	30th May 2024	Before 30 May 2025
<b>Financial statements publication</b>		
Six months ended 30 September 2022	22 November 2023	
Year ended 31 March 2023	29 June 2023	
Six months ending 30 September 2024		Before 31 December 2024
Year ending 31 March 2025		Before 30 June 2025
<b>Annual Report Publication</b>		
Annual Report and Accounts signed/to be signed	On 29th May 2024	In May 2025
Publication of Annual Report	June 2024	In June 2025
<b>Annual General Meeting</b>		
Annual General Meeting	14th Annual General Meeting on or before 28th June 2024	15th Annual General Meeting on or before 30 June 2025
<b>Dividend Payment</b>		
Interim Dividend for the financial year		In the 4th Quarter of 2024
Final Dividend for the financial year to be proposed	18th October 2023	In July 2024

## Financial Reports

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
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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.

Partners: D K Hulangamuwa 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 ACMA, 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 Shakhiviel B.Com (Sp)

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## INDEPENDENT AUDITOR'S REPORT



## 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.

**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.

## How our audit addressed the key audit matter

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.

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:

1. 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.
2. 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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.
5. 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.

## INDEPENDENT AUDITOR'S REPORT



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.

31 May 2024  
Colombo

## Financial Reports

## FINANCIAL REPORTING

Year ended 31 March 2024	Note No.	Page No.	Year ended 31 March 2024	Note No.	Page No.
<b>Corporate information</b>			<b>Statement of Financial Position - Liabilities</b>		
Corporate Information	1.	220	Due to Banks & other Institutions	29.	254
<b>Basis of Preparation and Other Material Accounting Policies</b>			Financial Liability at Amortised Cost - Due to Customers		
Basis of Preparation of Financial Statements	2.	220	Lease Liability	30.	256
General Accounting Policies	3.	222	Other Non Financial Liabilities	31.	257
Standards Issued but not Yet Effective	4.	226	Current Tax Liabilities	32.	258
<b>Statement of Profit or Loss</b>			Post- Employment Benefit Obligation		
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Net Interest Income	6.	227	<b>Statement of Financial Position - Equity</b>		
Net Fee and Commission Income	7.	228	Stated Capital	35.	261
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Impairment Charges /(Reversal) for Loans / Lease Rental and Other Receivables	9.	229	Retained Earnings	37.	262
Personnel Expenses	10.	230	<b>Other Disclosures</b>		
Other Operating Expenses	11.	230	Commitments and Contingencies	38.	262
Tax on Financial Services	12.	231	Net Assets Value per Share	39.	263
Income Tax Expenses	13.	231	Assets Pledge	40.	263
Earnings per Share	14.	233	Comparative Information	41.	263
Dividend Paid and Proposed	15.	233	Current and Non Current Analysis of Assets and Liabilities	42.	264
Analysis of Financial Instruments by Measurement Basis	16.	234	<b>Significant transactions and events</b>		
<b>Statement of Financial Position - Assets</b>			Related Party Transactions		
Cash and Cash Equivalents	17.	235		43.	265
Financial Investments	18.	235	Events Occurring After the Reporting Date	44.	267
Other Financial Assets	19.	235	<b>Business, Operations and Management</b>		
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Financial Assets at Amortised Cost - Lease Rentals Receivable	21.	238	Fair Value of Financial Instruments	46.	268
Allowance for Impairment Charges	22.	241	Risk Management	47.	272
Other Non Financial Assets	23.	244	Financial Reporting by Segment	48.	283
Investment Property	24.	244			
Property, Plant & Equipment	25.	246			
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Intangible Assets	27.	251			
Deferred Taxation	28.	252			

## Financial Reports

STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME

Year ended 31 March 2024	Notes	Page No	2024 LKR	2023 LKR	Variance LKR	Variance %
<b>Income</b>	<b>5</b>	<b>227</b>	<b>3,326,773,595</b>	<b>2,597,491,955</b>	<b>729,281,640</b>	<b>28.1</b>
Interest Income			3,101,982,284	2,461,331,443	640,650,840	26.0
Interest Expenses			(1,322,454,402)	(1,221,614,731)	(100,839,671)	8.3
<b>Net Interest Income</b>	<b>6</b>	<b>227</b>	<b>1,779,527,882</b>	<b>1,239,716,712</b>	<b>539,811,170</b>	<b>43.5</b>
Net Fee and Commission Income	7	228	172,887,634	114,185,258	58,702,376	51.4
Other Operating Income	8	228	51,903,677	21,975,253	29,928,424	136.2
<b>Total Operating Income</b>			<b>2,004,319,193</b>	<b>1,375,877,224</b>	<b>628,441,969</b>	<b>45.7</b>
Impairment Charges for Loans and Other Losses	9	229	(332,531,900)	(63,092,109)	(269,439,791)	427.1
<b>Net Operating Income</b>			<b>1,671,787,293</b>	<b>1,312,785,115</b>	<b>359,002,178</b>	<b>27.3</b>
<b>Operating Expenses</b>						
Personnel Expenses	10	230	(524,561,526)	(464,026,483)	(60,535,043)	13.0
Depreciation of Property, Plant and Equipment			(35,974,055)	(29,034,587)	(6,939,468)	23.9
Amortisation of Right of Use Assets			(80,014,671)	(70,140,299)	(9,874,372)	14.1
Amortisation of Intangible Assets			(509,435)	(1,164,233)	654,798	(56.2)
Other Operating Expenses	11	230	(439,511,271)	(302,342,543)	(137,168,728)	45.4
<b>Operating Profit before Tax on Financial Services</b>			<b>591,216,335</b>	<b>446,076,970</b>	<b>145,139,365</b>	<b>32.5</b>
Tax on Financial Services	12	231	(181,956,153)	(145,945,075)	(36,011,078)	24.7
<b>Profit before Taxation</b>			<b>409,260,182</b>	<b>300,131,895</b>	<b>109,128,287</b>	<b>36.4</b>
Income Tax Expenses	13	231	(159,663,528)	(78,482,446)	(81,181,082)	103.4
<b>Profit for the Year</b>			<b>249,596,654</b>	<b>221,649,449</b>	<b>27,947,205</b>	<b>12.6</b>
<b>Other Comprehensive Income</b>						
Actuarial Gains/(Losses) on Defined Benefit Plans	34	259	(2,596,400)	(2,939,318)	342,918	(12)
Gain/(Loss) due to changes in Assumptions	34	259	(20,502,138)	(144,710)	(20,357,428)	1,406.8
Deferred Tax (Charge)/Reversal on above items			6,929,561	925,208	6,004,353	649
<b>Net Other Comprehensive Income/(Expenses)</b>						
<b>not to be Reclassified to Profit or Loss</b>			<b>(16,168,977)</b>	<b>(2,158,820)</b>	<b>(14,010,157)</b>	<b>649</b>
Surplus from Revaluation of Property, Plant & Equipment			-	-	-	-
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment			-	-	-	-
<b>Net Other Comprehensive Income not to be Reclassified to Profit or Loss</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Comprehensive Income for the Year, Net of Tax</b>			<b>(16,168,977)</b>	<b>(2,158,820)</b>	<b>(14,010,157)</b>	<b>649</b>
<b>Total Comprehensive Income/(Expenses) for the Year</b>			<b>233,427,677</b>	<b>219,490,629</b>	<b>13,937,048</b>	<b>6</b>
Earning per Share - Basic *	14	233	1.67	1.48	0.19	13
Dividend per Share **	15	233	-	0.75	(0.75)	(100)

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

Accounting Policies and Notes from pages 220 to 284 form an integral part of these Financial Statements.

## Financial Reports

## STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2024	Notes	Page	2024 LKR	2023 LKR	Variance LKR	Variance %
<b>Assets</b>						
Cash and Cash Equivalents	17	235	544,919,606	664,043,703	(119,124,096)	(17.9)
Financial Investments	18	235	772,478,191	576,027,374	196,450,817	34.1
Other Financial Assets	19	235	50,960,718	874,494	50,086,224	5727.5
Financial Assets at Amortised Cost - Loans and Receivables	20	236	6,958,212,710	5,105,311,168	1,852,901,542	36.3
Financial Assets at Amortised Cost - Lease Rentals						
Receivables	21	238	5,616,318,355	4,674,862,363	941,455,992	20.1
Other Non Financial Assets	23	244	238,195,920	155,939,726	82,256,193	52.7
Investment Property	24	244	246,710,000	234,257,500	12,452,500	5.3
Property, Plant and Equipment	25	246	224,485,283	147,095,459	77,389,824	52.6
Right-of-use Lease Assets	26	250	185,152,504	105,241,220	79,911,284	75.9
Intangible Assets	27	251	4,176,618	4,686,053	(509,435)	(10.9)
Deferred Tax Assets	28	252	56,237,769	1,954,498	54,283,272	2,777.4
<b>Total Assets</b>			<b>14,897,847,674</b>	<b>11,670,293,558</b>	<b>3,227,554,116</b>	<b>27.7</b>
<b>Liabilities</b>						
Due to Banks and Other Institutions	29	254	3,005,408,260	1,508,114,678	1,497,293,582	99.3
Financial Liability at Amortised Cost - Due to Customers	30	256	7,492,005,969	6,193,431,026	1,298,574,943	21.0
Lease Liability	31	257	202,487,184	119,947,887	82,539,297	68.8
Other Non Financial Liabilities	32	258	425,290,696	291,925,223	133,365,473	45.7
Current Tax Liabilities	33	258	144,945,144	71,709,569	73,235,575	102.1
Post Employment Benefit Obligation	34	259	56,992,064	35,677,457	21,314,607	59.7
<b>Total Liabilities</b>			<b>11,327,129,316</b>	<b>8,220,805,840</b>	<b>3,106,323,478</b>	<b>37.8</b>
<b>Shareholders' Funds</b>						
Stated Capital	35	261	2,696,113,032	2,696,113,032	-	-
Reserves	36	261	194,927,853	182,448,021	12,479,832	6.8
Retained Earnings	37	262	679,677,472	570,926,665	108,750,807	19.0
<b>Total Shareholders' Funds</b>			<b>3,570,718,357</b>	<b>3,449,487,718</b>	<b>121,230,639</b>	<b>3.5</b>
<b>Total Liabilities and Shareholders' Funds</b>			<b>14,897,847,674</b>	<b>11,670,293,558</b>	<b>3,227,554,116</b>	<b>27.7</b>
Commitments and Contingencies	38	262	6,048,100	7,433,330	(1,385,230)	(18.6)
Net Assets Value per Share	39	263	23.87	23.06	0.81	3.5

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

**Mahesh Jayasanka**  
Head of Strategic Planning/Acting Head of Finance

**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:

**Channa de Silva**  
Chairman

**Dhammika Ganegama**  
Senior Director

Accounting Policies and Notes from pages 220 to 284 form an integral part of these Financial Statements.

29 May 2024

Colombo

## Financial Reports

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024	Stated Capital LKR	Statutory Reserves LKR	Revaluation Reserves LKR	Regulatory Loss LKR	Retained Earnings LKR	Total Equity LKR
Balances as at 01st April 2022	2,696,113,032	114,850,787	56,514,761		437,316,534	3,304,795,115
<b>Comprehensive Income for the year</b>						
Profit for the Year	-	-	-		221,649,449	221,649,449
Other Comprehensive Income	-	-	-		(2,158,820)	(2,158,820)
<b>Total Comprehensive Income for the year</b>	-	-	-		<b>219,490,629</b>	<b>219,490,629</b>
<b>Transactions with Equity Holders, Recognised Directly in Equity</b>						
Transfer to Statutory Reserves Fund	-	11,082,472	-		(11,082,472)	-
Interim Dividend	-	-	-		(74,798,026)	(74,798,026)
<b>Total transaction with equity holders</b>	-	<b>11,082,472</b>	-		<b>(85,880,498)</b>	<b>(74,798,026)</b>
Balances as at 31 March 2023	2,696,113,032	125,933,259	56,514,761		570,926,666	3,449,487,718
<b>Comprehensive Income for the year</b>						
Profit for the Year	-	-	-		249,596,654	249,596,654
Other Comprehensive Income	-	-	-		(16,168,977)	(16,168,977)
<b>Total Comprehensive Income for the year</b>	-	-	-		<b>233,427,677</b>	<b>233,427,677</b>
<b>Transactions with Equity Holders, Recognised Directly in Equity</b>						
Transfer to Statutory Reserves Fund	-	12,479,833	-		(12,479,833)	-
Final dividend	-	-	-		(112,197,039)	(112,197,039)
<b>Total transaction with equity holders</b>	-	<b>12,479,833</b>	-		<b>(124,676,872)</b>	<b>(112,197,039)</b>
Balances as at 31 March 2024	2,696,113,032	138,413,092	56,514,761	-	679,677,472	3,570,718,357

Accounting Policies and Notes from pages 220 to 284 form an integral part of these Financial Statements.

## Financial Reports

## STATEMENT OF CASH FLOWS

Year ended 31 March 2024	Notes	Page	2024 LKR	2023 LKR
<b>Cash Flows From / (Used in) Operating Activities</b>				
Profit before Income Tax Expense			409,260,182	300,131,895
<b>Adjustments for</b>				
Impairment Charges for Loans / Lease Rental and Other Receivables	9.	229	332,531,900	63,092,109
Changing Fair Value of Investment Property			(12,452,500)	-
Loss/(Profit) on Disposal of Property, Plant and Equipment			(8,287,416)	3,601,501
Profit/(Loss) on ROU assets			(671,152)	31,067
Provision for Defined Benefit Plans	10.	230	12,579,736	10,021,516
Depreciation of Property, Plant and Equipment	25.1	248	35,974,055	29,034,587
Amortisation of Intangible Assets			509,435	1,164,233
Amortisation of Right to Use Assets			80,014,671	70,140,299
Interest Expenses on Lease Creditor			30,331,731	17,758,693
<b>Operating Profit before Working Capital Changes</b>			<b>879,790,640</b>	<b>494,975,900</b>
(Increase)/Decrease in Loans and Receivables	20.	236	(1,976,585,950)	125,563,957
(Increase)/Decrease in Lease Rentals Receivables	21.	238	(1,136,412,727)	(92,482,507)
(Increase)/Decrease in Other Financial Assets			(50,086,224)	(60,103)
(Increase)/Decrease in Other Non Financial Assets			(82,549,694)	8,597,776
Increase/(Decrease) in Amounts Due to Customers	30.	256	1,298,574,943	1,464,333,905
Increase/(Decrease) in Other Non Financial Liabilities			133,182,415	(230,546,093)
<b>Cash Generated from Operations</b>			<b>(934,086,597)</b>	<b>1,770,382,834</b>
Retirement Benefit Liabilities Paid			(14,363,667)	(9,494,245)
Net Collection of LRAB Fund			-	123,525
Income Tax Paid	33.	258	(133,781,663)	(49,382,348)
Repayment of Lease Liability			(101,931,772)	(93,525,230)
<b>Net Cash From/(Used in) Operating Activities</b>			<b>(1,184,163,699)</b>	<b>1,618,104,536</b>
<b>Cash Flows from / (Used in) Investing Activities</b>				
Sales of Property, Plant and Equipment			(9,264,831)	402,068
Acquisition of Property, Plant and Equipment	25.1	248	(114,341,293)	(40,865,923)
Acquisition of Intangible Assets	27.2	252	-	(922,500)
Financial Investment			(196,450,817)	(43,360,336)
<b>Net Cash Flows from/(Used in) Investing Activities</b>			<b>(320,056,941)</b>	<b>(84,746,691)</b>
<b>Cash Flows from / (Used in) Financing Activities</b>				
Funds received from bank and other institutional borrowings	29.2	254	2,112,009,434	512,961,416
Repayment of bank and other institutional borrowings	29.2	254	(994,926,457)	(1,076,151,729)
Dividend Payment			(112,197,039)	(149,376,386)
<b>Net Cash Flows from/(Used in) Financing Activities</b>			<b>1,004,885,938</b>	<b>(712,566,699)</b>
<b>Net Increase in Cash and Cash Equivalents</b>			<b>(499,334,702)</b>	<b>820,791,146</b>
Cash and Cash Equivalents at the beginning of the year			579,671,138	(241,120,008)
<b>Cash and Cash Equivalents at the end of the year</b>	<b>A</b>		<b>80,336,436</b>	<b>579,671,138</b>
<b>A Cash and Cash Equivalents at the end of the year</b>				
Favorable Cash & Cash Equivalents			544,919,606	664,043,703
Unfavorable Cash & Cash Equivalents			(464,583,171)	(84,372,565)
<b>Total Cash and Cash Equivalents at the end of the year</b>	<b>17.1</b>	<b>235</b>	<b>80,336,436</b>	<b>579,671,138</b>

Accounting Policies and Notes from pages 220 to 284 form an integral part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

#### 1.1 General

Sarvodaya Development Finance PLC (The 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and is a Licensed Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The shares of the Company have a primary listing on the Colombo Stock Exchange (CSE).

The registered office of the Company is located at No 155/A, Dr. Danister De Silva Mawatha, Colombo 08 and the principal place of business is situated at the same place.

#### 1.2 Principal Activities of the Company

The principal activities of the Company consist of Acceptance of Deposits, Granting Micro Finance Loans, SME Loans, Leasing, Housing Loans, Business Loans, Pawning and other credit facilities and related services.

#### 1.3 Approval of the Financial Statements

The Financial Statements of the Company for the year ended 31 March 2024 (including comparatives) have been approved and authorized for issue by the Board of Directors on 29th May 2024.

#### 1.4 Number of Employees

The staff strength of the Company as of 31 March 2024 and 31 March 2023 is 546 and 453 respectively.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

#### 2.1. Statement of Compliance

The Financial Statements of the Company which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Material Accounting Policies and Notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange. The presentation of Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at 'www.casrilanka.com / www.slaasc.lk'.

#### 2.2. Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company, in compliance with the provisions of the Companies Act No. 07 of 2007 and SLFRSs/LKASs.

The Board of Directors acknowledges their responsibility as set out in the 'Report of the Board of Directors on the Affairs of the Company', 'Directors' Responsibility for Financial Reporting' and 'Directors' Statement on Internal Control over Financial Reporting' and the certification given on the 'Statement of Financial Position' of the Annual Report

These Financial Statements include the following components:

- ➔ A Statement of Profit or Loss and Other Comprehensive Income provides the information on the performance for the year under review (Refer page 216).
- ➔ A Statement of Financial Position provides the information on the financial position of the Company as at the yearend (Refer page 217).
- ➔ A Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company (Refer page 218).
- ➔ A Statement of Cash Flows provides the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs for entities to utilize those cash flows (Refer page 219) and
- ➔ Notes to the Financial Statements, which comprises of the Accounting Policies and other explanatory notes and information (Refer pages 220 to 284).

#### 2.3. Preparation of Financial Statements

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position:

Name	Basis of Measurement	Note Number/s	Page Number/s
Land & buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	Note 25.2	Page 249

Name	Basis of Measurement	Note Number/s	Page Number/s
Defined benefit obligations	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	Note 34	Page 259
Investment Properties	Measured at fair value at the time of transferred from Property, plant & Equipment. Subsequently valued at fair value.	Note 24	Page 244

#### 2.4. Presentation of Financial Statements

The Company present its Statement of Financial Position broadly by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery and settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 42 to these Financial Statements. No adjustments have been made for inflationary factors affecting the Financial Statements.

#### 2.5. Use of Materiality, Aggregation, Offsetting and Rounding

##### Materiality and Aggregation

In compliance with Sri Lanka Accounting Standards - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

##### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or loss unless required or permitted by an Accounting Standard or interpretation, and specifically disclosed in the accounting policies of the Company.

##### Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted

by the Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements).

#### 2.6. Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency, unless indicate otherwise.

#### 2.7. Going Concern

The Board of Directors of the Company has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

#### 2.8. Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

#### 2.9. Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the accounting policies of the Company, management is required to make judgments, which may have significant effects on the amounts recognized in the Financial Statements. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation of uncertainty at the date of the Statement of the Financial Position that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.



## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

**Classification of financial assets and liabilities****AS PER SLFRS 9, THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY PROVIDES SCOPE FOR FINANCIAL ASSETS TO BE CLASSIFIED AND SUBSEQUENTLY MEASURED INTO DIFFERENT CATEGORIES, NAMELY, AT AMORTISED COST,**

Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- ⊖ The entity's business model for managing the Financial assets as set out in Note 3.2.2 on page 223.
- ⊖ The contractual cash Flow characteristics of the Financial assets as set out in Note 3.2.2 on page 224.

**Impairment losses on financial Assets**

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash Flows and collateral values when determining impairment losses.

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired.

**Impairment losses on loans and lease rental receivables**

The Company use number of estimates and assumptions for the calculation of impairment losses on loans and lease rental receivables. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the 'impairment losses on loans and receivables' are given in Note 22 on page 241 to the financial statements.

**Impairment charges on financial investments**

Financial investments are categorised under amortised cost subject to Impairment in accordance with SLFRS 9 -Financial Investment. The Company does not have historical loss experience on debt instruments at amortised cost. The Company does not have financial investments that required impairment charges.

**Useful life time of Property, Plant and Equipment**

The Company reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Details of the 'useful life-time of the Property, Plant and Equipment' are given in Note 25 on page 246 to the financial statements.

**Useful life time of the Intangible Assets**

Details of the 'useful life-time of the intangible assets' are given in Note 27 on page 251 to the financial statements.

**Deferred tax**

Details of the 'deferred tax' are given in Note 28 on page 252 to the financial statements.

**Post-Employment Benefit obligation**

Details of the 'Post-Employment benefit obligation' are given in Note 34 on page 259 to the financial statements.

**Related Party Transactions**

Details of the 'Related Party Transactions' are given in Note 43 on page 265 to the financial statements.

**3. GENERAL ACCOUNTING POLICIES****3.1 Changes in Accounting Standards**

In these financial statements, the Company has applied Sri Lanka Accounting Standard - Amendments to SLFRS 16: Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 and Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2 which became effective for the annual reporting periods beginning on or after 1 January 2021, for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

**Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021**

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

**Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2****IBOR reform Phase 1**

In 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

Highly Probable Requirement: when determining whether a forecast transaction is highly probable to be designated as a hedged item, an entity shall assume that the interest rate benchmark on which the hedged cashflows are based is not altered as a result of the reform

Prospective assessments: when performing prospective assessments to evaluate whether a hedging relationship qualifies for hedge accounting, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform

LKAS 39 retrospective assessment: an entity is not required to undertake the 'LKAS 39 retrospective assessment' for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment

Separately identifiable risk components: For hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement of risk component (or a portion) to be separately identifiable to be eligible for hedge accounting, only at the inception of such hedging relationships

**IBOR reform Phase 2**

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context

**3.2 Financial Instruments - initial recognitions and subsequent measurement****3.2.1 Date of recognition**

All financial assets and liabilities except 'regular way trades' are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. 'Regular way trades' means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

**3.2.2 Classification and subsequent measurement of financial assets**

As per SLFRS 9, the Company classifies all of its financial assets based on the business model for managing the assets and the

assets' contractual terms measured at either;

- ⊖ Amortised cost
- ⊖ Fair value through other comprehensive income (FVOCI)
- ⊖ Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

**Business model assessment**

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by- instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- ⊖ the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ⊖ how the performance of the portfolio is evaluated and reported to the Company's management;
- ⊖ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ⊖ how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- ⊖ the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

**Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)**

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

“Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- ⊖ Contingent events that would change the amount and timing of cash flows;
- ⊖ Leverage features;
- ⊖ Prepayment and extension terms;
- ⊖ Terms that limit the Company’s claim to cash flows from specified assets; and
- ⊖ Features that modify consideration of the time value of money.

