



Prospectus



Financial Advisors and
Managers to the Issue

PROSPECTUS



SARVODAYA DEVELOPMENT FINANCE LIMITED

ISSUE OF UP TO 45,454,546 ORDINARY VOTING SHARES AT
RS. 22/- PER SHARE TO RAISE UP TO
RS. 1,000,000,012/-

INVITATION TO THE IDENTIFIED INVESTOR

This invitation symbolises an opportunity to participate in the future growth prospects of Sarvodaya Development Finance Limited (SDF), a licensed finance company evolved from deep rooted commitment to nation building and development alongwith the 'grass roots upwards' model of the Sarvodaya Movement.

Sarvodaya is the oldest, largest and internationally acclaimed Non-Government Organisation ("NGO") in Sri Lanka and it has been uplifting and empowering rural masses for over five decades. SDF has evolved by capitalising on the unique Sarvodaya brand recognition and widespread network of solid relationships to cater to the needs of the Micro and Small and Medium Enterprises (SME's) in Sri Lanka.

Over the short span of existence, SDF has carved out for itself as a leading financial institute offering young, tech-savvy financial services via a diverse product range to fulfil the financial needs of the customers.

Through this Prospectus, SDF invites subscriptions from Identified Investors in respect of issue of up to 45,454,546 Ordinary Voting Shares at the Share Issue Price of Rs. 22/- per Share to raise up to Rs. 1,000,000,012/-.

In this document, an Identified Investor will find detailed information about SDF and its business operations, future direction of SDF, investment considerations and associated risks in addition to other statutory information relating to the Issue.

This Prospectus is dated August 24, 2020.

The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus.

For enquiries, please contact the Financial Advisors and Managers to the Issue, NDB Investment Bank Limited.

Registration of the Prospectus

A copy of this Prospectus has been delivered for registration to the Registrar General of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (the "Companies Act"). The following documents were attached to the copy of the Prospectus delivered to the Registrar General of Companies in Sri Lanka:

- 1) The written consent by the Financial Advisors and Managers to the Issue, Auditors and Reporting Accountants to the Issue and to the Company, Company Secretaries, Lawyers to the Issue and Registrars to the Issue for the inclusion of their respective names in the Prospectus for the Share Issue contemplated in this Prospectus.
- 2) The written consent by the Auditors to the Issue and to the Company that they have given their written consent to the issue of the Prospectus with their statement included in the form and context in which it is included.
- 3) A declaration by each of the Directors of the Company in terms of the Companies Act No. 07 of 2007 confirming that each of them have read the provisions of the Companies Act No. 07 of 2007 relating to the issue of a Prospectus and that those provisions have been complied with.

The said Financial Advisors and Managers to the Issue, Auditors and Reporting Accountants to the Issue and to the Company, Company Secretaries, Lawyers to the Issue and Registrars to the Issue have not, before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies withdrawn such consent.

Representation

No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the Company.

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka.

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute "Forward Looking Statements". These can be identified by the use of forward looking terms such as "expect", "anticipate", "intend", "may", "plan to", "believe", "could" and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see "Investment Considerations and Associated Risks" in Section 11.0 of this Prospectus.

Presentation of Currency Information and Other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lankan Rupees. References in the Prospectus to "LKR", "Rupees" or "Rs." are to the lawful currency of Sri Lanka.

Certain numerical figures in the Prospectus have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Macroeconomic and Industry Data

Economic and Industry data used throughout this Prospectus are derived from the Central Bank of Sri Lanka (CBSL) and other industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Financial Advisors and Managers to the Issue make any representation as to the accuracy of that information.

Issue at a Glance

Number of New Ordinary Voting Shares to be Issued	Up to 45,454,546 Shares
Share Issue Price	Rs. 22/- per Share
Amount to be Raised	Up to Rs. 1,000,000,012/-
Minimum Subscription	40,000 Shares (Rs. 880,000/-) Application in excess of the minimum subscription should be in multiples of 10,000 Shares (Rs. 220,000/-)
Issue Opening Date	August 26, 2020
Issue Closing Date	December 28, 2020 or any other date as decided by the Board of Directors of SDF as per Section 5.8 of the Prospectus

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Annexure

Application Form

English

Sinhala

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**We have stitched together the opportunities
that will carry us far in our industry**



I started making cloth bags after sitting my ordinary level exam. At that point, I did not know how to even switch on a sewing machine. However, with self-determination I learned to sew. Slowly, we developed our business. I got a loan of Rs.100,000/- from SDF under their "Tharunodaya" loan programme, and added two more machines.