The Company holds a portfolio of long-term fixed rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

#### Details on different types of financial assets recognised on the Statement of Financial Position.

##### Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ⊖ The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ⊖ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Note 16 on page 234.

##### Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. The Company do not have financial assets measured at FVOCI as at 31 March 2024.

##### Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. The Company do not have financial assets measured at FVTPL as at 31 March 2024.

#### 3.2.3 Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- ⊖ The rights to receive cash flows from the asset which have expired;
- ⊖ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either;
  - o The Company has transferred substantially all the risks and rewards of the asset; or
  - o The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company’s continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

##### Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Statement of Profit or Loss.

#### 3.2.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company’s trading activity.

#### 3.2.5 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 46 on page 268.

#### 3.3 Impairment of non-financial assets

The carrying amounts of the Company’s non financial assets, other than deferred tax assets are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use.

Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

#### 3.4 Provisions

Provisions are recognised in the Statement of Financial Position when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on ‘Provision, Contingent Liabilities and Contingent Assets’.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

#### 3.5 Borrowing cost

As per Sri Lanka Accounting Standard- LKAS 23 on ‘Borrowing Costs’, the Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

#### 3.6 Income tax

Details of the ‘income tax expense’ are given in Note 13 on page 231 to the financial statements.

## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

**3.7 Deferred tax**

Details of the 'deferred tax' are given in Note 28 on page 252 to the financial statements.

**3.8 Crop Insurance Levy**

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

**3.9 Tax on financial services**

Details of the 'VAT and SSCL on financial services are given in Note 12 on page 231 to the financial statements.

**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2024. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2024. Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

**SLFRS 17 Insurance Contracts**

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

- ⊖ Aspecific adaptation for contracts with direct participation features (the variable fee approach)
- ⊖ simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

**International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12**

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

**Classification of Liabilities as Current or Non-current - Amendments to LKAS 1**

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities with covenants as current or non-current.

The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

**Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16**

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

**Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7**

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about,

- ⊖ the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements
- ⊖ quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period
- ⊖ the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

**5. INCOME**

Gross income (Revenue) is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

Year ended 31 March 2024	Notes	Page No.	2024 LKR	2023 LKR
Interest Income	6.1	227	3,101,982,284	2,461,331,443
Net Fee and Commission Income	7	228	172,887,634	114,185,258
Other Operating Income (net)	8	228	51,903,677	21,975,253
<b>Total Income</b>			<b>3,326,773,595</b>	<b>2,597,491,955</b>

**6. NET INTEREST INCOME****Accounting Policy**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Company use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 09. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the Financial Asset or Financial Liability

Once the recorded value of financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

**Recognition of interest income for credit facilities under moratoriums**

The adjusted EIR has been applied for the moratorium granted facilities to recognise interest income till the end of the lifetime of the instrument.

	2024 LKR	2023 LKR
<b>6.1 Interest Income</b>		
Financial Assets at Amortised Cost - Loans and Receivables	1,494,026,241	1,204,123,623
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,446,933,953	1,089,564,946
Financial Investments	119,260,793	117,769,541
Cash and cash equivalent - Savings Deposits	41,415,733	36,615,343
Other Financial Assets	345,562	13,257,990
<b>Total Interest Income</b>	<b>3,101,982,284</b>	<b>2,461,331,443</b>
<b>6.2 Interest Expenses</b>		
Due to Bank and Other Institution	269,215,032	431,967,924
Financial Liabilities at Amortised Cost - Due to Customers	1,022,907,639	771,888,114
Lease Liabilities	30,331,731	17,758,693
<b>Total Interest Expenses</b>	<b>1,322,454,402</b>	<b>1,221,614,731</b>
<b>Net Interest Income</b>	<b>1,779,527,882</b>	<b>1,239,716,712</b>

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## NOTES TO THE FINANCIAL STATEMENTS

## 7. NET FEE AND COMMISSION INCOME

## Accounting Policy

The Company earns fee and commission income from a diverse range of services it provides to its customers. The Company recognises Fee and Commission income net of directly attributable expenses.

## Credit Related Fees and Services

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, CRIB charges, Insurance commission and Other credit related changes.

## Other Fee and Commission Expense

Other Fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expense are recognised on an accrual basis.

	2024 LKR	2023 LKR
<b>7.1 Fee and Commission Income</b>		
Credit Related Fees and Commissions	86,396,913	54,448,052
Documentation Charges	79,275,527	28,987,242
Service Charge	57,495,116	63,843,877
<b>Total Fee and Commission Income</b>	<b>223,167,556</b>	<b>147,279,170</b>
<b>7.2 Fee and Commission Expenses</b>		
Credit Related Fees and Commissions	33,868,781	21,720,448
Documentation Charges	4,852,513	2,658,352
Service Charge	11,558,629	8,715,112
<b>Total Fee and Commission Expenses</b>	<b>50,279,922</b>	<b>33,093,912</b>
<b>Total Net Fee and Commission Income</b>	<b>172,887,634</b>	<b>114,185,258</b>

## 8. OTHER OPERATING INCOME

## Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Company is recognised as other operating income on an accrual basis.

Other operating income includes recoveries of written-off loans and receivables, gains from property, plant & equipments and reversal of provision of Loan Risk Assurance Benefit Fund.

	2024 LKR	2023 LKR
<b>Recoveries of Written-Off Loans &amp; Receivables</b>	<b>14,622,160</b>	<b>12,488,335</b>
Profit/(Loss) on Disposal of Property Plant & Equipment	8,287,416	(3,601,501)
Gain from Fair Value of Investment Property	12,452,500	-
Rent income from investment property	8,290,200	8,290,200
Other Sundry Income	8,251,400	4,798,219
<b>Total Other Operating Income</b>	<b>51,903,677</b>	<b>21,975,253</b>

## 9. IMPAIRMENT CHARGES /(REVERSAL) FOR LOANS /LEASE RENTAL AND OTHER RECEIVABLES

## Accounting Policy

The Company recognises the changes in the impairment provisions for loans and lease receivables and other customers, which are assessed as per the SLFRS 9: Financial Instruments. The methodology adopted by the Company is explained in Note 22 to these Financial Statements.

	2024 LKR	2023 LKR
Loans and Receivables	217,307,386	23,835,675
Lease Rental Receivables	101,333,758	41,671,434
Provision for Other Assets	13,890,756	(2,415,000)
<b>Total Impairment Charges for Loans/ Lease rental and other receivables</b>	<b>332,531,900</b>	<b>63,092,109</b>

## 9.1 Impairment charge for Loans/ Lease rental and other receivables (Detail Breakdown)

For the year ended 31st March 2024	Disposal loss/ Write-offs LKR	Charge LKR	(Reversal) LKR	Net Amount LKR
Loans and Receivables	(93,622,977)	402,205,798	(91,275,434)	217,307,386
Lease Rentals Receivables	-	197,098,735	(95,764,977)	101,333,758
Other receivables	-	14,880,756	(990,000)	13,890,756
<b>Total</b>	<b>(93,622,977)</b>	<b>614,185,289</b>	<b>(188,030,412)</b>	<b>332,531,900</b>
For the year ended 31st March 2023	Disposal loss/ Write-offs LKR	Charge LKR	(Reversal) LKR	Net Amount LKR
Loans and Receivables	(144,115,706)	246,982,727	(79,031,346)	23,835,675
Lease Rentals Receivables	-	102,440,483	(60,769,049)	41,671,434
Other receivables	-	-	(2,415,000)	(2,415,000)
<b>Total</b>	<b>(144,115,706)</b>	<b>349,423,210</b>	<b>(142,215,395)</b>	<b>63,092,109</b>

## 9.2 Impairment charges to the Statement of Profit or Loss- Stage wise analysis

For the year ended 31st March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	133,912,484	11,012,180	72,382,721	217,307,385
Lease Rentals Receivables	(7,404,201)	(9,869,741)	118,607,701	101,333,759
Other receivables	-	-	13,890,756	13,890,756
<b>Total</b>	<b>126,508,283</b>	<b>1,142,439</b>	<b>204,881,179</b>	<b>332,531,900</b>
For the year ended 31st March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	44,738,366	(9,949,960)	(10,952,732)	23,835,675
Lease Rentals Receivables	71,544,813	(13,140,449)	(16,732,930)	41,671,434
Other receivables	-	-	(2,415,000)	(2,415,000)
<b>Total</b>	<b>116,283,179</b>	<b>(23,090,409)</b>	<b>(30,100,661)</b>	<b>63,092,109</b>

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## NOTES TO THE FINANCIAL STATEMENTS

## 10. PERSONNEL EXPENSES

**Accounting Policy**

Personnel costs includes salaries and bonus, other staff related expenses, terminal benefit charges and other related expenses. The provisions for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Employees' Provident Fund and Employees' Trust Fund**

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively.

Contributions to defined benefit plans are recognised in the Statement of profit or Loss and other comprehensive income based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19, Defined benefit Obligations.

	2024 LKR	2023 LKR
Salaries and Other Related Expenses	442,510,324	397,342,303
Employer's Contribution to Employees' Provident Fund	34,186,774	31,335,607
Employer's Contribution to Employees' Trust Fund	8,545,903	7,836,599
Gratuity Charge for the Year	12,579,736	10,141,516
Other Staff Related Expenses	26,738,789	17,370,458
<b>Total Personnel Expenses</b>	<b>524,561,526</b>	<b>464,026,483</b>

## 11. OTHER OPERATING EXPENSES

**Accounting Policy**

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

**Crop Insurance Levy**

As per provisions of the Section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 01 April 2013 and is payable to the National Insurance Trust Fund. Currently, the crop insurance levy is payable at 1 percent of profit after tax.

	2024 LKR	2023 LKR
Directors' Emoluments	9,140,000	7,940,000
Auditors Remuneration	6,068,934	3,939,887
Professional and Legal Expenses	7,637,762	3,972,321
Deposit Insurance Premium	9,777,461	7,563,729
General Insurance Expenses	7,160,299	5,862,074
Office Administration and Establishment Expenses	266,533,120	168,689,416
Travelling & Transport Expenses	69,315,290	52,617,575
Other Expenses	1,777,912	1,611,833
Marketing and Promotional Expenses	62,100,492	50,145,708
<b>Total Other Operating Expenses</b>	<b>439,511,271</b>	<b>302,342,543</b>

## 12. TAX ON FINANCIAL SERVICES

**Accounting Policy****Value Added Tax (VAT) on Financial Services**

VAT on Financial Services is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT and SSCL on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT on Financial Services is charged as 18% with effect from 01 January 2022

**Social Security Contribution Levy**

As per provisions of the Social Security Contribution Levy (SSCL) Act No 5 of 2022, SSCL on Financial Services was payable at 2.5% on Company's value additions attributable to financial services with effect from 1 October 2022. The value addition attributable to financial service is same as the value using to calculate VAT on Financial Services.

	2024 LKR	2023 LKR
Value Added Tax on Financial Services	159,766,378	136,773,929
Social Security Contribution Levy	22,189,775	9,171,146
<b>Total Tax on Financial Services</b>	<b>181,956,153</b>	<b>145,945,075</b>

## 13. INCOME TAX EXPENSES

**Accounting Policy**

As per the Sri Lanka Accounting Standard - LKAS 12 on Income Taxes, the tax expense/tax income is the aggregate amount included in determination of profits or loss for the period in respect of income tax and deferred tax. The tax expense/Income is recorded in the Statement of Profit or Loss except to the extent it relates to items recognized directly in Equity or Statement of Comprehensive Income (OCI), in which case it is recognized in Equity or OCI.

**Current Taxation**

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior year. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in Note 13.1 to these Financial Statements.

**Deferred Taxation**

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 28 to the financial statements.

The tax rates and laws utilized for computing the amount are based on those enacted or substantively enacted by the reporting date. According to the new budget proposal, the company was eligible for a concessionary tax rate of 12% due to its listing on the Colombo Stock Exchange before December 31, 2021. However, it is important to note that the concessionary rate has been discontinued by the Inland Revenue Department (IRD) effective from October 1, 2022. As a result, the company is now liable for income tax at a rate of 30% from that date onwards.

## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

The components of the income tax expense for the years ended 31 March 2024 and 2023 are:

	2024 LKR	2023 LKR
<b>Income Taxation</b>		
Taxation based on Profits for the Year (Note 13.1)	212,909,213	102,446,165
Under/(Over) Provision of Current Taxes in respect of Previous Years	(5,891,974)	(2,524,693)
<b>Deferred Taxation</b>		
Amount of Deferred Tax Expenses/(Income)	(47,353,711)	(46,954,058)
Amount of Deferred Tax Expenses/(Income) relating to changes in tax rates	-	25,515,032
<b>Total Tax Expenses</b>	<b>159,663,528</b>	<b>78,482,446</b>
Deferred tax charge/(reversal) for other comprehensive income	6,929,561	952,208
<b>Income tax charge / (reversal) recognised in statement of comprehensive income</b>	<b>6,929,561</b>	<b>952,208</b>

### 13.1 Reconciliation of Accounting Profit And Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the Years ended 31 March 2024 and 2023 are as follows.

	2024 LKR	2023 LKR
Profit Before Tax	409,260,182	300,131,895
Add: Disallowable Expenses	569,958,962	255,415,248
Taxable Loss on Leasing Business	-	19,328,496
Adjustment on SLFRS 16	6,866,453	(4,141,642)
Less: Tax Deductible Expenses	(255,648,304)	(108,671,111)
Disallowable Income	(20,739,916)	3,601,501
<b>Adjusted Profit / (Loss) for Tax Purposes</b>	<b>709,697,376</b>	<b>465,664,388</b>
Assessable Income	709,697,376	465,664,388
Less - Allowable Losses	-	-
<b>Taxable Income</b>	<b>709,697,376</b>	<b>465,664,388</b>
Income Tax @ 30%	212,909,213	69,849,658
Income Tax @ 14%	-	32,596,507
<b>Income Tax on Current Year's Profit</b>	<b>212,909,213</b>	<b>102,446,165</b>
Effective tax rate (Excluding deferred tax) (%)	36.01%	22.97%
Effective tax rate (%)	27.01%	17.59%

### 13.2 Under/(Over) Provision of Current Taxes in respect of Previous Years

The Company recorded an income tax over provision Rs 5,891,974/- for Y/A 2022/23 based on the submitted annual income tax return.

### 13.3 Differed Tax on Concessionary Rate

Due to the change in the concessional tax rate from 12% to 30%, the company has made adjustments to account for the deferred tax based on the new tax rate during the FY 2022/23.

## 14. EARNINGS PER SHARE

### Accounting Policy

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as required by the Sri Lanka Accounting Standard No. 33 (LKAS 33) on 'Earnings per Share'. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor.

	2024 LKR	2023 LKR
<b>Amount used as the numerator</b>		
Profit attributed to ordinary shareholders (LKR)	249,596,654	221,649,449
<b>Amount used as the denominator</b>		
Weighted average number of ordinary shares as at the date of the Statement of Financial Position for basic EPS calculation	149,596,052	149,596,052
<b>Basic / Diluted Earnings per Share (LKR)</b>	<b>1.67</b>	<b>1.48</b>

## 15. DIVIDEND PAID AND PROPOSED

### Accounting Policy

Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholder. LKR Interim dividends payable is recognised when Board approves such dividends in accordance with the Companies Act No 07 of 2007.

### 15.1 Dividend per Share

For the year ended 31st March 2023	Note No.	Page No.	2024 LKR	2023 LKR
Dividends for Ordinary Shares:				
Final Dividends for the financial year 2022/23 (LKR 0.75 per share)	15.2.1	233	-	112,197,039
<b>Total Dividends</b>			-	<b>112,197,039</b>
No of Ordinary Shares at the End of the Year			149,596,052	149,596,052
Divided per Share (LKR)			-	0.75

### 15.2 Dividend for the year 2022/23

#### 15.2.1 Interim dividend

The company was paid a final dividend of 75 cents per share in respect of the financial year 2022/23 on the then-issued shares of 149,596,052 after obtaining the requisite approval of the Central Bank of Sri Lanka. However, the company has proposed Rs. 1 per share in respect of the financial year 2022/23. Subsequently, the board of directors and the CBSL have approved a final dividend of 0.75 cents per share for distribution.

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## NOTES TO THE FINANCIAL STATEMENTS

## 15.3 Dividend for the year 2023/24

## 15.3.1 Interim dividend

The company has not distributed interim dividend for the FY 2023/24.

## 16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of material Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments.

## 16.1 Analysis of Financial Instruments by Measurement Basis

	2024		2023	
	Amortised LKR	Total LKR	Amortised LKR	Total LKR
<b>Financial Assets</b>				
Cash and Cash Equivalents	544,919,606	544,919,606	664,043,703	664,043,703
Financial Investments	772,478,191	772,478,191	576,027,374	576,027,374
Other Financial Assets	50,960,718	50,960,718	874,494	874,494
Financial Assets at Amortised Cost - Loans and Receivables	6,958,212,710	6,958,212,710	5,105,311,168	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	5,616,318,355	5,616,318,355	4,674,862,363	4,674,862,363
<b>Total Financial Assets</b>	<b>13,942,889,580</b>	<b>13,942,889,580</b>	<b>11,021,119,101</b>	<b>11,021,119,101</b>
<b>Financial Liabilities</b>				
Due to Banks and Other Institutions	3,005,408,260	3,005,408,260	1,508,114,678	1,508,114,678
Due to Customers	7,492,005,969	7,492,005,969	6,193,431,026	6,193,431,026
Lease Liabilities	202,487,184	202,487,184	119,947,887	119,947,887
<b>Total Financial Liabilities</b>	<b>10,699,901,412</b>	<b>10,699,901,412</b>	<b>7,821,493,590</b>	<b>7,821,493,590</b>

## 17. CASH AND CASH EQUIVALENTS

## Accounting Policy

Cash and cash equivalents for the purpose of reporting in the Statement of Financial Position, comprise of cash in hand and balances with banks. The cash in hand comprises of local currency only.

	2024 LKR	2023 LKR
Cash in Hand	101,822,776	60,741,765
Balances with Banks	443,096,830	603,301,938
<b>Total Cash and Cash Equivalents</b>	<b>544,919,606</b>	<b>664,043,703</b>

## 17.1 Net cash and Cash Equivalents for the Purpose of the Cash Flow Statement

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

	Note	Page No.	2024 LKR	2023 LKR
Favorable Cash & Cash Equivalents			544,919,606	664,043,703
Unfavorable Cash & Cash Equivalents	29	254	(464,583,171)	(84,372,565)
<b>Cash &amp; Cash Equivalents for Cash Flow Purposes</b>			<b>80,336,436</b>	<b>579,671,138</b>

## 18. FINANCIAL INVESTMENTS

## Accounting Policy

Financial investments include Government Securities and securities purchased under resale agreements. After initial measurement, these are subsequently measured at amortized cost using the EIR. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

	2024 LKR	2023 LKR
Sri Lanka Government Securities - REPO	772,478,191	576,027,374
<b>Total Financial Investments</b>	<b>772,478,191</b>	<b>576,027,374</b>

## 19. OTHER FINANCIAL ASSETS

## Accounting Policy

Financial investments include Fixed Deposit. After initial measurement, these are subsequently measured at amortized cost using the EIR. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

	2024 LKR	2023 LKR
Fixed Deposits	50,960,718	874,494
<b>Total Other Financial Assets</b>	<b>50,960,718</b>	<b>874,494</b>

## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

## 19.1 Contractual Maturity Analysis of Other Financial Assets

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
<b>As at 31 March 2024</b>				
Fixed Deposits	50,960,718	-	-	50,960,718
<b>Total Other Financial Assets</b>	<b>50,960,718</b>	<b>-</b>	<b>-</b>	<b>50,960,718</b>
<b>As at 31 March 2023</b>				
Fixed Deposits	874,494	-	-	874,494
<b>Total Other Financial Assets</b>	<b>874,494</b>	<b>-</b>	<b>-</b>	<b>874,494</b>

## 20. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES

## Accounting Policy

Loans and receivables include financial assets measured at amortized cost if both following conditions are made ;

- ⊖ Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- ⊖ Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of comprehensive income.

	2024 LKR	2023 LKR
SME Loans	1,552,969,487	1,153,495,295
Micro Loan	1,196,813,212	436,241,761
Housing Loan	1,254,878,996	795,299,071
Society Loan	332,201,304	360,287,974
Gold Loan	2,549,516,265	2,170,424,108
Loan on Deposits	427,970,498	422,151,402
<b>Gross Loan and Receivables</b>	<b>7,314,485,562</b>	<b>5,337,899,612</b>
Less : Allowance for Impairment Charges (Note 22.1)	(356,272,852)	(232,588,444)
<b>Net Loans and Receivables</b>	<b>6,958,212,710</b>	<b>5,105,311,168</b>

## 20.1 Analysis

## 20.1.1 Analysis by stage wise

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
<b>As at 31 March 2024</b>				
Collective Impaired loans and receivables	5,382,085,669	924,956,090	1,007,443,803	7,314,485,562
Less - Allowance for impairment charges	(90,684,817)	(50,946,993)	(214,641,043)	(356,272,852)
	<b>5,291,400,852</b>	<b>874,009,097</b>	<b>792,802,761</b>	<b>6,958,212,710</b>
<b>As at 31 March 2023</b>				
Collective Impaired loans and receivables	3,247,103,302	876,803,346	1,213,992,964	5,337,899,612
Less - Allowance for impairment charges	(50,395,310)	(39,934,813)	(142,258,321)	(232,588,444)
	<b>3,196,707,992</b>	<b>836,868,533</b>	<b>1,071,734,643</b>	<b>5,105,311,168</b>

## 20.1.2 Analysis by Currency

As at 31 March	2024 LKR	2023 LKR
Sri Lankan Rupee	7,314,349,762	5,337,899,612
<b>Gross total</b>	<b>7,314,349,762</b>	<b>5,337,899,612</b>

## 20.1.3 Analysis by Industry

Agriculture & Fishing	2,553,376,347	2,677,367,350
Manufacturing	447,904,709	717,159,072
Tourism	72,938,062	16,539,660
Transport	55,031,377	10,651,107
Constructions	1,864,554,866	882,012,455
Trades	626,712,407	230,183,797
New Economy	5,476,774	5,279,288
Financial and Business Services	86,426,826	15,422,172
Infrastructure	64,449,693	30,239,343
Other Services	1,537,614,503	753,045,368
<b>Gross total</b>	<b>7,314,485,562</b>	<b>5,337,899,612</b>

## 20.2 Movement in gross loan and receivables during the year (Under SLFRS 9)

As at 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2023	3,250,710,758	876,803,346	1,210,385,508	5,337,899,612
New assets originated or purchased	8,149,264,688	-	-	8,149,264,688
Assets derecognised or repaid (excluding write offs)	(5,711,886,882)	(87,582,392)	(279,586,487)	(6,079,055,761)
Transfers to Stage 1	133,816,169	(67,662,717)	(66,153,452)	-
Transfers to Stage 2	(276,339,728)	309,816,737	(33,477,009)	-
Transfers to Stage 3	(69,856,360)	(106,418,883)	176,275,243	-
Amounts written off	(93,622,977)	-	-	(93,622,977)
<b>Gross carrying amount as at 31st March 2024</b>	<b>5,382,085,669</b>	<b>924,956,090</b>	<b>1,007,443,803</b>	<b>7,314,485,562</b>



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## 20.3 Movement in gross loan and receivables during the year (Under SLFRS 9)

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2022	3,391,277,669	686,278,213	1,385,907,686	5,463,463,569
New assets originated or purchased	6,235,735,659	-	-	6,235,735,659
Assets derecognised or repaid (excluding write offs)	(5,984,676,970)	(190,525,132)	(24,404,486)	(6,199,606,588)
Transfers to Stage 1	439,918,569	(309,818,595)	(130,099,974)	-
Transfers to Stage 2	(56,691,588)	182,631,763	(125,940,175)	-
Transfers to Stage 3	(34,586,023)	(42,937,420)	77,523,443	-
Amounts written off	-	-	(161,693,028)	(161,693,028)
<b>Gross carrying amount as at 31 March 2023</b>	<b>3,990,977,317</b>	<b>325,628,828</b>	<b>1,021,293,466</b>	<b>5,337,899,612</b>

## 21. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE

## Accounting Policy

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are recognised on the statement of financial position. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Lease rental receivable include financial assets measured at amortized cost if both following conditions are made ;

- ⊖ Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- ⊖ Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding

After initial measurement, lease rental receivable is subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of Profit or Loss.

	2024 LKR	2023 LKR
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## 21.1 Lease Rentals Receivable

Gross Lease Rentals Receivables	8,705,115,276	7,137,064,921
Less: Unearned Income	(2,748,144,558)	(2,222,883,954)
<b>Total Lease Rentals Receivables</b>	<b>5,956,970,718</b>	<b>4,914,180,967</b>
(Less): Allowance for Impairment Charges (Note 22.1)	(340,652,363)	(239,318,604)
<b>Net Lease Rentals Receivables</b>	<b>5,616,318,355</b>	<b>4,674,862,363</b>

## 21.2 Analysis

## 21.2.1 Analysis by stage wise

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
<b>As at 31 March 2024</b>				
Collective Impaired loans and receivables	3,981,541,035	1,166,818,280	808,611,403	5,956,970,718
Less - Allowance for impairment charges	(59,972,646)	(45,798,913)	(234,880,804)	(340,652,363)
	<b>3,921,568,389</b>	<b>1,121,019,367</b>	<b>573,730,600</b>	<b>5,616,318,355</b>

## As at 31 March 2023

Collective Impaired loans and receivables	3,048,303,333	1,099,314,762	766,562,872	4,914,180,967
Less - Allowance for impairment charges	(67,376,847)	(55,668,654)	(116,273,103)	(239,318,604)
	<b>2,980,926,486</b>	<b>1,043,646,108</b>	<b>650,289,769</b>	<b>4,674,862,363</b>

	2024 LKR	2023 LKR
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## 21.1.2 Analysis by Currency

Sri Lankan Rupee	5,956,970,718	4,914,180,967
<b>Gross total</b>	<b>5,956,970,718</b>	<b>4,914,180,967</b>

## 21.3 Analysis by Industry

Agriculture & Fishing	2,750,488,497	2,862,975,229
Manufacturing	24,551,001	468,670,165
Tourism	29,433,803	39,916
Transport	1,648,118,867	209,273,028
Construction	184,469,838	529,774,371
Trades	35,240,637	9,409,927
New Economy	1,246,428	335,084
Financial and Business Services	1,319,075	1,110,671
Infrastructure	416,465	214,446
Other Services	1,281,686,106	832,378,130
<b>Gross total</b>	<b>5,956,970,718</b>	<b>4,914,180,967</b>

## 21.4 Maturity of Lease Rentals Receivables

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
<b>As at 31 March 2024</b>				
Gross Lease Rental Receivables	720,169,840	7,984,945,436	-	8,705,115,276
Less: Unearned Income	(71,054,513)	(2,677,090,045)	-	(2,748,144,558)
<b>Total Lease Rental Receivables</b>	<b>649,115,327</b>	<b>5,307,855,390</b>	-	<b>5,956,970,718</b>
(Less): Allowance for Impairment Charges (Note 19.6)	(180,353,925)	(160,298,438)	-	(340,652,363)
<b>Net Lease Rentals Receivables</b>	<b>468,761,403</b>	<b>5,147,556,952</b>	-	<b>5,616,318,355</b>

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## 21.5 Maturity of Lease Rentals Receivables

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
<b>As at 31 March 2023</b>				
Gross Lease Rental Receivables	415,000,699	6,722,064,222	-	7,137,064,921
Less: Unearned Income	(67,574,250)	(2,155,309,704)	-	(2,222,883,954)
<b>Total Lease Rental Receivables</b>	<b>347,426,450</b>	<b>4,566,754,517</b>	<b>-</b>	<b>4,914,180,967</b>
(Less): Allowance for Impairment Charges (Note 19.6)	(65,470,581)	(173,848,023)	-	(239,318,604)
<b>Net Lease Rentals Receivables</b>	<b>281,955,868</b>	<b>4,392,906,495</b>	<b>-</b>	<b>4,674,862,363</b>

## 21.5 Movement in gross lease rental receivables during the year (Under SLFRS 9)

As at 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2023	3,048,303,333	1,099,314,762	766,562,872	4,914,180,967
New assets originated or purchased	2,908,434,778			2,908,434,778
Assets derecognised or repaid (excluding write offs)	(1,564,888,411)	(150,508,124)	(150,248,493)	(1,865,645,028)
Transfers to Stage 1	315,293,493	(257,687,179)	(57,606,314)	-
Transfers to Stage 2	(594,133,947)	653,277,622	(59,143,675)	-
Transfers to Stage 3	(131,468,212)	(177,578,800)	309,047,013	-
Amounts written off				-
<b>Gross carrying amount as at 31st March 2024</b>	<b>3,981,541,035</b>	<b>1,166,818,280</b>	<b>808,611,403</b>	<b>5,956,970,718</b>

## 21.6 Movement in gross lease rental receivables during the year (Under SLFRS 9)

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2022	3,584,322,392	896,035,111	485,456,663	4,965,814,166
New assets originated or purchased	1,836,882,781			1,836,882,781
Assets derecognised or repaid (excluding write offs)	(1,446,411,252)	(193,273,398)	(248,831,330)	(1,888,515,980)
Transfers to Stage 1	211,667,878	(172,823,857)	(38,844,020)	-
Transfers to Stage 2	(733,956,453)	780,134,123	(46,177,670)	-
Transfers to Stage 3	(352,871,547)	(210,757,217)	563,628,764	-
Amounts written off				-
<b>Gross carrying amount as at 31st March 2023</b>	<b>3,048,303,333</b>	<b>1,099,314,762</b>	<b>766,562,872</b>	<b>4,914,180,967</b>

## 22. ALLOWANCE FOR IMPAIRMENT CHARGES

## Accounting Policy

Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 01 When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02.

Stage 02 When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03.

Stage 03: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

## The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows;

- PD The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected draw downs on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method are summarised below.

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

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Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

**Debt instruments measured at fair value through OCI**

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

**Forward looking information**

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- ⊖ GDP Growth (%)
- ⊖ Inflation (YoY Average)
- ⊖ Interest Rate (PLR)
- ⊖ Unemployment (% of Labor Force)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

**Reversals of impairment**

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

**Renegotiated Loans**

The Company makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Renegotiated loans may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms. It is the Company's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

From 1 April 2019, when the loan has been renegotiated or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 45.2 The Company also considers whether the assets should be classified as Stage 3.

**Write-off of Financial Assets at Amortised Cost**

Financial assets and the related impairment allowance accounts are normally written-off when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

**Collateral Valuation**

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for measurement of regulatory provisions for bad and doubtful debts as per Finance Business Act Directions No 1 of 2020 - Classification and Measurement of Credit Facilities issued by CBSL.

**Collateral repossessed**

The Company's accounting policy under SLFRS 9 remains same as it was under LKAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

**Non-Accrual Receivables**

Cessation of Interest income recognition is triggered out when the receivables are more than six months in arrears, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

**22.1 Allowance for Impairment Charges**

	On Loan Receivable LKR	On Lease Rental Receivable LKR	Total LKR	On Loan Receivable LKR	On Lease Rental Receivable LKR	Total LKR
Balance as at Beginning of the Year	232,588,444	239,318,604	471,907,048	352,868,476	197,647,170	550,515,646
Charge for the Year	217,307,385	101,333,758	318,641,143	23,835,675	41,671,434	65,507,109
Amounts Written Off	(93,622,977)		(93,622,977)	(144,115,706)	-	(144,115,706)
Balance as at End of the Year	356,272,852	340,652,363	696,925,215	232,588,444	239,318,604	471,907,048
Individual Impairment	4,446,359	16,609,750	21,056,109	-	-	-
Collective Impairment	351,826,493	324,042,612	675,869,105	232,588,444	239,318,604	471,907,048
<b>Total</b>	<b>356,272,852</b>	<b>340,652,363</b>	<b>696,925,215</b>	<b>232,588,444</b>	<b>239,318,604</b>	<b>471,907,048</b>

**22.2 Movement in allowance for expected credit losses**

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
<b>As at 31 March 2024</b>				
Balance as at 01st April 2022	117,772,157	95,603,467	258,531,425	471,907,049
Charge/(Reversal) to income statement	126,508,283	1,142,439	190,990,422	318,641,143
Write-off during the year	(93,622,977)	-	-	(93,622,977)
<b>Balance as at 31st March 2023</b>	<b>150,657,462</b>	<b>96,745,906</b>	<b>449,521,846</b>	<b>696,925,215</b>
<b>As at 31 March 2023</b>				
Balance as at 01st April 2021	134,801,974	78,140,919	337,572,753	550,515,646
Charge/(Reversal) to income statement	(17,029,817)	17,462,548	65,074,379	65,507,109
Write-off during the year	-	-	(144,115,706)	(144,115,706)
<b>Balance as at 31st March 2022</b>	<b>117,772,157</b>	<b>95,603,467</b>	<b>258,531,425</b>	<b>471,907,049</b>

**22.3 Stage Movement in Allowance for Impairment Losses**

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL amount as at 1st April 2023	117,772,157	95,603,467	258,531,425	471,907,049
New assets originated or purchased	193,229,127			193,229,127
Assets derecognised or repaid (excluding write offs)	(68,092,812)	(878,480)	194,383,308	125,412,017
Transfers to Stage 1	31,767,528	(25,851,083)	(5,916,446)	-
Transfers to Stage 2	(18,349,890)	36,187,329	(17,837,439)	-
Transfers to Stage 3	(12,045,670)	(8,315,328)	20,360,998	-
Amounts written off	(93,622,977)			(93,622,977)
<b>ECL amount as at 31st March 2024</b>	<b>150,657,462</b>	<b>96,745,906</b>	<b>449,521,846</b>	<b>696,925,215</b>

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## 22.4 Stage Movement in Allowance for Impairment Losses

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL amount as at 1st April 2021	133,875,081	81,101,866	335,538,699	550,515,647
New assets originated or purchased	67,942,808	-	-	67,942,808
Assets derecognised or repaid (excluding write offs)	10,825,799	(13,356,140)	(35,089,937)	(37,620,278)
Transfers to Stage 1	7,868,583	(5,758,234)	(2,110,349)	-
Transfers to Stage 2	(60,660,409)	64,787,559	(4,127,150)	-
Transfers to Stage 3	(42,079,705)	(31,171,584)	73,251,289	-
Amounts written off	-	-	(108,931,128)	(108,931,128)
<b>Gross carrying amount as at 31st March 2022</b>	<b>117,772,157</b>	<b>95,603,467</b>	<b>258,531,425</b>	<b>471,907,049</b>

## 23. OTHER NON FINANCIAL ASSETS

## Accounting Policy

The Company classifies all non-financial assets other than Intangible Assets, Property, Plant & Equipment and Deferred Tax Assets under other non-financial assets. Other non-financial assets, include inventories, other advance, rent deposit and other receivable amounts. These assets are non-interest earning and recorded at the amounts that are expected to be received. Prepayments that form a part of other receivable are amortized during the period in which it is utilized.

	2024 LKR	2023 LKR
Inventories	6,649,022	4,238,581
Rent Deposit	23,064,122	16,107,500
Other Receivable	208,482,776	135,593,645
<b>Total Other Non Financial Assets</b>	<b>238,195,920</b>	<b>155,939,726</b>

## Other Receivable

Other Receivables include LKR 61,196,943/- from unsold properties that have acquired from loan customers, as ordered by the courts, as part of the recovery of defaulted loan facilities. These land stocks are held for resale, not for investment purposes.

## 24. INVESTMENT PROPERTY

## Accounting Policy

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Other Comprehensive Income in the year in which they arise.

## Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

## Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

## Fair value of investment property

"Investment property of the Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows."

## Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of director LKR. The fair values are based on market values, being the value in use or estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

## Owner occupied properties and investment property

In determining if a property qualifies as Investment Property the Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

## Borrowing cost

There were no capitalised borrowing cost related to the acquisition of Investment properties during the year 2024 (2023 - Nil).

	2024 LKR	2023 LKR
Balance as at 1 April	234,257,500	234,257,500
Gain from fair value adjustment	12,452,500	-
<b>Balance as at 31 March</b>	<b>246,710,000</b>	<b>234,257,500</b>

The Company has recorded rent income for year ended 31 March 2024 Rs 8,290,200/- (2023 - Rs 8,290,200/-) and not incurred any repair and maintenance expenses on behalf of the property.

## 24.1 Information on investment properties of the Company - Valuations

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Carrying value of the investment property before fair valuation	Fair value of the investment property	Fair value gains/(losses) recognised in Income Statement
No 45, Rawathwatta Road, Moratuwa	Market comparable method	31-Mar-24	Estimated price per perch. LKR 2,000,000/- (Land Extent - 48.69 perches)	Positively correlated sensitivity	Land LKR 63,900,000 Building LKR 56,340,000/-	Land LKR 97,380,000/- Building LKR 149,330,000/-	NILL

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## 24.2 Information on investment properties of the Company – Extents and Locations

Property	Number of Building	Extent (Perches)	Building (Square feet)	Fair value of the investment property - Land	Fair value of the investment property - Building	Carrying value of the investment property before fair valuation - Land	Carrying value of the investment property before fair valuation - Building
No 45, Rawathwatta Road, Moratuwa	1	48.69	14,650	97,380,000	149,330,000	56,340,000	63,900,000

## 24.3 Valuation techniques and sensitivity of the fair value measurement of the Investment properties of the Group

Valuation Technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Fair value of the investment property - Building
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would increase/ (decrease) if; Price per perch of land would increase/ (decrease) Price per square foot for building would increase/(decrease) Depreciation rate for building would (decrease)/increase

## 24.4 Details about valuer

Market valuation of the above investment property was carried out on 04th May 2024 by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company.

## 25. PROPERTY, PLANT &amp; EQUIPMENT

## Accounting Policy

## Basis of Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

## Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and subsequent cost as explained below. The cost of self-constructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalized as part of computer equipment.

## Cost Model

The Company applies the 'Cost Model' to all property, plant & equipment other than free hold land and building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

## Revaluation Model

The Company applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the date reporting date, less any subsequent accumulated depreciation on land and buildings and any accumulated impairment losses charged subsequent to the date of the valuation.

Freehold land and buildings of the Company are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

The Company engages an Independent Valuer to determine the fair value of free hold land and buildings. In estimating the fair values, the Independent Valuer considers current market prices of similar assets.

During the current financial year, the Company revalued its freehold lands and buildings.

## Subsequent Cost

These are costs that are recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

## Repairs and Maintenance

Repairs and Maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

## Derecognition

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year the asset is derecognised.

## Useful Life Time of Property, Plant &amp; equipment and Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use, since this method closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The Company review the residual values, useful lives and methods of depreciation of property, plant & equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

The estimated useful lives of the assets for the year ended 31 March 2024 and 2023, are as follows:

Assets Category	Useful Life
Buildings	40 Years
Office Equipment	5 Years
Computer Equipment	5 Years
Furniture & Fittings	10 Years
Plant & Machinery	8 Years
Motor Vehicles	5 Years

The depreciation rates are determined separately for each significant part of assets and depreciation is provided proportionately for the completed number of days the asset is in use, if it is purchased or sold during the financial year. Depreciation methods, useful lives and residual values are reassessed at each reporting date and is adjusted, as appropriate.

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## 25.1 The Movement in Property, Plant &amp; Equipment

	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
As at 31 March 2024							

## Cost or Valuation

Balance as at 1 April 2023	36,100,000	95,245,031	69,712,387	66,040,006	48,875,491	62,553,322	378,526,237
Additions during the year	-	33,307,453	42,052,679	24,126,018	14,855,144	-	114,341,293
Adjustments on Physically Verified Assets	-	-	-	-	-	-	-
Disposal during the year	-	(1,102,423)	(1,862,858)	(1,812,906)	(1,615,006)	(7,649,500)	(14,042,692)
<b>Balance as at 31 March 2024</b>	<b>36,100,000</b>	<b>127,450,061</b>	<b>109,902,208</b>	<b>88,353,118</b>	<b>62,115,629</b>	<b>54,903,822</b>	<b>478,824,838</b>

## (Less) : Accumulated depreciation

Balance as at 1 April 2023	-	54,872,411	46,688,531	54,818,675	36,502,629	38,548,532	231,430,778
Charge during the year	-	9,244,060	11,110,011	4,878,537	4,778,139	5,963,308	35,974,055
Adjustments on Physically Verified Assets	-	-	-	-	-	-	-
Disposal during the year	-	(791,183)	(1,762,642)	(1,711,572)	(1,527,410)	(7,272,471)	(13,065,278)
<b>Balance as at 31 March 2024</b>	<b>-</b>	<b>63,325,289</b>	<b>56,035,900</b>	<b>57,985,640</b>	<b>39,753,357</b>	<b>37,239,369</b>	<b>254,339,555</b>

<b>Net book value at 31 March 2024</b>	<b>36,100,000</b>	<b>64,124,772</b>	<b>53,866,308</b>	<b>30,367,478</b>	<b>22,362,271</b>	<b>17,664,453</b>	<b>224,485,283</b>
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	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
As at 31 March 2023							

## Cost or Valuation

Balance as at 1 April 2022	36,100,000	104,301,137	71,635,498	86,496,333	50,164,803	42,753,322	391,451,093
Additions during the year	-	7,155,912	9,991,981	3,276,230	641,800	19,800,000	40,865,923
Adjustments on Revaluation	-	(15,790,227)	(11,390,148)	(22,566,711)	(1,469,888)	-	(51,216,974)
Disposal during the year	-	(421,791)	(524,944)	(1,165,846)	(461,224)	-	(2,573,805)
<b>Balance as at 31 March 2023</b>	<b>36,100,000</b>	<b>95,245,031</b>	<b>69,712,387</b>	<b>66,040,006</b>	<b>48,875,491</b>	<b>62,553,322</b>	<b>378,526,237</b>

## (Less) : Accumulated depreciation

Balance as at 1 April 2022	-	57,243,356	50,503,215	76,514,433	32,444,468	35,478,029	252,183,501
Charge during the year	-	8,883,938	7,320,924	3,697,156	5,144,362	3,988,207	29,034,587
Adjustments on Revaluation	-	(10,928,449)	(10,722,531)	(24,284,470)	(657,394)	(917,703)	(47,510,547)
Disposal during the year	-	(326,434)	(413,078)	(1,108,389)	(428,862)	-	(2,276,762)
<b>Balance as at 31 March 2023</b>	<b>-</b>	<b>54,872,411</b>	<b>46,688,531</b>	<b>54,818,675</b>	<b>36,502,629</b>	<b>38,548,532</b>	<b>231,430,778</b>

<b>Net book value at 31 March 2023</b>	<b>36,100,000</b>	<b>40,372,620</b>	<b>23,023,856</b>	<b>11,221,331</b>	<b>12,372,862</b>	<b>24,004,790</b>	<b>147,095,459</b>
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## 25.1.1 Property, Plant &amp; Equipments Acquired During the Financial Year

During the financial year, the Company acquired property, plant & equipments to the aggregate value of LKR 114,341,293/- (2023 - LKR 40,865,923/-) Cash payment amounting to LKR 114,341,293/- (2023 - LKR 40,685,923/-) was paid during the year for purchase of property, plant & equipment.

## 25.1.2 Fully-depreciated property, plant &amp; equipment

The initial cost of fully-depreciated property, plant & equipment, which are still in active use as at reporting date is LKR 159,143,841/- (2023 - LKR 133,799,961/-)

## 25.2 Fair value related disclosures of Freehold land

Property	Date of valuation	Method of valuation and Significant unobservable inputs	Land extent (perches)	Number of Building	Cost 2024	Cost 2023	Fair value 2024 LKR	Fair value 2023 LKR
No 45, Rawathwatta Road, Moratuwa	4th May 2024	Market Comparable Method Estimated price per perch LKR 2,000,000/-	18.05		LKR 10,830,000	LKR 10,830,000	Land LKR 36,100,000	Land LKR 36,100,000

Market valuation of the above Land & Buildings was carried out by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company. Investment method, Contractor's Test method and Comparison method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

## 25.3 Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of Property, Plant and Equipment as at 31 March 2024 and 31 March 2023.

## 25.4 Compensation from Third Parties for items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of Property, Plant and Equipment that were impaired, lost or given up. (2023: Nil)

## 25.5 Temporarily Idle of Property, Plant and Equipment

There were no Property, Plant and Equipment idle as at 31 March 2024 and 31 March 2023.

## 25.6 Property, Plant and Equipment Retired from Active Use

There were no Property, Plant and Equipment retired from active use as at 31 March 2024 and 31 March 2023.

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## 26. RIGHT-OF-USE ASSETS

**Accounting Policy****Measurement Basis**

Right-of-use assets are recognised at the commencement of the lease at the present value of the lease payment plus any prepaid lease rental.

**Amortisation**

The Company amortised right-of-use assets, using the straight line method over their estimated useful lives.

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

**Determination of the lease term for the lease contracts with renewal and termination options**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts for branches/head office that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

	2024 LKR	2023 LKR
<b>Cost</b>		
Balance as at 1 April	363,371,925	321,448,151
Additions during the year	161,180,539	45,741,938
Less - Adjustment on Subsequent changes in initial agreement	4,607,574	106,390
Less - Disposal during the year	(11,273,404)	(3,924,554)
<b>Balance as at March</b>	<b>517,886,627</b>	<b>363,371,925</b>
<b>Accumulated Depreciation</b>		
Balance as at 1 April	258,130,705	191,914,960
Charges for the year	80,014,671	70,140,299
Less - Disposal during the year	(5,411,253)	(3,924,554)
<b>Balance as at March</b>	<b>332,734,123</b>	<b>258,130,705</b>
<b>Carrying Amount as at 31 March</b>	<b>185,152,504</b>	<b>105,241,220</b>

## 27. INTANGIBLE ASSETS

**Accounting Policy**

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the supply of services, for rental to others or for administrative purposes.