Today, we are a well-established small business in our area. Government offices in the area call us to exhibit and sell our products on their salary day. We are now trying to expand. Soon, we will add more space for our tailoring unit.

SDF showed its kind heart, and brought a smile to us.



1.0 Corporate Information

The Company	Sarvodaya Development Finance Limited																			
Legal Form of the Company	A public limited liability company incorporated in Sri Lanka on January 1, 2010 under the Companies Act No. 07 of 2007. It commenced business operations as a Licensed Finance Company on December 19, 2012, under Section 5 (7) of the Finance Business Act No. 42 of 2011.																			
Company Registration No.	PB 3795																			
Place of Incorporation	Colombo, Sri Lanka																			
Registered Office	No. 155/A Dr. Danister De Silva Mawatha Colombo 08 Sri Lanka Tel: +94 11 5 444 666 Fax: +94 11 2 667 411																			
Board of Directors	<table border="1"> <tr> <td>Mr. Channa de Silva</td> <td>Chairman – Non Executive / Independent</td> </tr> <tr> <td>Dr. Richard W A Vokes</td> <td>Non Executive / Independent</td> </tr> <tr> <td>Mr. Masayoshi Yamashita</td> <td>Non Executive / Non Independent</td> </tr> <tr> <td>Dr. Janaki Kuruppu</td> <td>Non Executive / Independent</td> </tr> <tr> <td>Mr. Chamindha Rajakaruna</td> <td>Non Executive / Non Independent</td> </tr> <tr> <td>Mr. C. Amrit CanagaRetna</td> <td>Non Executive / Independent</td> </tr> <tr> <td>Ms. Shehara De Silva</td> <td>Non Executive / Independent</td> </tr> <tr> <td>Mr. Sunil De Silva</td> <td>Non Executive/ Independent</td> </tr> <tr> <td>Mr. Dhammika Ganegama</td> <td>Non Executive/ Independent</td> </tr> </table>		Mr. Channa de Silva	Chairman – Non Executive / Independent	Dr. Richard W A Vokes	Non Executive / Independent	Mr. Masayoshi Yamashita	Non Executive / Non Independent	Dr. Janaki Kuruppu	Non Executive / Independent	Mr. Chamindha Rajakaruna	Non Executive / Non Independent	Mr. C. Amrit CanagaRetna	Non Executive / Independent	Ms. Shehara De Silva	Non Executive / Independent	Mr. Sunil De Silva	Non Executive/ Independent	Mr. Dhammika Ganegama	Non Executive/ Independent
Mr. Channa de Silva	Chairman – Non Executive / Independent																			
Dr. Richard W A Vokes	Non Executive / Independent																			
Mr. Masayoshi Yamashita	Non Executive / Non Independent																			
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Mr. C. Amrit CanagaRetna	Non Executive / Independent																			
Ms. Shehara De Silva	Non Executive / Independent																			
Mr. Sunil De Silva	Non Executive/ Independent																			
Mr. Dhammika Ganegama	Non Executive/ Independent																			
Company Secretaries	BDO Secretaries (Pvt) Limited Corporate Secretarial Services “Charter House” 65/2, Sir Chittampalam A Gardiner Mawatha Colombo 02 Sri Lanka Tel: +94 11 2 421 878-79-70 Fax: +94 11 2 336 064																			
Auditors to the Company	M/s Ernst & Young Chartered Accountants 201, De Saram Place Colombo 10 Sri Lanka Tel: +94 11 2463 500 Fax: +94 11 2697 369																			