**Basis of recognition**

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

**Subsequent expenditure**

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**Useful economic lives, amortization and impairment**

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

**27.1 Software**

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the 'Statement of Financial Position' under the category 'intangible assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the year ended 31 March 2024 and 2023 is given below.

Computer software	3 Years
Computer software - E-Finance	5 Years

**Derecognition**

Intangible assets are derecognised on disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset is included in the Statement of Profit or Loss in the year the asset is derecognised.

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## 27.2 Computer Software

	2024 LKR	2023 LKR
<b>Cost</b>		
Balance as at 1 April	63,141,236	62,218,736
Additions during the year	-	922,500
Disposal during the year	-	-
<b>Balance as at 31 March</b>	<b>63,141,236</b>	<b>63,141,236</b>
<b>Amortisation &amp; Impairment</b>		
Balance as at 1 April	58,455,183	57,290,949
Charge for the year	509,435	1,164,233
Disposal during the year	-	-
<b>Balance as at 31 March</b>	<b>58,964,618</b>	<b>58,455,183</b>
<b>Net book value as at end of the year</b>	<b>4,176,618</b>	<b>4,686,053</b>
<b>Net book value of total intangible assets</b>	<b>4,176,618</b>	<b>4,686,053</b>

Intangible assets include fully amortised software amounting to LKR 45.98 million as at 31 March 2024 (LKR 45.98 million as at 31 March 2023), which are still in use as at the reporting date.

## 28. DEFERRED TAXATION

## Accounting Policy

Deferred tax is provided on temporary differences at the date of the Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- ➔ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ➔ Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of reporting date.

Year ended 31 March 2024	Deferred Tax Assets LKR	Deferred Tax Liabilities LKR	Statement of Profit or Loss LKR	Statement of comprehensive income LKR	Statement of changes in equity LKR
Accelerated depreciation for tax purposes	-	7,388,852	1,211,738	-	-
Finance leases	-	-	5,677,513	-	-
Right-of Use Assets	-	2,089,292	788,404	-	-
Revaluation Reserve	-	59,431,634	(3,735,750)	-	-
Defined benefit plans - Profit or loss	17,097,619	-	(535,179)	6,929,561	6,929,561
Impairment Provision	108,049,929	-	43,946,985	-	-
	<b>125,147,548</b>	<b>68,909,778</b>	<b>47,353,710</b>	<b>6,929,561</b>	<b>6,929,561</b>
Deferred tax effect on profit or loss and other comprehensive income	-	-	47,353,710	6,929,561	-
Recognised under equity	-	-	-	-	-
Net Deferred tax assets	56,237,769	-	-	-	-

Year ended 31 March 2023	Deferred Tax Assets LKR	Deferred Tax Liabilities LKR	Statement of Profit or Loss LKR	Statement of comprehensive income LKR	Statement of changes in equity LKR
Accelerated depreciation for tax purposes	-	8,600,590	(4,539,851)	-	-
Finance leases	-	5,677,513	(564,381)	-	-
Right-of Use Assets	-	2,877,696	(2,918,133)	-	-
Revaluation Reserve	-	55,695,884	(11,139,177)	-	-
Defined benefit plans - Profit or loss	10,703,237	-	5,288,767	925,208	925,208
Impairment Provision	64,102,944	-	35,311,801	-	-
	<b>74,806,181</b>	<b>72,851,683</b>	<b>21,439,026</b>	<b>925,208</b>	<b>925,208</b>
Deferred tax effect on profit or loss and other comprehensive income	-	-	21,439,026	925,208	-
Recognised under equity	-	-	-	-	-
Net Deferred tax assets	1,954,498	-	-	-	-



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## 29. DUE TO BANKS &amp; OTHER INSTITUTIONS

## Accounting Policy

Due to banks include bank and other institutional borrowings and bank overdrafts. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on these dues are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

	Note	Page No.	2024 LKR	2023 LKR
Bank Overdrafts	29.1	254	464,583,171	84,372,565
Loans and Other Bank Facilities	29.2	254	2,534,182,266	1,425,337,725
Interest Payable on Bank Facilities			6,642,823	(1,595,613)
<b>Total Due to Banks &amp; Other Institution</b>			<b>3,005,408,260</b>	<b>1,508,114,678</b>

## 29.1 Bank Overdraft

The outstanding balances of bank overdrafts as at the Statement of Financial Position date are fully secured by Loan & Receivables and the Company has unutilised Bank Overdraft of LKR 348,494,613/- as at 31 March 2024 (2023 - LKR. 214,997,806/-)

## 29.2 Loans and Other Bank Facilities

	As at 01.04.2023 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2024 LKR
<b>As at 31 March 2024</b>				
NDB Term Loan	290,000,000	500,000,000	(358,333,335)	431,666,665
HNB Term Loan	211,000,000	250,000,000	(86,880,000)	374,120,000
Sampath Bank Term Loan	332,000,000	-	(168,000,000)	164,000,000
Sampath Bank Solar Loan	4,217,155	-	(876,212)	3,340,943
Cargills Bank Term Loan	104,176,000	100,000,000	(83,328,000)	120,848,000
Seylan Bank	149,600,000	-	(50,400,000)	99,200,000
Securitisation Loan	302,000,000	999,009,434	(232,694,128)	1,068,315,306
Peoples Bank	-	250,000,000	(8,340,000)	241,660,000
Rotary Loan	26,282,620	13,000,000	(10,918,218)	28,364,402
Other Borrowings	6,061,950	-	(3,395,000)	2,666,950
<b>Total Loans and Other Bank Facilities</b>	<b>1,425,337,725</b>	<b>2,112,009,434</b>	<b>(1,003,164,893)</b>	<b>2,534,182,266</b>

## As at 31 March 2023

NDB Term Loan	524,233,333	-	(234,233,333)	290,000,000
HNB Term Loan	386,800,000	-	(175,800,000)	211,000,000
Sampath Bank Term Loan	-	500,000,000	(168,000,000)	332,000,000
Sampath Bank Solar Loan	5,003,260	-	(786,105)	4,217,155
Cargills Bank Term Loan	287,504,000	-	(183,328,000)	104,176,000
Seylan Bank	200,000,000	-	(50,400,000)	149,600,000
Securitisation Loan	530,400,000	-	(228,400,000)	302,000,000
Rotary Loan	23,938,931	12,961,416	(10,617,727)	26,282,620
Other Borrowings	6,061,950	-	-	6,061,950
<b>Total Loans and Other Bank Facilities</b>	<b>1,963,941,475</b>	<b>512,961,416</b>	<b>(1,051,565,166)</b>	<b>1,425,337,725</b>

## 29.3 Contractual Maturity Analysis of Due to Bank &amp; Other Institution

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
<b>As at 31 March 2024</b>				
NDB Term Loan	411,666,665	20,000,000	-	431,666,665
HNB Term Loan	100,320,000	273,800,000	-	374,120,000
Sampath Bank Term Loan	164,000,000	-	-	164,000,000
Sampath Bank Solar Loan	979,263	2,361,680	-	3,340,943
Cargills Bank Term Loan	120,848,000	-	-	120,848,000
Seylan Bank	50,400,000	48,800,000	-	99,200,000
Securitisation Loan	324,569,114	743,746,192	-	1,068,315,306
Peoples Bank	100,080,000	141,580,000	-	241,660,000
Rotary Loan	10,475,897	17,888,506	-	28,364,402
Other Borrowings	-	-	2,666,950	2,666,950
Bank Overdrafts	464,583,171	-	-	464,583,171
Interest Payable on Bank Facilities	6,642,823	-	-	6,642,823
<b>Total Due to Banks &amp; Other Institution</b>	<b>1,754,564,933</b>	<b>1,248,176,377</b>	<b>2,666,950</b>	<b>3,005,408,260</b>

	Granted Date	Facility Amount	Period	Interest rate	Security status
NDB Term Loan	26/09/2017-28/04/2021	900,000,000	5 Years	Variable	Lease & SME portfolio
HNB Term Loan	27/09/2018-21/12/2021	700,000,000	3-5 Years	Variable	Business Loans, Micro Loans, Lease & SME Loans
Sampath Bank Term Loan	06/04/2022	500,000,000	3 Years	Variable	Lease & SME portfolio
Sampath Bank Solar Loan	12/06/2020-09/09/2020	6,308,000	7 Years	Fixed	Solar Panels
Cargills Bank Term Loan	30/06/2021-10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisation Loan	17-06-2021	500,000,000	3 Years	Variable	Lease receivables
Peoples Bank		500,000,000	5 Years	Variable	Lease & SME portfolio
Rotary Loan	30/04/2019-13/03/2023	41,985,000	3 Years	Variable	NA

## 29.4 Contractual Maturity Analysis of Due to Bank &amp; Other Institution

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
<b>As at 31 March 2023</b>				
NDB Term Loan	150,000,000	140,000,000	-	290,000,000
HNB Term Loan	74,400,000	136,600,000	-	211,000,000
Sampath Bank Term Loan	168,000,000	164,000,000	-	332,000,000
Sampath Bank Solar Loan	876,328	3,340,827	-	4,217,155
Cargills Bank Term Loan	83,328,000	20,848,000	-	104,176,000
Seylan Bank	50,400,000	99,200,000	-	149,600,000
Securitisation Loan	227,000,000	75,000,000	-	302,000,000
Rotary Loan	9,745,442	16,537,178	-	26,282,620
Other Borrowings	-	-	6,061,950	6,061,950
Bank Overdrafts	84,372,565	-	-	84,372,565
Interest Payable on Bank Facilities	(1,595,613)	-	-	(1,595,613)
<b>Total Due to Banks &amp; Other Institution</b>	<b>846,526,722</b>	<b>655,526,005</b>	<b>6,061,950</b>	<b>1,508,114,677</b>

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## NOTES TO THE FINANCIAL STATEMENTS

	Granted Date	Facility Amount	Period	Interest rate	Security status
NDB Term Loan	26/09/2017-28/04/2021	900,000,000	5 Years	Variable	Lease & SME portfolio
HNB Term Loan	27/09/2018-21/12/2021	700,000,000	3-5 Years	Variable	Business Loans, Micro Loans, Lease & SME Loans
Sampath Bank Term Loan	06/04/2022	500,000,000	3 Years	Variable	Lease & SME portfolio
Sampath Bank Solar Loan	12/06/2020-09/09/2020	6,308,000	7 Years	Fixed	Solar Panels
Cargills Bank Term Loan	30/06/2021-10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisation Loan	17-06-2021	500,000,000	3 Years	Variable	Lease receivables
Rotary Loan	30/04/2019-13/03/2023	41,985,000	3 Years	Variable	NA

## 30. FINANCIAL LIABILITY AT AMORTISED COST - DUE TO CUSTOMERS

## Accounting Policy

Due to other customers include non-interest bearing deposits, savings deposits, term deposits and other deposits. Subsequent to initial recognition, deposits are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on deposits are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

## Sri Lanka Deposit Insurance And Liquidity Support Scheme

Under the Banking (Special Provisions) Act, Directions No. 01 of 2023, issued by the Central Bank of Sri Lanka, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme implemented by the Central Bank of Sri Lanka for compensation up to a maximum of LKR 1,100,000/- for each depositor. The Company has paid LKR 6,019,843/- as the premium of the said Insurance scheme during the financial year under review (2021 - LKR 6,605,953/-).

	2024 LKR	2023 LKR
Fixed Deposits	6,175,101,998	5,128,916,597
Savings Deposits	1,316,903,971	1,064,514,428
<b>Total Due to Customers</b>	<b>7,492,005,969</b>	<b>6,193,431,026</b>

## 30.1 Contractual Maturity Analysis Of Customer Deposits

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
<b>As at 31 March 2024</b>				
Fixed Deposits	5,407,294,639	767,807,359	-	6,175,101,998
Savings Deposits	1,184,117,015	82,406,747	50,380,209	1,316,903,971
<b>Total Due to Customers</b>	<b>6,591,411,654</b>	<b>850,214,106</b>	<b>50,380,209</b>	<b>7,492,005,969</b>
<b>As at 31 March 2023</b>				
Fixed Deposits	4,418,555,686	710,360,911	-	5,128,916,597
Savings Deposits	909,039,418	96,539,866	58,935,144	1,064,514,428
<b>Total Due to Customers</b>	<b>5,324,595,104</b>	<b>806,900,778</b>	<b>58,935,144</b>	<b>6,193,431,026</b>

We have raised fixed deposits with a pre-termination option to the customers; hence, fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

## 31. LEASE LIABILITY

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

	2024 LKR	2023 LKR
Balance as at 1 April	119,947,887	149,951,692
Additions	149,154,211	42,275,301
Interest Expenses	28,783,554	17,401,252
Payments	(101,931,772)	(92,446,658)
Early termination of lease	6,533,304	2,766,300
<b>Balance as at 31 March</b>	<b>202,487,184</b>	<b>119,947,887</b>

## 31.1 Contractual Maturity Analysis of Lease Creditor

	Within One Year LKR	1 - 5 Years LKR	Total LKR
<b>As at 31 March 2024</b>			
Lease Liability	56,927,421	145,559,763	202,487,184
<b>Total Lease Liability</b>	<b>56,927,421</b>	<b>145,559,763</b>	<b>202,487,184</b>
<b>As at 31 March 2023</b>			
Lease Liability	63,618,511	56,329,376	119,947,887
<b>Total Lease Liability</b>	<b>63,618,511</b>	<b>56,329,376</b>	<b>119,947,887</b>

## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

## 32. OTHER NON FINANCIAL LIABILITIES

**Accounting Policy**

These liabilities are recorded at amounts expected to be payable at the reporting date.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Board of directors and approved by the Shareholder LKR Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Company.

Dividend for the year that are approved after the reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standards LKAS 10 on 'Events after the Reporting Period'.

	2024 LKR	2023 LKR
Accrued Expenses	49,658,225	53,301,240
Loan and Lease Creditor	291,182,466	220,570,460
Others (Note 31.1)	81,915,149	15,701,726
Loan Risk Assurance Fund	2,015,369	2,015,369
Dividend Payable	519,487	336,429
	<b>425,290,696</b>	<b>291,925,223</b>

**32.1 This balance included bonus provision, unidentified direct deposit balance and the other sundry payable items.**

## 33. CURRENT TAX LIABILITIES

**Accounting Policy**

The Company is subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

	2024 LKR	2023 LKR
Balance as at 1st April	71,709,569	21,170,445
Provision for the year	207,017,239	99,921,472
Less: Tax paid	(133,781,663)	(49,382,348)
Tax credits (ESC/WHT)	-	-
<b>Balance as at 31st March</b>	<b>144,945,144</b>	<b>71,709,569</b>

## 34. POST-EMPLOYMENT BENEFIT OBLIGATION

**Accounting Policy**

Employee benefit liability includes the provisions for retirement gratuity liability.

**Gratuity**

The Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 - 'Employee Benefits'

**Basis of Measurement**

The cost of the defined benefit plans (gratuity) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. The assumptions used to arrive in defined benefit obligation is given below: In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and the Company's policy on salary revisions.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefit'. However, under the Payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The plan was amended to comply with the new statutory retirement for the private sector employees by changing the Normal Retirement Age from age 55 to age 60. The change in the PVDBO is recognized immediately in the P&L.

**Recognition of Actuarial Gains and Losses**

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occur

	2024 LKR	2023 LKR
<b>34.1 Provision for Retirement Gratuity</b>		
Balance at the beginning of the year	35,677,457	32,066,158
Amount Charge for the Year	12,579,736	10,021,516
Actuarial (Gains)/Losses	2,596,400	2,939,318
(Gain)/Loss Due to Changes in Assumptions	20,502,138	144,710
Payments Made During the Year	(14,363,667)	(9,494,245)
<b>Balance at the End of the Year</b>	<b>56,992,064</b>	<b>35,677,457</b>

	2024 LKR	2023 LKR
<b>34.2 Expenses on Defined Benefit Plan</b>		

**Amount recognised in the Statement of Profit or Loss**

Current Service Cost for the Year	5,776,202	5,147,460
Interest Cost for the Year	6,314,909	4,874,056
Payment out of Provision	488,625	-
<b>Total Amount recognised in the Statement of Profit or Loss</b>	<b>12,579,736</b>	<b>10,021,516</b>

**Amount recognised in the Statement of other Comprehensive income**

Actuarial (Gains)/ Losses (36.6)	2,596,400	2,939,318
(Gains)/ Losses Due to Changes in Assumptions	20,502,138	144,710
<b>Total Amount recognised in the Statement of other Comprehensive income</b>	<b>23,098,538</b>	<b>3,084,028</b>

<b>Total Expenses on Defined Benefit Plan</b>	<b>35,678,274</b>	<b>13,105,544</b>
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## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

**34.3 Retirement Age**

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021. The change in the PVDBO is recognized immediately in the P&L.

**34.4 Assumptions and the sensitivity of the assumptions used for the provision of retirement gratuity**

An actuarial valuation of the retirement gratuity liability was carried out as at 31 March 2021 and 2020 by Messrs Piyal S Goonetilleke Associates, a professional actuary.

The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 - 'Employee Benefits'.

	2024	2023
<b>34.5 Actuarial Assumptions</b>		
Discount Rate	12.4%	17.7%
Salary scale	12.0%	12.5%
Staff Turnover		
20 to 30 years	10.0%	10.0%
35 years	7.5%	7.5%
40 years	5.0%	5.0%
45 years	2.5%	2.5%
50 years	1.0%	1.0%
Average Future Working Life	12.2 Years	12.2 Years
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Disability	Long Term 1987 Soc. Sec. Table.	Long Term 1987 Soc. Sec. Table.
Retirement age	Retirement age of 60 Years	Retirement age of 60 Years

**34.6 Sensitivity of Assumptions Employed on Actuarial Valuation**

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in statement of comprehensive income and statement of financial position.

The following table demonstrates the sensitivity of a reasonably possible change in such assumptions with all other variables held constant, in the actuarial valuation of the retirement gratuity as at 31 March 2024.

	Increase/(decrease) in Discount Rate	Increase/(decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income Increase/(decrease) in Results for the year LKR	Sensitivity Effect on Pension Fund Surplus Increase / (decrease) LKR
	+1%		5,533,879	5,533,879
	(-1%)		(6,465,588)	(6,465,588)
		+1%	(6,270,140)	(6,270,140)
		(-1%)	5,474,762	5,474,762

**35. STATED CAPITAL**

	Number of Shares	2024 LKR	Number of Shares	2023 LKR
<b>Issued and Fully Paid-Ordinary shares</b>				
At the beginning of the year	149,596,052	2,696,113,032	149,596,052	2,696,113,032
Issued during the year	-	-	-	-
<b>At the end of the year</b>	<b>149,596,052</b>	<b>2,696,113,032</b>	<b>149,596,052</b>	<b>2,696,113,032</b>

**35.1 Rights of Shareholders**

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

**36. RESERVES****36.1 Statutory Reserve Fund**

The statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b) of Central Bank Direction No. 1 of 2003. Accordingly, Company has transferred 20% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to less than 25% and not less than 10%.

**36.2 Revaluation Reserve Fund**

The Revaluation Reserve Fund is a capital reserve which contains the revaluation surplus resulted from revaluing the Company's Property, Plant & Equipment with net of differed tax on revaluation.

Company	Statutory Reserve LKR	Revaluation Reserve LKR	Total LKR
<b>As at 01 April 2022</b>	<b>114,850,787</b>	<b>56,514,761</b>	<b>171,365,548</b>
Transfers to/(from) during the year	11,082,472	-	11,082,472
Revaluation of Land & Building	-	-	-
<b>As at 31 March 2023</b>	<b>125,933,259</b>	<b>56,514,761</b>	<b>182,448,022</b>
<b>As at 1 April 2023</b>	<b>125,933,259</b>	<b>56,514,761</b>	<b>182,448,022</b>
Transfers to/(from) during the year	12,479,833	-	12,479,833
Revaluation of Land & Building	-	-	-
<b>As at 31 March 2024</b>	<b>138,413,092</b>	<b>56,514,761</b>	<b>194,927,853</b>

## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

## 37. RETAINED EARNINGS

	2024 LKR	2023 LKR
Balance as at 1 April	570,926,666	437,316,534
Profit for the Year	249,596,654	221,649,449
Other Comprehensive Income	(16,168,977)	(2,158,820)
Transfer to Statutory Reserves Fund	(12,479,833)	(11,082,472)
Dividend Paid	(112,197,039)	(74,798,026)
<b>Balance as at 31 March</b>	<b>679,677,472</b>	<b>570,926,665</b>

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

## 38. COMMITMENTS AND CONTINGENCIES

## Accounting Policy

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured as defined in the Sri Lanka Accounting Standard - LKAS 37 "Provisions contingent liabilities and Contingent Assets". Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

	Note	Page No.	2024 LKR	2023 LKR
Contingent Liabilities	38.1	262	6,048,100	7,433,330
Commitments	38.2	262	-	-
			<b>6,048,100</b>	<b>7,433,330</b>

## 38.1 Contingent Liabilities

In the normal course of business, the Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Company. However no material losses are anticipated as a result of these transactions.

	2024 LKR	2023 LKR
Guarantees issues to other institution	-	1,700,000
Cases pending against the Company	6,048,100	5,733,330
<b>Total contingent Liabilities</b>	<b>6,048,100</b>	<b>7,433,330</b>

## 38.2 Commitments

The Company did not have significant capital commitments as at the Statement of Financial Position date.

## 39. NET ASSETS VALUE PER SHARE

	2024 LKR	2023 LKR
<b>Amounts Used as the Numerators:</b>		
Total Equity Attributable to Equity Holders	3,570,718,357	3,449,487,718
<b>Number of Ordinary Shares Used as Denominators:</b>		
Total Number of Ordinary Shares in Issue	149,596,052	149,596,052
<b>Net Assets Value per Share (LKR)</b>	<b>23.87</b>	<b>23.06</b>

## 40. ASSETS PLEDGE

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2024 LKR	2023 LKR	
Rental receivable on Micro Business and Personal Loan	Bank Overdraft	232,858,884	297,088,521	Loans and Receivables
Rental receivable on SME Loan	Term Loan	343,456,789	41,880,986	Loans and Receivables
Rental receivable on Lease	Term Loan	1,657,450,489	1,272,349,870	Lease Rental Receivable
Rental receivable on Micro Business	Term Loan	13,039,175	-	Loans and Receivables
Rental receivable on Lease	Securitisation	456,704,383	344,268,710	Lease Rental Receivable
		<b>2,703,509,720</b>	<b>1,955,588,087</b>	

## 41. COMPARATIVE INFORMATION

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

## Income Statement

There were no reclassification during the financial year.

## Statement of Financial Position.

There were no reclassification during the financial year.

## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

## 42. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

Company	2024 Within 12 Months LKR	2024 After 12 Months LKR	2024 Total LKR
<b>Assets</b>			
Cash and Cash Equivalents	544,919,606	-	544,919,606
Financial Investments	772,478,191	-	772,478,191
Other Financial Assets	50,960,718	-	50,960,718
Financial Assets at Amortised Cost - Loans and Receivables	3,512,494,576	3,445,718,135	6,958,212,710
Financial Assets at Amortised Cost - Lease Rentals Receivables	582,702,682	5,033,615,673	5,616,318,355
Other Non Financial Assets	215,304,503	22,891,417	238,195,920
Investment Property	-	246,710,000	246,710,000
Property, Plant and Equipment	-	224,485,283	224,485,283
Right-of-use Lease Assets	-	185,152,504	185,152,504
Intangible Assets	-	4,176,618	4,176,618
Deferred Tax Liabilities	-	56,237,769	56,237,769
<b>Total Assets</b>	<b>5,678,860,275</b>	<b>9,218,987,399</b>	<b>14,897,847,674</b>
<b>Liabilities</b>			
Due to Banks and Other Institutions	1,743,870,805	1,261,537,455	3,005,408,260
Financial Liability at Amortised Cost - Due to Customers	6,381,817,479	1,110,188,490	7,492,005,969
Other Non Financial Liabilities	422,755,567	2,535,129	425,290,696
Current Tax Liabilities	144,945,144	-	144,945,144
Lease Liability	56,927,421	145,559,763	202,487,184
Post Employment Benefit Liability	-	56,992,064	56,992,064
<b>Total Liabilities</b>	<b>8,750,316,416</b>	<b>2,576,812,901</b>	<b>11,327,129,316</b>
<b>Net Assets/(Liability)</b>	<b>(3,071,456,141)</b>	<b>6,642,174,498</b>	<b>3,570,718,358</b>

Company	2023 Within 12 Months LKR	2023 After 12 Months LKR	2023 Total LKR
<b>Assets</b>			
Cash and Cash Equivalents	664,043,703	-	664,043,703
Financial Investments	576,027,374	-	576,027,374
Other Financial Assets	874,494	-	874,494
Financial Assets at Amortised Cost - Loans and Receivables	3,293,551,470	1,811,759,698	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	832,636,778	3,842,225,585	4,674,862,363
Other Non Financial Assets	142,279,693	13,660,033	155,939,726
Investment Property	-	234,257,500	234,257,500
Property, Plant and Equipment	-	147,095,459	147,095,459
Right-of-use Lease Assets	-	105,241,220	105,241,220
Intangible Assets	-	4,686,053	4,686,053
Deferred Tax Assets	-	1,954,498	1,954,498
<b>Total Assets</b>	<b>5,509,413,511</b>	<b>6,160,880,047</b>	<b>11,670,293,558</b>

Company	2023 Within 12 Months LKR	2023 After 12 Months LKR	2023 Total LKR
<b>Liabilities</b>			
Due to Banks and Other Institutions	846,526,722	661,587,956	1,508,114,678
Financial Liability at Amortised Cost - Due to Customers	5,249,015,564	944,415,461	6,193,431,026
Other Non Financial Liabilities	289,123,156	2,802,067	291,925,223
Current Tax Liabilities	71,709,569	-	71,709,569
Lease Liability	-	119,947,887	119,947,887
Post Employment Benefit Liability	-	35,677,457	35,677,457
<b>Total Liabilities</b>	<b>6,456,375,011</b>	<b>1,764,430,827</b>	<b>8,220,805,839</b>
<b>Net Assets/(Liability)</b>	<b>(946,961,500)</b>	<b>4,396,449,219</b>	<b>3,449,487,719</b>

## 43. RELATED PARTY TRANSACTIONS

The Company carried out transactions with parties in the ordinary course of its business who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', on an arms length basis at commercial rate.

Details of related party transactions which the company had during the year are as follows,

## 43.1 Transactions with Key Managerial Personnel (KMPs) and their family members

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company. Accordingly, the board of directors of the Company (inclusive of executive and non executive directors), the immediate parent company, and Chief Executive Officer who directly report to Board of Directors have been classified as KMPs of the Company.

## 43.1.1 Key Management Personnel Compensation

	2024 LKR	2023 LKR
Short Term Employment Benefits	10,865,400	10,199,400
Directors Fees & Expenses	9,140,000	7,940,000
<b>Total Key Management Personnel Compensation</b>	<b>20,005,400</b>	<b>18,139,400</b>

In addition to above, the Company has also provided non-cash benefits such as company maintained vehicles to KMPs in line the approved employment terms of the Company.

## 43.1.2 Transactions, Arrangements and Agreements involving KMPs, and their Close Members of the Family (CFMs)

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates, except the loans given to staff under the Company's staff loan scheme uniformly applicable to all the staff of the Company.

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## 43.1.2.1 Transaction with KMPs, and their Close Members of the Family

	2024 LKR	2023 LKR
<b>Items in Statement of Financial Position</b>		
Deposit balance as of reporting date	9,921,213	12,204,809
	<b>9,921,213</b>	<b>12,204,809</b>
<b>Items in Statement of Profit or Loss</b>		
Interest accrued during the period	1,460,719	1,994,993
	<b>1,460,719</b>	<b>1,994,993</b>

## 43.1.3 Transaction, arrangements and agreements involving Entities which are controlled, and/or jointly controlled by the KMPs and their CFMs or Shareholders

	2024 LKR	2023 LKR
Deposit balance held with related companies	438,000,000	83,403,989
Dividend Paid during the year	21,598,353	33,362,794
Expenses made during the year	1,095,126	5,833,568
	<b>460,693,479</b>	<b>122,600,351</b>

No transactions were there as of Statement of Financial Position date to be disclosed in the Financial Statements.

## 43.1.4 Transactions with Group Entities

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

## 43.1.4.1 Transactions with Sarvodaya Economic Enterprises Development (Gte) Ltd (SEEDS)

SEEDS has 36.1% ownership of the Company and identified as related parties company with more than 10% ownership of the SDF.

SEEDS	2024 LKR	2023 LKR
<b>Items in Statement of Financial Position</b>		
Interest payable on Deposits	303,330	-
Deposit balance as at reporting date	30,545,000	40,120,000
	<b>30,848,330</b>	<b>40,120,000</b>
<b>Items in Statement of Profit or Loss</b>		
Interest Accrued During the Period	3,516,758	5,389,980
	<b>3,516,758</b>	<b>5,389,980</b>

## 43.1.4.3 Transactions with Janashakthi Capital Limited

Janashakthi Capital Limited recently conducted share transactions that led to an increase in their ownership, reaching 10.76% as of October 19, 2022. It is important to clarify that no transactions were carried out with Janashakthi Capital Limited during the reporting period from October 19, 2022 except for the final dividend payment pertaining to the financial year 2021/22

## 43.1.4.5 Transactions with Senthilverl Holdings (Pvt) Ltd

Senthilverl Holdings (Pvt) Ltd recently purchased number of shares from open market during the financial year

## 44. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no other events occurring after the reporting date which require adjustments to or disclosure in the financial statements.

## 45. CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

## 45.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Company has issued Rs 804 Mn shares during the year through a private placement. This private placement includes Rs. 420 Mn shares issued to inactive Sarvodaya Shramadana Societies by converting their deposits. With reference to the Central Bank letter dated 9th July 2021, the action plan has been requested from the Company in relation to the above Rs. 420 Mn shares. Therefore, the said Rs. 420 Mn shares have not been considered the Company's core capital as at 31 March 2023.

However, the company has raised LKR 950 Mn (Net of Direct Expenses) new capital during the financial year through a Initial Public Offer (IPO) and the meet the CBSL minimum core capital requirement of LKR 2.5 Bn as of 31 December 2023.

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## 46. FAIR VALUE OF FINANCIAL INSTRUMENTS

## Accounting Policy

The fair value of the financial instruments that are recorded at the fair values are determined using valuation techniques which incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ⊖ In the principal market for the asset or liability
- Or
- ⊖ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

## Valuation model

For all Financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the Financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

## 46.1 Assets &amp; Liabilities Recorded at Fair Value

The following is a description of how fair values are determined for assets and liabilities that are recorded at fair value. These incorporate the Company's estimate of assumptions that a market participant would make when valuing assets and liabilities.

## Property, Plant &amp; Equipment

Property, Plant & Equipment Freehold land and buildings are carried at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy

As at 31 March 2024	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
<b>Non financial assets - Investment property</b>					
Land and building	04th May 2024	-	-	246,710,000	246,710,000
		-	-	<b>246,710,000</b>	<b>246,710,000</b>

## Non financial assets - Property, Plant and Equipment

As at 31 March 2023	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
<b>Non financial assets - Investment property</b>					
Land and building	19th May 2023	-	-	234,257,500	234,257,500
		-	-	<b>234,257,500</b>	<b>234,257,500</b>

As at 31 March 2023	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
<b>Non financial assets - Property, Plant and Equipment</b>					
Land	19th May 2023	-	-	36,100,000	36,100,000
		-	-	<b>36,100,000</b>	<b>36,100,000</b>

## Non financial assets - Property, Plant and Equipment

As at 31 March 2023	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
<b>Non financial assets - Property, Plant and Equipment</b>					
Land	19th May 2023	-	-	36,100,000	36,100,000
		-	-	<b>36,100,000</b>	<b>36,100,000</b>

## Non Financial Assets measured at fair value

## Level 3 Fair Value Measurement

Nature of Assets	2024		2023	
	Investment Property LKR	Freehold Land LKR	Investment Property LKR	Freehold Land LKR
Balance as at 1 April	234,257,500	36,100,000	234,257,500	36,100,000
Revaluation reserve credit to revaluation reserve	-	-	-	-
Total gain/(loss) recognised in profit or loss:	12,452,500	-	-	-
Balance at 31 March	246,710,000	36,100,000	234,257,500	36,100,000



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**Unobservable inputs used in measuring fair value**

The table below sets out information about significant unobservable inputs used at 31 March 2024 and 31 March 2023 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

Type of instrument	Date of valuation	Fair value LKR	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
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**Property, Plant and Equipment**

Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	⊖
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**Investment Property**

Land	31/03/2024	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	⊖
Building	31/03/2024	149,330,000	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	⊖

Type of instrument	Date of valuation	Fair value LKR	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
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**Property, Plant and Equipment**

Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	⊖
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**Investment Property**

Land	31/03/2023	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	⊖
Building	31/03/2023	136,877,500	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	⊖

**46.2 Fair Value of Financial Assets and Liabilities Carried at Amortised Cost**

The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the Financial Statements.

**Assets of which Fair Value Approximates Carrying Value**

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

**Fixed Rate Financial Instruments**

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity.

**Variable Rate Financial Instruments**

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

As at 31 March 2024	Fair Value				Carrying Value LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	

**Financial Assets**

Cash and Cash Equivalents	664,043,703	-	-	664,043,703	544,919,606
Financial Investments	-	576,027,374	-	576,027,374	772,478,191
Other Financial Assets	-	874,494	-	874,494	50,960,718
Financial Assets at Amortised Cost - Loans and Receivables	-	5,109,755,721	-	5,109,755,721	6,958,212,710
Financial Assets at Amortised Cost - Lease Rentals Receivables	-	4,677,040,887	-	4,677,040,887	5,616,318,355
	<b>664,043,703</b>	<b>10,363,698,476</b>	<b>-</b>	<b>11,027,742,178</b>	<b>13,942,889,580</b>

**Financial Liabilities**

Due to Banks and Other Institutions	-	3,005,408,260	-	3,005,408,260	3,005,408,260
Due to Customers	-	6,193,431,024	-	6,193,431,024	7,492,005,969
Lease Liabilities	-	119,947,887	-	119,947,887	202,487,184
	<b>-</b>	<b>9,318,787,171</b>	<b>-</b>	<b>9,318,787,171</b>	<b>10,699,901,412</b>

As at 31 March 2023	Fair Value				Carrying Value LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	

**Financial Assets**

Cash and Cash Equivalents	664,043,703	-	-	664,043,703	664,043,703
Financial Investments	-	576,027,374	-	576,027,374	576,027,374
Other Financial Assets	-	874,494	-	874,494	874,494
Financial Assets at Amortised Cost - Loans and Receivables	-	5,109,755,721	-	5,109,755,721	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	-	4,677,040,887	-	4,677,040,887	4,674,862,363
	<b>664,043,703</b>	<b>10,363,698,476</b>	<b>-</b>	<b>11,027,742,178</b>	<b>11,021,119,101</b>

**Financial Liabilities**

Due to Banks and Other Institutions	-	1,508,114,678	-	1,508,114,678	1,508,114,678
Due to Customers	-	6,193,431,024	-	6,193,431,024	6,193,431,026
Lease Liabilities	-	119,947,887	-	119,947,887	119,947,887
	<b>-</b>	<b>7,821,493,588</b>	<b>-</b>	<b>7,821,493,588</b>	<b>7,821,493,590</b>

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.

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## 47. RISK MANAGEMENT

## 47.1 Introduction

Being a Licensed Finance Company offering a wide range of financial services, risk is inherent in all business activities of the Company and exposing the Company to different types of risks including Credit, Liquidity, Market and Operational Risks. These risks are managed through a process of ongoing identification, measurement and monitoring through established risk limits and controls. This process of risk management is essential to the Company in continuing its resilience while optimizing the risk adjusted returns in continuing its profitability. Each individual within the Company is accountable for prudently managing the risk exposures relating to his or her responsibilities. Company's risk strategy focuses on managing principal risks faced by the Company while striking a fair balance between the risk return trade-off. A proactive and robust approach in risk management is considered as of paramount importance by the Company.

The Company identifies the following risks as key financial risks in its business operations.

- ➔ Credit Risk
- ➔ Liquidity Risk
- ➔ Market Risk
- ➔ Capital Management

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**Risk Management Framework**

The Company takes a comprehensive approach to risk management with a defined Risk Management Framework approved by the Board of Directors. The effective risk management system which ensures that risks and their impacts are identified and evaluated at an early stage and that contingency plans and measures are in place where necessary to handle risks and to prevent their accumulation. This process of risk management which enables the identification, evaluation, measurement, mitigation, decision making and control implementation, monitoring and reporting of risks associated with products, processes, systems and services of Sarvodaya Development Finance PLC is vital to the scope of risk management when fulfilling requirements of its customers and other stakeholders. The Company's Board has established the 'three lines of defence' mechanism to provide the foundation for the cohesive governance of risk at all levels of the business.

**Board Integrated Risk Management Committee (BIRMC)**

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles and it is the apex body which oversight the different risk profiles of the Company. The Board has appointed a sub committee - Board Integrated Risk Management Committee (BIRMC) and has delegated its authority to the BIRMC for the overall Risk Management approach and for approving the risk management strategies and principles. The BIRMC reviews and assesses the Company's overall risks and focuses on policy recommendations and strategies and ensure that the Board of Directors is duly updated of its activities. The Committee has established an independent risk management function through the Risk Management Department which is responsible for managing risk-taking activities across the Company.

**Risk Management Department (RMD)**

The business units (i.e. Credit Department, Operations Department and Branches etc.) have the primary responsibility for identifying risks as the first line of defence. The Risk Management Department, which provides an independent oversight function, acts as the 2nd line of defense. The RMD is headed by the Head of Risk Management who directly reports to the Chair of the BIRMC and also has an administrative reporting to the CEO. The RMD accompanies with other control functions (most notably Internal Audit, Compliance and Finance) of the Company that might uncover risk management issues. Each of the control functions has a different focus and potential overlap between them is kept to a minimum, while ensuring that the approaches taken are complementary and lead to consistent, effective and timely escalation of risks. All material risks are monitored centrally by the Risk Management Department, with any significant irregularities promptly escalated to the Corporate Management, Board Integrated Risk Management Committee and the Board of Directors for review and necessary action.

Sarvodaya Development Finance PLC is aware of a wide spectrum of risks that it is exposed to, and provides attention to each and every risk factor that could hinder the achievement of the Company's overall objectives. The Company has put in place structures and processes to address these risks which are vested to functional departments.

The following Management Level Committees, each with a defined responsibility, support the BIRMC by executing their respective management mandates.

**Asset - Liability Committee (ALCO)**

The ALCO comprises of senior management personnel who are in charge of Finance, Risk Management, Compliance, Credit, Fund Mobilisation, Operations, Recoveries and Marketing. ALCO is headed by the CEO and responsible for identifying, managing and controlling risks in executing the business strategy of the Company and mainly focuses on Interest Rate Risk and Liquidity Risk while maintaining profitability.

**Credit Committee**

There are two Credit Committees, namely Board Credit Committee (BCC) and Management Credit Committee (MCC).

**BCC** is comprised of three Non-Executive Directors from which the Chairman to the Committee is a Non-Executive, Independent Director. The key management personnel attend the meetings upon invitation. BCC oversees the management of credit quality of the lending portfolio and recovery actions.

**MCC** is comprised of Senior Management Personnel and headed by the CEO. MCC approves credit facilities within its delegated authority and reviews the methodologies for assessing Credit Risk and monitors Concentration Risk.

**Management Committee (ManCom)**

ManCom is comprised of senior management personnel and headed by the CEO. This Committee oversees the overall strategy and the new developments in the risk environment to take timely precautions and corrective measures.

**Product Development Committee (PDC)**

The Committee is comprised of Senior Management personnel, internal stakeholders from business units and other 'ad hoc' members with expertise in applicable functions such as credit, operations, legal, information technology, information security, audit, risk management, and compliance and is headed by the COO. The Committee covers all the new developments as well as significant changes to existing products, processes and systems of SDF.

**Information Technology Steering Committee (ITSC)**

The primary role of the ITSC is to exercise oversight and governance over SDF's IT function. The Committee is authorized to take decisions to improve or secure Information Resources, within the context of the Delegation of Authority assigned by the Board of Directors to the Chair. The committee is chaired by the CEO and will be facilitated by the Head of IT who will serve as the Committee Secretary. Permanent Invitees to the Committee will be the Chief Operating Officer (COO), the Head of Risk Management, the Compliance Officer and the Head of Strategic Planning, the Head of Finance and the Head of Operations & Administration.

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**Information Security Committee (ISC)**

The prime objective of the ISC is to oversee the information security and technology resilience of the Company and would be responsible for both the strategic and operational aspects of Information Security and Technology Risk Management. The ISC is chaired by the CEO. The Chief Operating Officer (COO), Head of Operations and Head of IT shall be the other ex-officio members of ISC. Head of Risk Management and Compliance Officer will be permanent invitees to ISC. Head of Legal and Head of Human Resource Management shall be required to attend as co-opted members whenever a matter relating to their areas is to be discussed. Head of Internal Audit is invited to present internal audit findings on information security at least on a quarterly basis. The Committee reports to the Board of Directors through BIRMC.

**47.2 Credit Risk****Overview**

Credit Risk is defined as the risk of financial loss to the company which arises when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. The exposure to the Credit Risk is mainly derived from financial sector companies as the sector engages primarily in providing financing facilities to its customers. Credit Risk constitutes the Company's largest risk exposure category which is managed by evaluating the credit worthiness of the clients and by periodic reviews on the credit granted.

**Credit Risk Management**

The Board of Directors of the Company has delegated responsibility for the oversight of Credit Risk to its Board Credit Committee. The Credit Department and Recoveries Department are responsible for managing the Company's Credit Risk, including formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting documentary and legal procedures, and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorization structure for the approval and renewal of credit facilities which are based on the Delegated Authority (DA) Limits that are approved by the Board of Directors.

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of qualitative as well as quantitative variables for the measurement of borrowers' risk. All internal risk ratings are tailored to various products namely SME Loans and Leasing. For accounting purposes, the Company uses a collective model for recognition of losses on impaired financial assets.

**Collateral Management**

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the Company act as a possible secondary recourse. Collaterals generally include cash, marketable securities, properties, stocks, trade debtors, other receivables, machineries & equipment and other physical or financial assets are assessed at the inception, in accordance with the guidelines issued by the Central Bank of Sri Lanka.

Clear guidelines are in place to determine the suitability of collaterals as a tool of mitigating Credit Risk based on their different characteristics and valuations, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. The Company has a panel of appointed professional valuers in order to obtain valuations for the properties, machineries and vehicles which are obtained as collaterals.

Periodic estimation of value of collaterals ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialized. The collaterals vulnerable to frequent fluctuations in values are subject to stringent haircuts and/or more frequent valuations.

The Company also accepts personal guarantees, guarantees from other financial institutions and creditworthy bodies as collaterals for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

**Impact Assessment of Macro-Economic and Business Environment Challenges**

The Company's Integrated Risk Management Framework enables the closely assessing and reviewing of the elevated risks which have arisen from internal and external factors on an ongoing basis while escalating those risks which are seen to be pertinent to the Board in a timely manner taking corrective and proactive measures to mitigate their impact on the operations of the Company in order to ensure SDF's

continued resilience and risk adjusted returns. The effectiveness of these measures have been witnessed by the Company's lower NPL Ratio than the industry average and the Company regularly monitors its credit exposures, portfolio performance and external trends which may impact risk management outcomes while taking prudent measures to intensify the repayment patterns of the credit customers which is essential to safeguard the interest of all the stakeholders of the Company.

**Impairment Assessment**

Detailed Note on impairment method has disclosed in Note 22 on page 241.

**47.2.1 Maximum Exposure to Credit Risk**

The Company consider total loan and lease balances to calculate collective impairment.

As at 31 March 2024	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	Total LKR
<b>Assets</b>					
Cash and Cash Equivalents	544,919,606	-	-	-	544,919,606
Loans and Receivable (Gross)	427,970,290	-	-	6,886,515,272	7,314,485,562
Lease Rentals Receivables (Gross)	-	-	-	5,956,970,718	5,956,970,718
Financial Investments	772,478,191	-	-	-	772,478,191
Other Financial Assets	50,960,718	-	-	-	50,960,718
<b>Total Financial Assets</b>	<b>1,796,328,805</b>	<b>-</b>	<b>-</b>	<b>12,843,485,990</b>	<b>14,639,814,795</b>

As at 31 March 2023	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	Total LKR
<b>Assets</b>					
Cash and Cash Equivalents	664,043,703	-	-	-	664,043,703
Loans and Receivable (Gross)	422,151,402	-	-	4,915,748,210	5,337,899,612
Lease Rentals Receivables (Gross)	-	-	-	4,914,180,967	4,914,180,967
Financial Investments	576,027,374	-	-	-	576,027,374
Other Financial Assets	874,494	-	-	-	874,494
<b>Total Financial Assets</b>	<b>1,663,096,972</b>	<b>-</b>	<b>-</b>	<b>9,829,929,178</b>	<b>11,493,026,150</b>

**47.2.2 Analysis of Credit Concentration Risk**

The Company has a Board approved Risk Appetite Statement (RAS) which is in line with the Strategic Plan of the Company. Accordingly, risk appetite limits have been set for different criteria with the objective of maintaining risk levels at acceptable levels resulting in a well-diversified portfolio continuously. These risk limits are regularly monitored by the Risk Management Department and the Board Integrated Risk Management Committees to ensure that they are in par with the evolving developments in the operating environment which includes macro-economic factors as well, so they can indicate early warning signals to the decision makers of the Company to be proactive in terms of credit concentration risk management.

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## 47.2.2.1 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

As at 31 March 2024	Cash and Cash Equivalents LKR	Cash and Cash Equivalents LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture & Fishing	-	2,553,376,347	2,750,488,497	-	-	5,303,864,844
Manufacturing	-	447,904,709	24,551,001	-	-	472,455,710
Tourism	-	72,938,062	29,433,803	-	-	102,371,864
Transport	-	55,031,377	1,648,118,867	-	-	1,703,150,244
Constructions	-	1,864,554,866	184,469,838	-	-	2,049,024,704
Trades	-	626,712,407	35,240,637	-	-	661,953,043
New Economy	-	5,476,774	1,246,428	-	-	6,723,202
Financial and Business Services	544,919,606	86,426,826	1,319,075	-	50,960,718	683,626,225
Infrastructure	-	64,449,693	416,465	-	-	64,866,158
Government	-	-	-	772,478,191	-	772,478,191
Other Services	-	1,537,614,503	1,281,686,106	-	-	2,819,300,609
<b>Total</b>	<b>544,919,606</b>	<b>7,314,485,562</b>	<b>5,956,970,718</b>	<b>772,478,191</b>	<b>50,960,718</b>	<b>14,639,814,795</b>

As at 31 March 2023	Cash and Cash Equivalents LKR	Cash and Cash Equivalents LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture & Fishing	-	2,677,367,350	2,862,975,229	-	-	5,540,342,578
Manufacturing	-	717,159,072	468,670,165	-	-	1,185,829,237
Tourism	-	16,539,660	39,916	-	-	16,579,576
Transport	-	10,651,107	209,273,028	-	-	219,924,136
Constructions	-	882,012,455	529,774,371	-	-	1,411,786,826
Trades	-	230,183,797	9,409,927	-	-	239,593,724
New Economy	-	5,279,288	335,084	-	-	5,614,372
Financial and Business Services	664,043,703	15,422,172	1,110,671	-	874,494	681,451,039
Infrastructure	-	30,239,343	214,446	-	-	30,453,789
Government	-	-	-	576,027,374	-	576,027,374
Other Services	-	753,045,368	832,378,130	-	-	1,585,423,498
<b>Total</b>	<b>664,043,703</b>	<b>5,337,899,612</b>	<b>4,914,180,967</b>	<b>576,027,374</b>	<b>874,494</b>	<b>11,493,026,150</b>

## 47.2.2.2 Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

	Term Loan and receivables Past Due But Not Impaired LKR	Lease receivable Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR
<b>As at 31 March 2024</b>			
Central	749,534,538	483,860,196	1,233,394,734
Eastern	845,520,895	889,478,494	1,734,999,389
North Central	1,004,854,521	1,839,614,389	2,844,468,911
Northern	170,012,161	73,962,376	243,974,537
North Western	1,004,571,555	599,754,702	1,604,326,256
Sabaragamuwa	669,358,144	278,533,308	947,891,452
Southern	882,705,548	290,930,466	1,173,636,014
Uva	535,837,227	670,361,989	1,206,199,217
Western	1,452,090,972	830,474,798	2,282,565,770
<b>Total</b>	<b>7,314,485,562</b>	<b>5,956,970,718</b>	<b>13,271,456,280</b>

## As at 31 March 2023

Central	522,321,041	419,520,648	941,841,689
Eastern	616,152,583	703,029,313	1,319,181,895
North Central	417,035,649	1,310,271,656	1,727,307,305
Northern	613,653,506	533,741,812	1,147,395,318
North Western	176,043,627	71,353,891	247,397,518
Sabaragamuwa	561,479,819	262,799,363	824,279,182
Southern	651,290,766	377,297,090	1,028,587,856
Uva	620,968,437	528,345,440	1,149,313,877
Western	1,158,954,183	707,821,755	1,866,775,938
<b>Total</b>	<b>5,337,899,612</b>	<b>4,914,180,967</b>	<b>10,252,080,579</b>

## 47.2.2.3 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavors to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are, as follows:

- ⊖ For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles.
- ⊖ For retail lending, mortgages over residential properties and transfer of ownership over the vehicles.

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their credit worthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customers for impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

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The following table shows the fair value of collateral and credit enhancements held by the Company.

	31 March 2024		31 March 2023	
	Maximum exposure to credit risk LKR	Net exposure LKR	Maximum exposure to credit risk LKR	Net exposure LKR
Cash and cash equivalents (excluding cash in hand)	443,096,830	-	603,301,938	-
Financial Investments	772,478,191	-	576,027,374	-
Other Financial Assets	50,960,718	50,960,718	874,494	874,494
Loans and Receivables	7,314,485,562	-	5,337,899,612	-
Lease Rental Receivable	5,956,970,718	-	4,914,180,967	-
	<b>14,537,992,019</b>	<b>50,960,718</b>	<b>11,432,284,385</b>	<b>874,494</b>

## Sensitivity of impairment provision on loans and receivables

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Past Due But Not Impaired LKR
	Stage 1 Past Due But Not Impaired LKR	Stage 2 Past Due But Not Impaired LKR	Stage 3 Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR	

## As at 31 March 2024

PD 1% increase across all age buckets	7,713,435	2,043,273	-	9,756,708	9,756,708
PD 1% decrease across all age buckets	(7,713,435)	(2,043,273)	-	(9,756,708)	(9,756,708)
LGD 5% increase	72,450,170	43,437,724	80,598,462	196,486,356	196,486,356
LGD 5% decrease	(72,450,170)	(43,437,724)	(80,598,462)	(196,486,356)	(196,486,356)
Probability weighted					
Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	233,452	107,326	-	340,779	340,779
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(233,452)	(107,326)	-	(340,779)	(340,779)

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Past Due But Not Impaired LKR
	Stage 1 Past Due But Not Impaired LKR	Stage 2 Past Due But Not Impaired LKR	Stage 3 Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR	

## As at 31 March 2023

PD 1% increase across all age buckets	7,713,435	2,043,273	-	9,756,708	9,756,708
PD 1% decrease across all age buckets	(7,713,435)	(2,043,273)	-	(9,756,708)	(9,756,708)
LGD 5% increase	72,450,170	43,437,724	80,598,462	196,486,356	196,486,356
LGD 5% decrease	(72,450,170)	(43,437,724)	(80,598,462)	(196,486,356)	(196,486,356)
Probability weighted					
Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	233,452	107,326	-	340,779	340,779
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(233,452)	(107,326)	-	(340,779)	(340,779)

## 47.3 Liquidity Risk &amp; Funding Management

Liquidity Risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk for a financial institution can take two forms; market liquidity risk and funding liquidity risk.

**Market Liquidity Risk** is the inability to easily exit a position without moving the price too much.

**Funding Liquidity Risk** would arise if the Company is unable to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable.

To limit this risk, the Company's management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing liquidity and funding to ensure future cash flows. The Company has developed internal control processes and contingency plans for managing Liquidity Risk. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

The Company's primary objective in Liquidity Risk Management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Asset - Liability Committee (ALCO) analyses and monitors Liquidity Risk and maintains an adequate margin of safety in liquid assets.

ALCO meets at least monthly and more frequently as and when necessary. ALCO is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity position. Furthermore, the Company maintains the Statutory Liquid Assets Ratio at its required level as a method to measure and control daily liquidity risk.

## Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS

## 47.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities.

As at 31 March 2024	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
<b>Financial Assets</b>						
Cash and Cash Equivalents	544,919,606	-	-	-	-	544,919,606
Financial Investments	-	790,201,152	-	-	-	790,201,152
Other Financial Assets	-	52,031,094	-	-	-	52,031,094
Financial Assets at Amortised Cost - Loans and Receivables	2,820,627,671	744,144,220	1,999,536,154	3,263,811,534	111,947,778	8,940,067,357
Financial Assets at Amortised Cost - Lease Rentals Receivables	94,797,732	558,959,463	4,849,189,562	2,822,176,906	-	8,325,123,662
<b>Total Financial Assets</b>	<b>3,460,345,009</b>	<b>2,145,335,929</b>	<b>6,848,725,715</b>	<b>6,085,988,440</b>	<b>111,947,778</b>	<b>18,652,342,871</b>
<b>Financial Liabilities</b>						
Due to Banks and Other Institutions	248,436,128	223,244,504	546,472,128	704,011,325	7,460,025	1,729,624,110
Financial Liability at Amortised Cost - Due to Customers	1,144,722,764	1,030,224,505	1,559,607,634	735,317,919	82,072,361	4,551,945,183
Lease Liability	-	12,697,319	44,230,102	145,559,763	-	202,487,184
<b>Total Financial Liabilities</b>	<b>1,393,158,891</b>	<b>1,266,166,327</b>	<b>2,150,309,865</b>	<b>1,584,889,007</b>	<b>89,532,386</b>	<b>6,484,056,476</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>2,067,186,118</b>	<b>879,169,602</b>	<b>4,698,415,850</b>	<b>4,501,099,433</b>	<b>22,415,392</b>	<b>12,168,286,395</b>

As at 31 March 2023	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
<b>Financial Assets</b>						
Cash and Cash Equivalents	664,043,703	-	-	-	-	664,043,703
Financial Investments	-	490,480,933	85,546,441	-	-	576,027,374
Other Financial Assets	-	322,486	552,008	-	-	874,494
Financial Assets at Amortised Cost - Loans and Receivables	811,775,483	1,839,707,978	642,068,009	1,811,759,698	-	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	331,059,698	223,106,768	278,470,312	3,842,225,585	-	4,674,862,363
<b>Total Financial Assets</b>	<b>1,806,878,884</b>	<b>2,553,618,165</b>	<b>1,006,636,770</b>	<b>5,653,985,283</b>	<b>-</b>	<b>11,021,119,101</b>
<b>Financial Liabilities</b>						
Due to Banks and Other Institutions	56,920,265	216,403,416	573,203,051	655,526,005	6,061,950	1,508,114,678
Financial Liability at Amortised Cost - Due to Customers	1,499,690,298	1,634,549,197	2,193,355,613	806,900,775	58,935,144	6,193,431,026
Lease Liability	6,256,213	12,197,289	45,165,009	56,329,375	-	119,947,887
<b>Total Financial Liabilities</b>	<b>1,562,866,776</b>	<b>1,863,149,902</b>	<b>2,811,723,673</b>	<b>1,518,756,155</b>	<b>64,997,094</b>	<b>7,821,493,590</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>244,012,108</b>	<b>690,468,263</b>	<b>(1,805,086,903)</b>	<b>4,135,229,128</b>	<b>(64,997,094)</b>	<b>3,199,625,511</b>

## 47.3.2 Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

As at 31 March 2024	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	-	-	-	-
Cases pending against the company	-	-	-	6,048,100	-	6,048,100
<b>Total Commitments and guarantees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,048,100</b>	<b>-</b>	<b>6,048,100</b>

As at 31 March 2023	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	-	-	-	-
Cases pending against the company	-	-	-	5,733,330	-	5,733,330
<b>Total Commitments and guarantees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,733,330</b>	<b>-</b>	<b>5,733,330</b>

## 47.3.2.1 Contractual Maturities of Commitments &amp; Contingencies

"There are no significant contingencies and significant capital commitments as at 31 March 2023 and as at 31 March 2024 other than the disclosures made under the financial statements notes number 38 on page number 262."

## 47.4 Market Risk

## Overview

Market risk is the potential of an adverse impact on Company's earnings or capital due to changes in interest rates. During the normal course of its business, Company deals in financial products such as loans and deposits to facilitate both customer-driven and proprietary transactions which expose the Company to market risk in varying degrees.

## Market Risk Management

Risk Management Framework ensures the appropriate management of the market risks within the overall risk appetite so that adverse changes in market risk parameters, do not materially impact Company's profitability, capital or the risk profile.

Upon recognizing various sources of risks, their characteristics and possible outcomes resulting from transactions undertaken by the Company, as risk mitigation tools, Company has formed a Liquidity Investment Policy and an Asset and Liability Management Policy. These policies define exposure limits and procedures within which such transactions are required to be undertaken. Market risk limits set out in the above policies are regularly reviewed by the Asset- Liability Committee (ALCO) and the Board Integrated Risk Management Committee (BIRMC).

ALCO is the core management committee that regularly monitors market risk exposures and initiates appropriate action to optimize overall market risk exposures within the overall risk appetite of the company. In this regard, the major functions carried out by ALCO include:

- ⊖ proactive managing of liquidity risk profile of the company
- ⊖ articulating interest rate review of the company
- ⊖ monitoring asset and liability gaps, and rate shock results on Net Interest Income (NII) to initiate appropriate measures such as changing interest rate structure.

## Functionalities of Market Risk Management

The Market Risk Management is done by Finance and Planning which is responsible for coordinating and performing Market Risk Management activities including measuring, monitoring and reporting of market risk exposures, and reviewing Company's market risk related policies and exposure limits at least annually. It also provides independent reviews on market risks associated with new investment proposals and products, thus facilitating efficient decision-making through optimizing risk-return trade off. The Company has made a strategic decision to maintain a risk appetite moderately above competitor rates since it allows the best potential for creating shareholder value at an acceptable risk level. The Company manages the volatility and potential downward risk through diversification.

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## NOTES TO THE FINANCIAL STATEMENTS

## 47.5.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities, namely the granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; and basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. The Company's exposure to interest rate risk is primarily associated with factors such as:

- ⊖ Repricing risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio;
- ⊖ Yield curve risk arising from unanticipated shifts of the market yield curve;

Interest rate risk is managed principally through minimizing interest rate sensitive asset/liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly. Regularly monitoring of Net interest margin took place to be vigilant and proactive towards the Covid-19 relief measures introduced by the government pertaining to interest rates.

## 47.5.1.1 Stress Test on NII from Parallel Interest Rate Shocks

Annual Impact on NII	2023		2024	
	Increase	Decrease	Increase	Decrease
1%	(12.5)	12.5	(25.3)	25.3
2%	(25.0)	25.0	(50.6)	50.6
3%	(37.5)	37.5	(76.0)	76.0

## 47.5.1.2 Interest Rate Risk Exposure On Financial Assets &amp; Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2024	Up to 03 Months LKR	03-12 Months LKR	01-03 Years LKR	03-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total as at 31.03.2024 LKR
<b>Assets</b>							
Cash and Cash Equivalents	443,096,830	-	-	-	-	101,822,776	544,919,606
Financial Investments	772,478,191	-	-	-	-	-	772,478,191
Other Financial Assets	50,960,718	-	-	-	-	-	50,960,718
Financial Assets at Amortised Cost							
- Loans and Receivables	2,801,548,912	710,945,664	1,510,579,574	1,879,312,345	55,826,215	-	6,958,212,710
Financial Assets at Amortised Cost							
- Lease Rentals Receivables	91,304,730	491,397,951	3,457,422,047	1,576,193,627	-	-	5,616,318,355
<b>Total Financial Assets</b>	<b>4,159,389,381</b>	<b>1,202,343,615</b>	<b>4,968,001,621</b>	<b>3,455,505,972</b>	<b>55,826,215</b>	<b>101,822,776</b>	<b>13,942,889,580</b>
<b>Financial Liabilities</b>							
Due to Banks and Other Institutions	924,107,478	819,763,327	1,171,058,846	87,811,659	-	2,666,950	3,005,408,260
Financial Liability at Amortised Cost							
- Due to Customers	3,760,166,152	2,621,651,328	430,444,976	419,769,130	50,380,209	209,594,175	7,492,005,969
Lease Liability	12,697,319	44,230,102	76,361,268	69,198,495	-	-	202,487,184
<b>Total Financial Liabilities</b>	<b>4,696,970,948</b>	<b>3,485,644,756</b>	<b>1,677,865,090</b>	<b>576,779,284</b>	<b>50,380,209</b>	<b>212,261,125</b>	<b>10,699,901,412</b>
<b>Interest Sensitivity Gap</b>	<b>(537,581,567)</b>	<b>(2,283,301,141)</b>	<b>3,290,136,531</b>	<b>2,878,726,688</b>	<b>5,446,006</b>	<b>(110,438,349)</b>	<b>3,242,988,168</b>

As at 31 March 2023	Up to 03 Months LKR	03-12 Months LKR	01-03 Years LKR	03-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total as at 31.03.2024 LKR
<b>Assets</b>							
Cash and Cash Equivalents	603,301,938	-	-	-	-	60,741,765	664,043,703
Financial Investments	490,480,933	85,546,441	-	-	-	-	576,027,374
Other Financial Assets	322,486	552,008	-	-	-	-	874,494
Financial Assets at Amortised Cost							
- Loans and Receivables	2,651,483,461	642,068,009	1,215,031,933	596,727,765	-	-	5,105,311,168
Financial Assets at Amortised Cost							
- Lease Rentals Receivables	54,166,466	278,470,312	2,985,410,499	1,356,815,086	-	-	4,674,862,363
<b>Total Financial Assets</b>	<b>3,799,755,283</b>	<b>1,006,636,770</b>	<b>4,200,442,432</b>	<b>1,953,542,851</b>	<b>-</b>	<b>60,741,765</b>	<b>11,021,119,101</b>
<b>Financial Liabilities</b>							
Due to Banks and Other Institutions	273,323,671	573,203,051	618,456,280	37,069,726	-	6,061,950	1,508,114,678
Financial Liability at Amortised Cost							
- Due to Customers	3,055,659,951	2,193,355,613	382,410,374	424,490,401	58,935,144	78,579,540	6,193,431,026
Lease Liability	18,453,503	45,165,009	45,561,268	10,768,107	-	-	119,947,887
<b>Total Financial Liabilities</b>	<b>3,347,437,125</b>	<b>2,811,723,673</b>	<b>1,046,427,922</b>	<b>472,328,234</b>	<b>58,935,144</b>	<b>84,641,490</b>	<b>7,821,493,590</b>
<b>Interest Sensitivity Gap</b>	<b>452,318,158</b>	<b>(1,805,086,903)</b>	<b>3,154,014,510</b>	<b>1,481,214,617</b>	<b>(58,935,144)</b>	<b>(23,899,725)</b>	<b>3,199,625,511</b>

## 48. FINANCIAL REPORTING BY SEGMENT

For management purposes, the Company is organised into business units based on its products and services and has three reportable segments, as follows:

## Lease

This segment includes Leasing products offered to the customers.

## Loan

This segment includes SME, Micro, Personal and Gold loans offered to the customers

## Other Business

This segment include all other business activities that Company engaged other than above segments

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Also, the Company's financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	Lease		Loan		Other		Total	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Interest income	<b>1,446,933,953</b>	1,089,564,946	<b>1,494,026,241</b>	1,204,123,623	<b>161,022,089</b>	167,642,874	<b>3,101,982,284</b>	2,461,331,443
Net fee and commission income	<b>78,105,255</b>	38,723,064	<b>92,616,880</b>	69,653,000	<b>2,165,499</b>	5,809,194	<b>172,887,634</b>	114,185,258
Other operating income	<b>26,747,794</b>	18,507,325	<b>11,645,914</b>	1,345,879	<b>13,509,968</b>	2,122,049	<b>51,903,677</b>	21,975,253
<b>Gross income</b>	<b>1,551,787,002</b>	<b>1,146,795,335</b>	<b>1,598,289,035</b>	<b>1,275,122,503</b>	<b>176,697,557</b>	<b>175,574,117</b>	<b>3,326,773,595</b>	<b>2,597,491,955</b>
Interest expenses	<b>(562,043,121)</b>	(543,775,815)	<b>(681,064,017)</b>	(598,270,346)	<b>(79,347,264)</b>	(79,568,570)	<b>(1,322,454,402)</b>	(1,221,614,731)
<b>Total operating income</b>	<b>989,743,882</b>	<b>603,019,519</b>	<b>917,225,019</b>	<b>676,852,157</b>	<b>97,350,293</b>	<b>96,005,547</b>	<b>2,004,319,193</b>	<b>1,375,877,224</b>
Credit loss expenses	<b>(101,333,758)</b>	(41,671,434)	<b>(217,307,386)</b>	(23,835,675)	<b>(13,890,756)</b>	2,415,000	<b>(332,531,900)</b>	(63,092,109)
<b>Net Operating Income</b>	<b>888,410,123</b>	<b>561,348,085</b>	<b>699,917,633</b>	<b>653,016,482</b>	<b>83,459,537</b>	<b>98,420,547</b>	<b>1,671,787,293</b>	<b>1,312,785,115</b>
Other Expenses	<b>(409,730,939)</b>	(341,132,872)	<b>(496,497,490)</b>	(375,319,526)	<b>(57,844,368)</b>	(49,916,628)	<b>(964,072,797)</b>	(766,369,026)
Depreciation and Amortization	<b>(49,511,718)</b>	(44,663,825)	<b>(59,996,553)</b>	(49,139,813)	<b>(6,989,890)</b>	(6,535,481)	<b>(116,498,160)</b>	(100,339,119)
<b>Segment Result</b>	<b>429,167,466</b>	<b>175,551,388</b>	<b>143,423,590</b>	<b>228,557,144</b>	<b>18,625,279</b>	<b>41,968,438</b>	<b>591,216,335</b>	<b>446,076,970</b>
Tax on financial services							<b>(181,956,153)</b>	(145,945,075)
Income tax expenses							<b>(159,663,528)</b>	(78,482,446)
<b>Profit attributable to share holders</b>	<b>429,167,466</b>	<b>175,551,388</b>	<b>143,423,590</b>	<b>228,557,144</b>	<b>18,625,279</b>	<b>41,968,438</b>	<b>249,596,654</b>	<b>221,649,449</b>
Segment assets	<b>5,956,970,718</b>	4,914,180,967	<b>7,314,485,562</b>	5,337,899,612	<b>1,626,391,394</b>	1,418,212,979	<b>14,897,847,674</b>	11,670,293,558
<b>Total Assets</b>	<b>5,956,970,718</b>	<b>4,914,180,967</b>	<b>7,314,485,562</b>	<b>5,337,899,612</b>	<b>1,626,391,394</b>	<b>1,418,212,979</b>	<b>14,897,847,674</b>	<b>11,670,293,558</b>
Segment liabilities	<b>4,814,029,960</b>	3,528,605,014	<b>5,833,471,598</b>	3,658,300,236	<b>679,627,759</b>	1,033,900,590	<b>11,327,129,316</b>	8,220,805,840
<b>Total liabilities</b>	<b>4,814,029,960</b>	<b>3,528,605,014</b>	<b>5,833,471,598</b>	<b>3,658,300,236</b>	<b>679,627,759</b>	<b>1,033,900,590</b>	<b>11,327,129,316</b>	<b>8,220,805,840</b>

## We journey towards excellence by financing the dreams of marginalised communities and giving them hope

“

Since 2021, SDF has supported Thushan from Chilaw, who farms and collects various types of green leaves from his village. With SDF's financing, he purchased a small truck for transporting the green leaves to the market and secured working capital. This support has enhanced his efficiency and expanded his operations, benefiting the local community.





## Supplementary Information

## DECADE AT A GLANCE

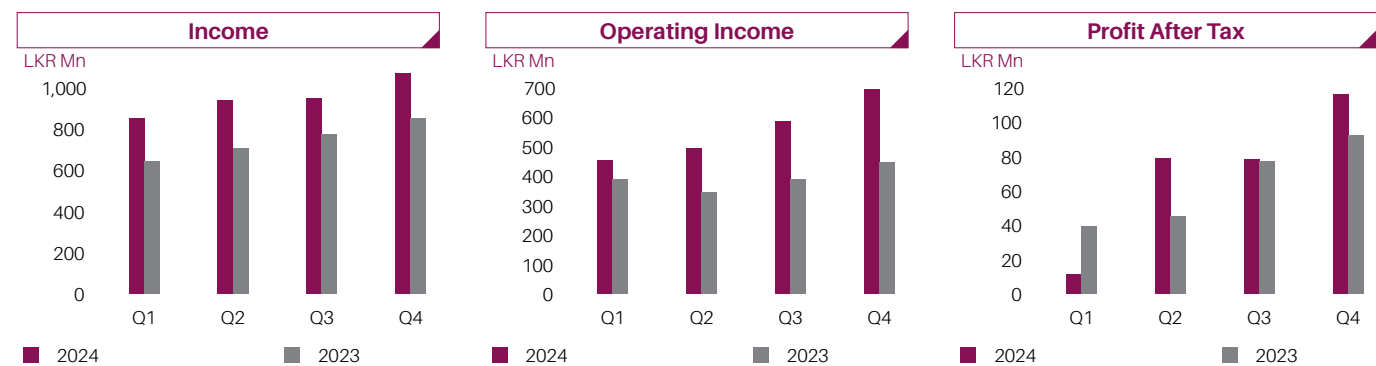
For the Year ended 31 March	2023/24 Rs. (000)	2022/23 Rs. (000)	2021/22 Rs. (000)	2020/21 Rs. (000)	2019/20 Rs. (000)	2018/19 Rs. (000)	2017/18 Rs. (000)	2016/17 Rs. (000)	2015/16 Rs. (000)	2014/15 Rs. (000)
<b>Operating Results</b>										
Income	3,326,774	2,597,492	1,930,409	1,743,539	1,802,436	1,575,247	1,320,761	1,092,958	1,014,754	752,993
Interest Income	3,101,982	2,461,331	1,822,315	1,584,745	1,681,679	1,433,374	1,179,563	883,758	922,994	652,411
Interest Expenses	1,322,454	1,221,615	562,116	623,347	750,116	606,621	416,599	280,902	255,915	210,804
Net Interest Income	1,779,528	1,239,717	1,260,199	961,398	931,562	826,753	762,964	602,856	667,079	441,607
Other Income	224,791	136,161	108,094	158,795	120,757	141,872	141,198	209,200	91,760	100,582
Total Operating Income	2,004,319	1,375,877	1,368,293	1,120,192	1,052,319	968,626	904,162	812,056	758,839	542,189
Operating Expenses	1,080,571	866,708	800,411	703,903	700,911	717,895	630,190	635,628	571,762	473,080
Impairment Losses	332,532	63,092	192,619	60,092	119,318	94,014	89,116	172,259	61,294	67,332
Profit Before Taxation	591,216	446,077	375,264	356,197	232,090	156,717	184,856	4,169	125,783	1,777
Tax on Financial Services	181,956	145,945	106,553	89,362	108,023	87,760	70,751	48,027	49,272	22,245
Income Tax Expenses/ (Reversal)	159,664	78,482	53,244	83,478	22,351	27,740	21,922	(9,324)	30,369	(8,675)
Profit/(Loss) for the Year (PAT)	249,597	221,649	215,466	183,357	101,716	41,216	92,182	(34,535)	46,142	(11,794)
<b>Statement of Financial Position</b>										
<b>Assets</b>										
Cash and Cash										
Equivalents	544,920	664,044	92,132	130,871	73,226	140,903	116,978	138,046	306,766	208,621
Loans and Receivables	6,958,213	5,105,311	5,110,595	4,954,331	5,230,705	5,113,657	4,697,450	3,477,040	2,766,806	2,779,010
Lease Rentals										
Receivable	5,616,318	4,674,862	4,768,167	2,952,368	1,702,847	1,102,513	611,055	283,559	-	-
Financial Investments	772,478	576,027	532,667	374,591	444,939	442,595	282,269	268,211	243,177	201,844
Other Financial Assets	50,961	874	814	780	164,536	189,277	207,371	282,578	232,860	7,049
Investment in										
Subsidiary Companies										
Intangible Assets	4,177	4,686	4,928	5,055	15,111	27,008	35,134	321,409	281,536	241,143
Other Assets	531,610	644,488	665,181	618,602	583,851	433,871	409,919	102,050	109,410	115,290
Total Assets	14,897,848	11,670,294	11,174,484	9,036,598	8,215,216	7,449,824	6,360,176	4,872,893	4,320,029	3,932,432
<b>Liabilities</b>										
Due to Banks										
Due to Customers	7,492,006	6,193,431	4,729,097	4,551,945	5,101,976	5,385,342	4,624,855	3,563,700	3,070,417	2,776,239
Savings	6,175,102	5,128,917	1,300,813	1,245,293	1,536,303	1,561,061	1,554,619	1,607,045	1,585,566	1,484,222
Fixed Deposits	6,175,102	1,064,514	3,428,284	3,306,652	3,565,673	3,824,281	3,070,216	1,956,654	1,484,851	1,292,016
Other Non Financial										
Liabilities										
Post Employment	425,291	291,925	596,809	282,552	99,221	79,668	84,070	165,765	96,909	53,842
Benefit Liability	56,992	35,677	32,066	55,829	33,753	27,212	26,416	20,797	16,088	17,109
Other Liability	570,236	191,657	191,532	235,263	189,551	23,183	30,768	-	19,850	-
Total Liabilities	11,327,129	8,220,806	7,869,689	6,855,213	7,019,536	6,351,279	5,229,366	3,826,118	3,234,490	2,894,933
<b>Shareholders' Funds</b>										
Stated Capital	2,696,113	2,696,113	2,696,113	1,696,113	890,000	890,000	890,000	890,000	890,000	890,000
Reserves	874,605	753,375	608,682	485,270	305,679	208,546	240,810	156,775	195,539	147,499
Total Shareholders' Funds	3,570,718	3,449,488	3,304,795	2,181,385	1,195,679	1,098,546	1,130,810	1,046,775	1,085,539	1,037,499
<b>Other Information</b>										
Number of Staff	547	453	508	480	471	521	508	540	602	572
Number of Branches	56	51	51	30	30	30	30	30	30	30
Number of CSCs	-	-	-	21	21	21	21	22	28	32
Number of Gold Centers within the										
Branches	54	39	39	35	25	5	-	-	-	-
Profit Before Tax Per Employee	1,081	985	739	742	493	301	364	8	209	3

For the Year ended 31 March	2023/24 Rs. (000)	2022/23 Rs. (000)	2021/22 Rs. (000)	2020/21 Rs. (000)	2019/20 Rs. (000)	2018/19 Rs. (000)	2017/18 Rs. (000)	2016/17 Rs. (000)	2015/16 Rs. (000)	2014/15 Rs. (000)
<b>Profit After Tax Per</b>										
Employee	456	489	424	382	216	79	181	(64)	77	(21)
<b>Total Assets Per</b>										
Employee	27,236	25,762	21,997	18,826	17,442	14,299	12,520	9,024	7,176	6,875
Employees Per Branch	8	7	7	6	7	7	7	8	8	7
<b>Capital Adequacy Ratio (%)</b>										
Tier I	-	-	-	-	-	-	20.19%	25.02%	32.00%	30.66%
Tier II	-	-	-	-	-	-	20.19%	25.02%	20.32%	18.93%
Tier I (New Framework w.e.f 1 July 2018)	25.84%	32.75%	29.17%	21.58%	12.99%	13.58%	14.83%	0.00%	0.00%	0.00%
Tier II (New Framework w.e.f 1 July 2018)	26.00%	34.01%	30.42%	21.80%	13.23%	13.98%	14.83%	0.00%	0.00%	0.00%
<b>Operating Result</b>										
Cost of Fund	14.20%	16.27%	8.24%	9.50%	11.30%	10.73%	9.55%	8.33%	8.64%	8.28%
Interest Spread	9.80%	5.59%	10.09%	9.00%	10.81%	10.96%	13.05%	13.02%	13.15%	12.86%
Net Interest Margin	11.58%	11.01%	12.67%	11.44%	12.21%	12.51%	14.61%	14.74%	31.74%	25.70%
Cost to Income	53.91%	62.99%	58.50%	62.84%	66.61%	74.11%	69.70%	78.27%	75.35%	87.25%
Efficiency Ratio	64.64%	66.02%	68.08%	66.40%	75.12%	82.08%	77.32%	99.35%	81.97%	99.63%
Staff Cost : Net Income	26.17%	33.73%	32.19%	33.40%	33.91%	36.87%	35.69%	44.32%	41.40%	50.00%
<b>Financial Indicators</b>										
Return on Interest										
Earning Assets	25.90%	21.85%	18.33%	19.00%	22.11%	21.69%	22.59%	21.36%	21.78%	21.14%
Portfolio Yield	26.31%	21.99%	18.90%	19.70%	23.36%	22.88%	23.89%	23.33%	31.74%	25.70%
Debit : Equity	293.99%	223.27%	213.30%	287.96%	560.10%	566.31%	449.95%	347.69%	285.72%	272.19%
Liquid Assets Ratio		17.64%	10.51%	9.13%	11.41%	13.75%	13.75%	20.39%	26.20%	16.50%
<b>Assets Quality Indicators</b>										
Gross NPA Ratio	14.10%	14.39%	8.93%	9.98%	11.81%	9.41%	6.20%	8.90%	8.00%	5.00%
Net NPA Ratio	10.40%	8.98%	3.31%	4.21%	6.14%	4.67%	2.61%	3.40%	3.10%	2.80%
NPA to Assets	12.63%	12.78%	8.39%	9.28%	11.13%	8.92%	6.03%	8.00%	5.50%	3.70%
Provision to Advance	4.20%	4.06%	4.86%	5.66%	5.74%	5.08%	3.06%	5.60%	5.10%	3.10%
Provision Cover	29.30%	28.20%	54.40%	56.58%	48.58%	49.43%	44.10%	57.10%	63.00%	60.80%
<b>Investor information</b>										
Return on Assets (ROA)										
Return on Equity (ROE)	1.88%	1.94%	2.13%	2.13%	1.30%	0.60%	1.64%	0.75%	1.12%	-0.34%
Equity to Assets	23.97%	29.56%	29.57%	24.14%	14.55%	14.75%	17.78%	21.48%	25.13%	26.38%
Net assets Per Share (LKR.)										
Earnings Per Share (LKR.)	23.87	23.06	22.09	21.43	17.71	16.27	16.75	15.51	16.08	15.37
Shareholders' Fund to										
Deposit	35.99%	55.70%	69.88%	47.92%	23.44%	20.40%	24.53%	29.37%	37.10%	42.00%
Price earning ratio (P/E)	7.85	7.42	6.74	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Price per share	13.1	11.0	12.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Capitalisation	1,959,708	1,645,557	1,869,951	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Cover	1.45	1.37	1.67	1.57	1.31	1.26	1.44	1.01	1.49	1.01
Dividend Per Share	N/A	0.75	0.50	-	-	-	0.5	-	-	-
Dividend Cover	N/A	1.98	2.88	-	-	-	2.73	-	-	-
Dividend Yield	N/A	6.8%	4.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dividend Payout	N/A	51%	35%	-	-	-	0.42	-	-	-

## Supplementary Information

## QUARTERLY FINANCIAL STATEMENTS - INCOME STATEMENT

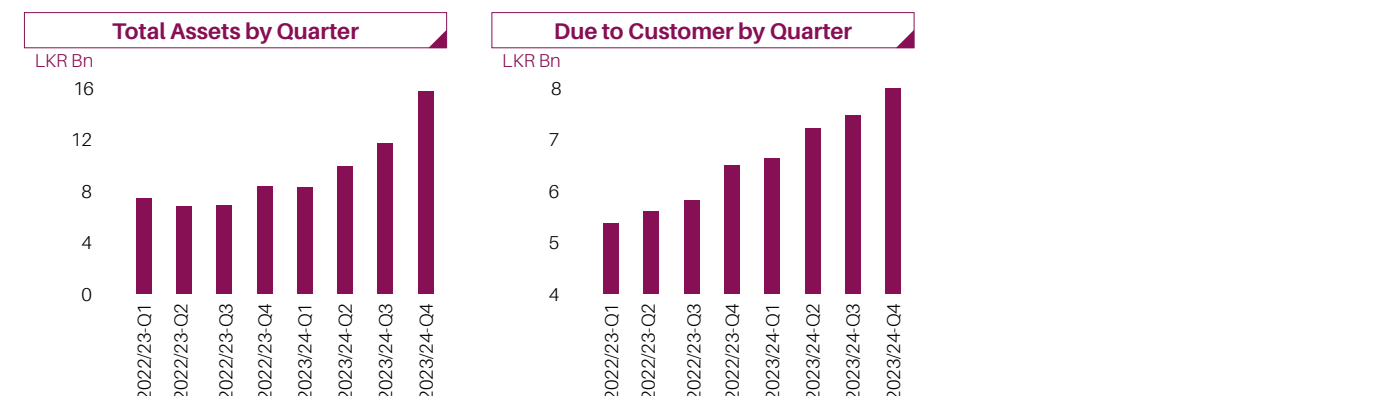
For the 3 months ended	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2023	30.06.2022	30.09.2023	30.09.2022	31.12.2023	31.12.2022	31.03.2024	31.03.2023
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
<b>Income</b>	<b>744,561,105</b>	<b>559,841,607</b>	<b>816,703,301</b>	<b>618,156,482</b>	<b>832,005,868</b>	<b>672,818,520</b>	<b>933,503,321</b>	<b>746,675,345</b>
Interest Income	703,371,619	525,174,078	770,572,044	585,026,207	788,513,014	641,163,237	839,525,607	709,967,921
Interest Expenses	(349,905,107)	(220,690,915)	(328,450,045)	(315,150,195)	(317,894,733)	(333,366,535)	(326,204,517)	(352,407,086)
<b>Net Interest Income</b>	<b>353,466,512</b>	<b>304,483,164</b>	<b>442,121,999</b>	<b>269,876,012</b>	<b>470,618,282</b>	<b>307,796,702</b>	<b>513,321,089</b>	<b>357,560,834</b>
Net Fee and Commission Income	29,834,113	28,641,277	36,331,862	26,495,128	33,528,569	21,950,801	73,193,090	37,098,052
Other Operating Income	11,355,372	6,026,252	9,799,396	6,635,148	9,964,285	9,704,482	20,784,624	(390,629)
<b>Total Operating Income</b>	<b>394,655,997</b>	<b>339,150,693</b>	<b>488,253,257</b>	<b>303,006,287</b>	<b>514,111,135</b>	<b>339,451,985</b>	<b>607,298,804</b>	<b>394,268,258</b>
Impairment Charges for Loans and Other Losses	(80,760,288)	(50,325,397)	(53,915,221)	(18,310,230)	(88,457,380)	5,531,084	(109,399,011)	12,433
<b>Net Operating Income</b>	<b>313,895,710</b>	<b>288,825,296</b>	<b>434,338,035</b>	<b>284,696,058</b>	<b>425,653,755</b>	<b>344,983,069</b>	<b>497,899,793</b>	<b>394,280,691</b>
<b>Operating Expenses</b>								
Personnel Expenses	(133,660,221)	(119,815,671)	(129,939,686)	(110,955,551)	(127,769,167)	(117,262,975)	(133,192,452)	(115,992,287)
Depreciation of Property, Plant and Equipment	(7,982,742)	(7,103,892)	(8,308,843)	(7,291,180)	(9,254,549)	(7,428,160)	(10,427,921)	(7,211,356)
Amortisation of Right of Use Assets	(18,040,130)	(17,336,160)	(19,438,230)	(17,666,068)	(18,607,532)	(17,404,923)	(23,928,779)	(17,733,149)
Amortisation of Intangible Assets	(183,038)	(347,984)	(154,639)	(310,447)	(89,269)	(289,159)	(82,489)	(216,643)
Other Operating Expenses	(98,109,867)	(69,600,145)	(103,788,868)	(68,828,160)	(110,809,867)	(78,152,834)	(126,802,669)	(85,761,404)
<b>Operating Profit Before Tax on Financial Services</b>	<b>55,919,710</b>	<b>74,621,446</b>	<b>172,707,771</b>	<b>79,644,653</b>	<b>159,123,372</b>	<b>124,445,019</b>	<b>203,465,482</b>	<b>167,365,853</b>
Tax on Financial Services	(30,643,719)	(29,318,539)	(50,190,504)	(28,487,479)	(47,824,229)	(40,532,734)	(53,297,701)	(47,606,323)
<b>Profit Before Taxation</b>	<b>25,275,991</b>	<b>45,302,907</b>	<b>122,517,267</b>	<b>51,157,174</b>	<b>111,299,143</b>	<b>83,912,285</b>	<b>150,167,781</b>	<b>119,759,530</b>
Income Tax Expenses	(15,213,964)	(11,475,256)	(53,654,469)	(12,032,780)	(42,544,038)	(16,453,069)	(48,251,057)	(38,521,341)
<b>Profit for the Period</b>	<b>10,062,027</b>	<b>33,827,651</b>	<b>68,862,798</b>	<b>39,124,394</b>	<b>68,755,106</b>	<b>67,459,216</b>	<b>101,916,723</b>	<b>81,238,189</b>



## Supplementary Information

## QUARTERLY FINANCIAL STATEMENTS - STATEMENT OF FINANCIAL POSITION

As at	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2023	30.06.2022	30.09.2023	30.09.2022	31.12.2023	31.12.2022	31.03.2024	31.03.2023
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
<b>Assets</b>								
Cash and Cash Equivalents	245,335,841	107,092,896	464,498,898	232,923,771	315,279,709	416,604,072	544,919,606	664,043,703
Financial Investments	612,131,812	542,600,553	634,192,125	526,057,927	630,295,144	530,463,052	772,478,191	576,027,374
Other Financial Assets	899,541	830,143	926,447	202,523,736	953,353	863,905	50,960,718	874,494
Financial Assets at Amortised Cost								
- Loans and Receivables	5,190,571,757	5,211,164,128	5,435,121,061	5,026,367,384	6,043,729,235	5,113,227,149	6,958,212,710	5,105,311,168
Financial Assets at Amortised Cost								
- Lease Rentals Receivables	4,932,759,039	4,734,191,619	5,124,321,233	4,373,146,172	5,425,317,289	4,358,896,078	5,616,318,355	4,674,862,363
Other Non Financial Assets	155,375,257	141,678,553	185,689,210	123,962,677	237,779,708	138,650,464	238,195,920	155,939,726
Investment Property	234,257,500	234,257,500	234,257,500	234,257,500	234,257,500	234,257,500	246,710,000	234,257,500
Property, Plant and Equipment	157,345,577	137,412,486	174,335,286	135,004,939	179,179,083	132,850,855	224,485,283	147,095,459
Right-of-use Lease Assets	90,950,146	122,323,278	84,285,167	117,119,360	65,677,635	102,447,899	185,152,504	105,241,220
Intangible Assets	4,503,015	4,579,803	4,348,376	4,269,356	4,259,107	3,980,196	4,176,618	4,686,053
Deferred Tax Assets	2,439,552	-	644,846	-	-	-	56,237,769	1,954,497.95
<b>Total Assets</b>	<b>11,626,569,037</b>	<b>11,236,130,960</b>	<b>12,342,620,149</b>	<b>10,975,632,823</b>	<b>13,136,727,763</b>	<b>11,032,241,170</b>	<b>14,897,847,674</b>	<b>11,670,293,558</b>
<b>Liabilities</b>								
Due to Banks and Other Institutions	1,296,872,192	2,309,386,008	1,356,313,646	1,840,945,895	1,826,261,743	1,644,615,991	3,005,408,260	1,508,114,678
Financial Liabilities at Amortised Cost								
Cost - Due to Customers	6,318,459,076	5,206,699,969	6,826,408,109	5,420,118,448	7,044,957,165	5,596,975,313	7,492,005,969	6,193,431,026
Lease Liabilities	101,752,551	142,224,349	94,270,445	134,635,720	69,301,422	118,142,340	202,487,184	119,947,887
Other Non Financial Liabilities	343,819,242	154,564,281	395,256,602	135,095,718	610,682,555	224,744,008	425,290,696	291,925,223
Current Tax Liabilities	68,402,524	30,018,410	104,563,263	11,664,021	61,201,951	4,594,028	144,945,144	71,709,569
Post Employment Benefit Liability	37,713,707	35,593,658	37,395,540	35,785,908	37,469,365	36,938,408	56,992,064	35,677,457
Deferred Tax Liabilities	-	19,021,518	-	19,639,953	1,882,952	35,822,731	-	0
<b>Total Liabilities</b>	<b>8,167,019,292</b>	<b>7,897,508,193</b>	<b>8,814,207,605</b>	<b>7,597,885,662</b>	<b>9,651,757,153</b>	<b>7,661,832,819</b>	<b>11,327,129,316</b>	<b>8,220,805,840</b>
<b>Shareholders' Funds</b>								
Stated Capital	2,696,113,032	2,696,113,032	2,696,113,033	2,696,113,032	2,696,113,034	2,696,113,032	2,696,113,032	2,696,113,032
Reserves	182,448,021	171,365,549	211,515,370	171,365,548	230,486,960	171,365,548	194,927,853	182,448,021
Retained Earnings	580,988,692	471,144,186	620,784,140	510,268,579	558,370,616	502,929,769	679,677,472	570,926,665
<b>Total Shareholders' Funds</b>	<b>3,459,549,745</b>	<b>3,338,622,767</b>	<b>3,528,412,544</b>	<b>3,377,747,161</b>	<b>3,484,970,610</b>	<b>3,370,408,351</b>	<b>3,570,718,357</b>	<b>3,449,487,718</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>11,626,569,037</b>	<b>11,236,130,960</b>	<b>12,342,620,149</b>	<b>10,975,632,823</b>	<b>13,136,727,763</b>	<b>11,032,241,170</b>	<b>14,897,847,674</b>	<b>11,670,293,558</b>



## Supplementary Information

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN USD

Year ended 31 March 2024	2024 LKR	2023 LKR
<b>Income</b>	<b>11,052,404</b>	<b>7,943,400</b>
Interest Income	10,305,589	7,527,007
Interest Expenses	(4,393,536)	(3,735,825)
<b>Net Interest Income</b>	<b>5,912,053</b>	<b>3,791,183</b>
Net Fee and Commission Income	574,378	349,190
Other Operating Income	172,437	67,203
<b>Total Operating Income</b>	<b>6,658,868</b>	<b>4,207,576</b>
Impairment Charges for Loans and Other Losses	(1,104,757)	(192,942)
<b>Net Operating Income</b>	<b>5,554,111</b>	<b>4,014,634</b>
<b>Operating Expenses</b>		
Personnel Expenses	(1,742,729)	(1,419,041)
Depreciation of Property, Plant and Equipment	(119,515)	(88,791)
Amortisation of Right of Use Assets	(265,829)	(214,496)
Amortisation of Intangible Assets	(1,692)	(3,560)
Other Operating Expenses	(1,460,170)	(924,595)
<b>Operating Profit before Tax on Financial Services</b>	<b>1,964,174</b>	<b>1,364,150</b>
Tax on Financial Services	(604,505)	(446,315)
<b>Profit before Taxation</b>	<b>1,359,668</b>	<b>917,835</b>
Income Tax Expenses	(530,444)	(240,007)
<b>Profit for the Year</b>	<b>829,225</b>	<b>677,827</b>
<b>Other Comprehensive Income</b>		
Actuarial Gains/(Losses) on Defined Benefit Plans	(8,626)	(8,989)
Gain/(Loss) due to changes in Assumptions	(68,113)	(443)
Deferred Tax (Charge)/Reversal on above items	23,022	2,829
<b>Net Other Comprehensive Income/(Expenses) not to be Reclassified to Profit or Loss</b>	<b>(53,718)</b>	<b>(6,602)</b>
Surplus from Revaluation of Property, Plant & Equipment	-	-
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment	-	-
<b>Net Other Comprehensive Income not to be Reclassified to Profit or Loss</b>	<b>-</b>	<b>-</b>
<b>Other Comprehensive Income for the Year, Net of Tax</b>	<b>(53,718)</b>	<b>(6,602)</b>
<b>Total Comprehensive Income/(Expenses) for the Year</b>	<b>775,507</b>	<b>671,225</b>

Exchange rate of USD was Rs. 301.00 as at 31 March 2024 (Rs. 327.00 as at 31 March 2023)

The Statement of Profit or Loss is solely for the convenience of Stakeholders (Shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Finance Statement.

## Supplementary Information

## STATEMENT OF FINANCIAL POSITION IN USD

	2024 LKR	2023 LKR
<b>Assets</b>		
Cash and Cash Equivalents	1,810,364	2,030,715
Financial Investments	2,566,373	1,761,552
Other Financial Assets	169,305	2,674
Financial Assets at Amortised Cost - Loans and Receivables	23,116,986	15,612,572
Financial Assets at Amortised Cost - Lease Rentals Receivables	18,658,865	14,296,215
Other Non Financial Assets	791,349	476,880
Investment Property	819,635	716,384
Property, Plant and Equipment	745,798	449,833
Right-of-use Lease Assets	615,125	321,839
Intangible Assets	13,876	14,330
Deferred Tax Assets	186,836	5,977
<b>Total Assets</b>	<b>49,494,511</b>	<b>35,688,971</b>
<b>Liabilities</b>		
Due to Banks and Other Institutions	9,984,745	4,611,971
Financial Liability at Amortised Cost - Due to Customers	24,890,385	18,940,156
Lease Liability	672,715	366,813
Other Non Financial Liabilities	1,412,926	892,738
Current Tax Liabilities	481,545	219,295
Post Employment Benefit Liability	189,342	109,105
<b>Total Liabilities</b>	<b>37,631,659</b>	<b>25,140,079</b>
<b>Shareholders' Funds</b>		
Stated Capital	8,957,186	8,244,994
Reserves	647,601	557,945
Retained Earnings	2,258,065	1,745,953
<b>Total Shareholders' Funds</b>	<b>11,862,852</b>	<b>10,548,892</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>49,494,511</b>	<b>35,688,971</b>
Commitments and Contingencies	20,093	22,732

Exchange rate of USD was Rs. 301.00 as at 31 March 2024 (Rs. 327.00 as at 31 March 2023)

The Statement of Financial Position is solely for the convenience of Stakeholders (Shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Finance Statement

## GLOSSARY

## A

**Accounting Policies**

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

**Accrual Basis**

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

**Amortisation**

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

**Amortised Cost**

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

**Available for Sale Financial Assets**

All assets not in the three categories namely, loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

## C

**Cash Basis**

Recognizing the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.

**Capital Adequacy Ratio**

The relationship between capital and risk-weighted assets as defined in the framework developed by the Bank for

International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

**Capital Funds**

Shareholders' funds net of statutory reserves

**Cash Equivalents**

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Cash flows**

Inflows and outflows of cash and cash equivalents.

**Collective Impairment Provision**

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

**Commitments**

Credit facilities approved but not yet utilised by the customers as at the date of the statement of financial position.

**Contingencies**

A condition or situation existing on the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

**Corporate Governance**

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

**Cost to Net Income Ratio**

The operating expenses, including tax on financial services but excluding the

impairment (charge)/reversal for loans and other losses, expressed as a percentage of net income.

**Cost of Funds**

Interest expenses expressed as a percentage of average interest bearing liabilities.

**Credit Ratings**

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

**Credit Risk**

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

**Customer Deposits**

Money deposited by account holders. Such funds are recorded as liabilities.

## D

**Debt to Equity**

Interest bearing liabilities expressed as a percentage of average equity attributable to the equity holders of the Company.

**Debt to Equity (Excluding Deposits)**

Interest bearing liabilities excluding public deposits expressed as a percentage of average equity attributable to the equity holders of the company.

**Deferred Tax**

Sum set aside for tax in the Financial Statements for taxation that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rule and accounting conventions.

**Depreciation**

The systematic allocation of the depreciable amount of an asset over its useful life.

**De recognition**

The removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

**Discount rate**

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value

## E

**Earnings per Share**

Profits attributable to ordinary shareholders divided by the ordinary shares in issue.

**Economic Value Added (EVA)**

A measure of productivity which takes into consideration cost of total invested equity.

**Effective Interest Rate (EIR)**

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

**Effective Tax Rate**

Provision for taxation excluding deferred tax divided by the profit before taxation.

**Efficiency Ratio**

Operating expenses expressed as a percentage of income; interest income plus other income

**Eligible Deposits**

Customer Deposits after deducting for loans outstanding balances taken against the security of deposits and deposits balances of directors and KMPs.

**Exposure**

A claim, contingent claim or position which carries a risk of financial loss.

## F

**Fair Value**

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

**Fair Value through Profit or Loss**

A financial asset/liability: Acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or a derivative (except for a -derivative that is a financial guarantee contract)

**Financial Asset**

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

**Financial Liability**

A contractual obligation to deliver cash or another financial asset to another entity.

**Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

**Finance Lease**

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

**Funding Mix**

The total of shareholders' funds, customer deposits and borrowings from banks and other institutions

## G

**Gross Dividend**

The portion of profits distributed to the shareholders including the tax withheld.

**Gross NPA Ratio**

The total of the non-performing loans and receivables and non-performing Lease Rentals Receivables expressed as a percentage of the total of average loans and receivables and average Lease Rentals Receivables portfolio. In calculating gross NPA ratio the age of the re-schedule contracts are calculated based on post re-schedulement age.

**Gross NPA Ratio (with reschedulements)**

The total of the non-performing loans and lease receivables expressed as a percentage of average loans and lease receivables portfolio. In calculating gross NPA ratio, the age of the rescheduled contracts are calculated based on the pre and post rescheduled age.

**Gross Portfolio**

The total of rental installments outstanding and the un-due capital receivable of the advances granted to customers under leasing, loans and other facilities

## H

**HTM (Held to Maturity)**

Investments Non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold till maturity.

## I

**Impairment**

This occurs when recoverable amount of an asset is less than its carrying amount.

**Impaired Loans**

Loans where the Company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

**Intangible Asset**

An identifiable non-monetary asset without physical substance.

**Interest Margin**

Net interest income expressed as a percentage of average interest earnings assets

**Interest Spread**

This difference between the average interest rate earned on the interest earning assets and the average interest rate paid on the interest bearing liabilities.

**Impairment Allowance for Loans and Other Losses**

Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

## K

**Key Management Personnel**

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

## L

**Lending**

Lending represents the disbursements of the Company during the year under review

**Lending Base**

This represents Loans and Lease Receivables of the Company

**Liquid Assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills & bonds.

**Liquidity Assets Ratio**

Liquid assets expressed as a percentage of average deposits liability and short term liabilities.

**Liquidity Risk**

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

**Loans Payable**

Financial liabilities, other than short term trade payables on normal credit terms.

**Loans and Receivables**

Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available sale on initial recognition.

## M

**Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

## N

**Net Assets per Share**

Equity attributable to the equity holders of the Company divided by the average number of ordinary share in issue during the year.

**Net Interest Income (NII)**

The difference between incomes earned from interest earning assets and cost incurred on financial instrument/ facilities used for funding the interest earning assets.

## GLOSSARY

**Net NPA Ratio**

The total of non-performing loans and lease receivables net of accumulated impairment charge expressed as a percentage of average loans and lease receivables portfolio net of impairment charge. In calculating net NPA ratio, the age of the rescheduled contracts are calculated based on the post rescheduled age.

**Net NPA Ratio (with reschedulements)**

The total of non-performing loans and lease receivables net of accumulated impairment charge expressed as a percentage of average loans and lease receivables portfolio net of impairment charge. In calculating net NPA ratio, the age of the rescheduled contracts are calculated based on the pre and post rescheduled age.

**Net Portfolio**

The total of rental installments outstanding and the un-due capital receivable of the advances granted to customers under leasing, loans and other facilities net of impairment charge for loans and other losses.

**Non-performing Advances**

Rentals receivables in arrears equals to six rentals or more than six rentals have been categorised as non-performing.

**NPA to Assets**

The total of non-performing loans and lease receivables expressed as a percentage of average total asset

**I****Operational Risk**

The risk of loss incurring from inadequate or failed internal processes, people and systems or from external events.

**Operating Expense Ratio (Opex Ratio)**

Operating expenses expressed as a percentage of average of gross loan portfolio

**P****Parent**

An entity that controls one or more subsidiaries.

**Portfolio Yield**

Interest earned on loans and lease receivables expressed as a percentage of average gross loans and lease receivables.

**Provision**

Amounts set aside against possible losses on net receivable of facilities granted to customers, as a result of them becoming partly or wholly uncollectible.

**Provision Cover**

Impairment charge for loans and other losses expressed as a percentage of the total of non-performing loans and lease receivables before discounting for allowance for impairment charge on non-performing loans and lease receivables.

**R****Related Parties**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

**Return on Assets (ROA)**

Profit after Tax (PAT) expressed as a percentage of the average assets

**Return on Interest Earning Assets**

Interest income expressed as a percentage of average Interest earning assets.

**Risk Weighted Assets**

The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk-weighted factors.

**Return on Equity (ROE)**

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average equity attributable to the equity holders of the company.

**S****Shareholders' Funds**

This consists of issued and fully paid up ordinary shares, redeemable preference shares and other reserves.

**Shareholder Funds to Deposits**

Equity attributable to the equity holders of the company expressed as a percentage of average deposits liability.

**Staff Cost to Net Income**

Staff cost expressed as a percentage of total operating income.

**Stated Capital**

All amounts received by the Company or due and payable to the Company- (a) in respect of the issue of shares, (b) in respect of calls on shares.

**Statutory Reserve Fund**

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

**Subsidiary**

An entity including an unincorporated entity such as a partnership, which is controlled by another entity known as the Parent.

**Specific Impairment Provisions**

Impairment is measured individually for loans that are individually significant to the Company

**T****Tier I Capital**

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

**Tier II Capital**

Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term-debts.

**V****Value Addition**

Value of wealth created by providing leasing and other related services considering the cost of providing such services.

## LIST OF ABBREVIATIONS

<b>AFS</b>	Available for Sale	<b>MOU</b>	Memorandum of Understanding
<b>AGM</b>	Annual General Meeting	<b>MSME</b>	Micro, Small and Medium Enterprises
<b>ALCO</b>	Assets and Liabilities Management Committee	<b>NBFI</b>	Non-Bank Financial Institutions
<b>AM</b>	Acting Manager	<b>NBT</b>	Nation Building Tax
<b>ASPI</b>	All Share Price Index	<b>NPA</b>	Non-Performing Advances
<b>ATM</b>	Automated Teller Machine	<b>NII</b>	Net Interest Income
<b>AWDR</b>	Average-Weighted Deposit Rate	<b>NIM</b>	Net Interest Margin
<b>AWFDR</b>	Average-Weighted Fixed Deposit Rate	<b>NPL</b>	Non-Performing Loans
<b>AWPLR</b>	Average Weighted Prime Lending Rate	<b>OCI</b>	Other Comprehensive Income
<b>BN</b>	Billion	<b>PAT</b>	Profit after Tax
<b>BOD</b>	Board of Directors	<b>PAYE</b>	Pay As You Earn
<b>CAR</b>	Capital Adequacy Ratio	<b>PER</b>	Price Earnings Ratio
<b>CBSL</b>	Central Bank of Sri Lanka	<b>PLC</b>	Public Limited Company
<b>CDS</b>	Central Depository System	<b>ROA</b>	Return on Assets
<b>CDM</b>	Cash Deposit Machine	<b>ROCE</b>	Return on Capital Employed
<b>CEO</b>	Chief Executive Officer	<b>ROE</b>	Return on Equity
<b>CFO</b>	Chief Financial Officer	<b>SDF</b>	Sarvodaya Development Finance PLC
<b>CRM</b>	Customer Relationship Management	<b>SEC</b>	Securities and Exchange Commission
<b>CSC</b>	Customer Service Centres	<b>SLC</b>	Specialised Leasing Company
<b>CSE</b>	Colombo Stock Exchange	<b>SLA</b>	Statutory Liquid Assets
<b>CSR</b>	Corporate Social Responsibility	<b>SLAR</b>	Statutory Liquid Asset Ratio
<b>EIR</b>	Effective Interest Rate	<b>SLAS</b>	Sri Lanka Accounting Standard
<b>EPF</b>	Employees' Provident Fund	<b>SLFRS</b>	Sri Lanka Financial Reporting Standard
<b>EPS</b>	Earnings per Share	<b>SLIPS</b>	Sri Lanka Inter-Bank Payment System
<b>ERP</b>	Enterprise Resource Planning	<b>SME</b>	Small and Medium Enterprises
<b>ESC</b>	Economic Service Charge	<b>SSS</b>	Sarvodaya Shramadana Society
<b>ETF</b>	Employees' Trust Fund	<b>UOM</b>	Unit of Measurement
<b>FVTPL</b>	Fair Value through Profit or Loss	<b>USD</b>	US Dollar
<b>GDP</b>	Gross Domestic Product	<b>VAR</b>	Value at Risk
<b>GRI</b>	Global Reporting Initiative	<b>VAT</b>	Value Added Tax
<b>HFT</b>	Held for Trading	<b>WHT</b>	Withholding Tax
<b>HODs</b>	Head of Departments		
<b>HTM</b>	Held to Maturity		
<b>ICASL</b>	The Institute of Chartered Accountants of Sri Lanka		
<b>IFA</b>	Investment Fund Account		
<b>IFRS</b>	International Financial Reporting Standard		
<b>IIRC</b>	International Integrated Reporting Council		
<b>IRMC</b>	Integrated Risk Management Committee		
<b>ISO</b>	International Standard Organisation		
<b>IT</b>	Information Technology		
<b>KMP</b>	Key Management Personnel		
<b>KPIs</b>	Key Performance Indicators		
<b>KRIs</b>	Key Risk Indicators		
<b>L&amp;R</b>	Loans and Receivables		
<b>LRA</b>	Lanka Rating Agency		
<b>LCB</b>	Licensed Commercial Bank		
<b>LFC</b>	Licensed Finance Company		
<b>LKAS</b>	Lanka Accounting Standards		
<b>LKR</b>	Sri Lankan Rupees		
<b>LTV</b>	Loan to Value		
<b>MN</b>	Million		
<b>M3</b>	Cubic Meter		

# THEME SONG OF SDF

දැනැමින් උපයා කොටසක් යැපුමට  
කොටස් දෙකක් ආයෝජන කෙරුමට  
ඉතිරි කොටස රඳවා හදිසියකට  
ධනය හසුරුවමු හොඳ දියුණුවකට

අත්දැම් විදු හැණ පාදා - ජන මුළු ගම රට සාදා - ජය ගෙන මග වන බාදා  
ගම පිබිඳේ - දැය පිබිඳේ - දැය පිබිඳේ - ගම පිබිඳේ -  
බහු දෑ ගැතිකං - නව අදිරජ මං - අනුරා පලවා වනසා //  
සිරිලක පොදු දන සහසා

මගේ සම්පත් - ගමේ සම්පත් - ගමේ සම්පත් - රටේ සම්පත් //  
සදා යා දෙන ලෙස යොදා - සවි උදා බැංකුව සදා //  
සවි උදා බැංකුව සදා

අපේ ඉතුරුව - අපේ යෙදවුම් - අපේ බැංකුව - අපේ නිපැයුම් //  
ලොවම පරයන නිමැයුම් - පුදුම ලක් මෑණිට සදා //  
පුදුම ලක් මෑණිට සදා

අත් දැම් විදු නැණ පාදා - ජන මුළු ගම රට සාදා - ජය ගෙන මග වන බාදා  
ගම පිබිඳේ - දැය පිබිඳේ - දැය පිබිඳේ - ගම පිබිඳේ  
බහු දෑ ගැතිකං - නව අදිරජ මං - අනුරා පලවා වනසා //  
සිරිලක පොදු දන සහසා

දැනැමින් උපයා - කොටසක් යැපුමට  
කොටස් දෙකක් - ආයෝජන කෙරුමට  
ඉතිරි කොටස - රඳවා හදිසියකට  
ධනය හසුරුවමු - හොඳ දියුණුවකට

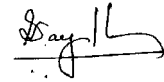
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# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the fourteenth (14th) Annual General Meeting of Sarvodaya Development Finance PLC will be held on Thursday, 27th June, 2024 centered at the SDF Auditorium, Sarvodaya Development Finance PLC, No 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka at 11.00 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2024 and the Report of the Auditors thereon.
2. To re-elect Mr. Dhammika Ganegama who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr. S Nandhanan Senthilverl who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company.
4. To appoint M/s Deloitte Associates, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.

By Order of the Board  
**SARVODAYA DEVELOPMENT FINANCE PLC**



(Mrs) Shiromi Patabendige  
Company Secretary  
29 May 2024

At Colombo

**Note:**

A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The completed form of Proxy should be deposited at the Registered Office of the Company, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

## Supplementary Information

**CORPORATE INFORMATION****NAME OF THE COMPANY**

Sarvodaya Development Finance PLC

**LEGAL FORM**

- ⊖ Public Quoted Company Incorporated in Sri Lanka under the Companies Act No. 7 of 2007.
- ⊖ A Licensed Finance Company under the Finance Business Act No. 42 of 2011.
- ⊖ A registered Finance Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000.
- ⊖ The Company was admitted to the official List of the Colombo Stock Exchange on 14 December 2021.

**PRINCIPAL ACTIVITIES**

The Company provides a comprehensive range of financial services encompassing Acceptance of Fixed Deposits, Savings, Providing Finance Lease, SME Loans, Gold Loans, Personal Loans, Other Credit Facilities, Digital Financial Services and Value-Added Services.

**COMPANY REGISTRATION NUMBER**

- ⊖ PB 3795 (Before Listing)
- ⊖ PQ 00251293

**CENTRAL BANK REGISTRATION NUMBER**

047

**TAX PAYER IDENTITY NUMBER (TIN)**

134037954

**REGISTERED OFFICE & HEAD OFFICE**

No. 155/A,  
Dr. Danister De Silva Mawatha,  
Colombo 08,  
Sri Lanka.  
Telephone No.: +94 11 5 444 666  
E-mail: info@sdf.lk  
Website: www.sarvodayafinance.lk

**ACCOUNTING YEAR-END**

31st March

**NO OF BRANCHES**

56

**COUNTRIES OF OPERATIONS**

Sri Lanka

**CREDIT RATING**

Lanka Ratings (SL) BB Stable

**BOARD OF DIRECTORS**

- ⊖ Mr. Channa de Silva - Chairman/  
Non-Executive, Non-Independent Director
- ⊖ Mr. Dhammika Ganegama - Senior Director/  
Non-Executive, Independent Director
- ⊖ Mr. C Amrit CanagaRetna - Non-Executive, Independent Director
- ⊖ Mr. Ramesh Schaffter- Non-Executive, Non-Independent Director
- ⊖ Mr. Senthil Nandhanan Senthilverl - Non-Executive, Non-Independent Director
- ⊖ Ms. Shehara De Silva - Non-Executive, Independent Director

**BOARD SUB-COMMITTEES OPERATING**

- ⊖ Board Audit Committee
- ⊖ Board Integrated Risk Management Committee
- ⊖ Board Nomination & Remuneration Committee
- ⊖ Related Party Transactions Review Committee
- ⊖ Board Credit Committee

**COMPANY SECRETARY**

(Mrs) Shiromi Patabendige ACCS (SL)

**EXTERNAL AUDITORS**

M/s Ernst & Young  
Chartered Accountants,  
201, De Saram Place,  
Colombo 10,  
Sri Lanka.

**LEGAL ADVISERS**

- ⊖ Nithya Partners
- ⊖ D. L. & F. De Saram

**BANKERS**

- ⊖ Sampath Bank PLC
- ⊖ National Development Bank PLC
- ⊖ Hatton National Bank PLC
- ⊖ Seylan Bank PLC
- ⊖ Cargills Bank PLC
- ⊖ People's Bank
- ⊖ Bank of Ceylon
- ⊖ Commercial Bank PLC
- ⊖ Sanasa Development Bank PLC

## Supplementary Information

**FORM OF PROXY**

I/We\* .....

of .....

being a shareholder / shareholders\* of Sarvodaya Development Finance PLC hereby appoint:

..... of

..... or failing him /her\*

Mr. Channa de Silva of Colombo 06, whom failing  
Mr. Dhammika Ganegama of Moratuwa, whom failing  
Mr. C Amrit CanagaRetna of Madiwela, whom failing  
Mr. Ramesh Schaffter of Nugegoda, whom failing  
Mr. S Nandhanan Senthilverl of Colombo 04, whom failing  
Ms. Shehara de Silva of Colombo 02

all of whom are members of the Board of Directors of Sarvodaya Development Finance PLC;

as my/our\* Proxy to represent me/us\* to speak and to vote on my/our\* behalf at the Annual General Meeting of the Company to be held on Thursday, 27th day of June 2024 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

(Please mark your preference with an "X")

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the Company for the year ended 31 March 2024	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. Dhammika Ganegama who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. S Nandhanan Senthilverl who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4) To appoint M/s Deloitte Associates, Chartered Accountants as the Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5) To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our hands this ..... day of ..... Two Thousand and Twenty Four.

.....  
Signature

- Notes: 1. A Proxy need not be a shareholder of the Company  
2. Instructions as to completion appear on the below.  
\* Please delete what is inapplicable.

**INSTRUCTIONS FOR COMPLETION**

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka 48 hours before the date of Annual General Meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. In the case of a Company/ Corporation, the Proxy must be executed in accordance with the Articles of Association/Statute.







**SARVODAYA DEVELOPMENT FINANCE PLC**

No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08.

Telephone No : 011 5 444 666

E-mail: [info@sdf.lk](mailto:info@sdf.lk) | Website: [www.sarvodayafinance.lk](http://www.sarvodayafinance.lk)