2.0 Relevant Parties to the Issue

Financial Advisors and Managers to the Issue	NDB Investment Bank Limited Level I NDB Capital Building 135, Bauddhaloka Mawatha Colombo 04 Sri Lanka Tel: +94 11 2300385 Fax: +94 11 2300393
Lawyers to the Issue	Nithya Partners 97A Galle Road Colombo 03 Sri Lanka Tel: +94 11 4 712 625 Fax: +94 11 2 328 817
Auditors and Reporting Accountants to the Issue	M/s Ernst & Young Chartered Accountants 201, De Saram Place Colombo 10 Sri Lanka Tel: +94 11 2463 500 Fax: +94 11 2697 369
Registrars to the Issue	BDO Secretaries (Pvt) Limited Corporate Secretarial Services "Charter House" 65/2, Sir Chittampalam A Gardiner Mawatha Colombo 02 Sri Lanka Tel: +94 11 2 421 878-79-70 Fax: +94 11 2 336 064

3.0 Abbreviations Used in the Prospectus

ALCO	Asset and Liability Committee	IT	Information Technology
BAC	Board Audit Committee	KRI	Key Risk Indicators
BCC	Board Credit Committee	LFCs	Licensed Finance Companies
BCP	Business Continuity Plan	MOU	Memorandum of Understanding
BNC	Board Nomination Committee	PDC	Product Development Committee
BOI	Board of Investments	PET	People Empowerment through Technology
BRC	Board Remuneration Committee	RCSA	Risk Control Self-Assessment
CBSL	Central Bank of Sri Lanka	RMD	Risk Management Division
CD	Compliance Division	ROA	Return on Assets
CDS	Central Depository Systems	ROE	Return on Equity
CEO	Chief Executive Officer	SCU	Society Coordinating Unit
CSCs	Customer Service Centers	SDF	Sarvodaya Development Finance Limited
CSE	Colombo Stock Exchange	SEC	Securities and Exchange Commission of Sri Lanka
DRP	Disaster Recovery Policy	SEEDS	Sarvodaya Economic Enterprise Development Services (Guarantee) Limited
GTAC	Gentosha Total Asset Consulting Inc	SETTLE	Social Equity Through Teaching and Learning English
ICC	Internal Credit Committee	SLCs	Specialised Leasing Companies
IPO	Initial Public Offering	SMEs	Small and Medium Enterprises
IRMC	Integrated Risk Management Committee	SSS	Sarvodaya Shramadana Societies
ISMS	Information Security Management System		

4.0 Glossary of Terms Related to the Issue

Annexure	<p>Consists of the Application Form to be used by the applicants and the instructions thereto. These forms contain the following information and form part and parcel of this Prospectus</p> <ul style="list-style-type: none"> ⦿ Procedure for Application ⦿ Mode of Payment ⦿ Forwarding Completed Applications ⦿ Allotment ⦿ Refunds ⦿ Share Certificates
Application Form/Application	The application form that constitutes part of Annexure, through which the Identified Investors may apply for the Issue
Board/Board of Directors	The Board of Directors of Sarvodaya Development Finance Limited
Financial Advisors and Managers to the Issue	NDB Investment Bank Limited
Local Time	Sri Lanka Time
Market Day	Any day on which the Colombo Stock Exchange is open for trading
Identified Investor	Any prospective investor as identified by the Board of Directors of SDF subject to a minimum investment and application value of Rs. 880,000/- (40,000 Shares) per Application
Issue/Share Issue/Offer	Up to Forty Five Million Four Hundred Fifty Four Thousand Five Hundred and Forty Six (45,454,546) new Ordinary Voting Shares of the Company issued at the Share Issue Price of Rupees Twenty Two (Rs. 22/-) per Share raising Rupees one Billion and Twelve (Rs. 1,000,000,012/-)
Offered Shares	The Shares offered under this Prospectus
Ordinary Shares/Shares/ Issued and Paid up Ordinary Shares/Ordinary Voting Shares	Ordinary voting shares of the Company
Prospectus	This Prospectus dated August 24, 2020 issued by SDF in connection with the Share Issue
Share Issue Price	The price of Rupees Twenty Two (Rs. 22/-) per Ordinary Voting Share at which the Offered Shares will be issued to the Identified Investors
Stated Capital	The Stated Capital of SDF

5.0 Details of the Issue

5.1 The Issue

The Issue contemplated herein constitutes an invitation to the Identified Investors to purchase up to Forty Five Million Four Hundred Fifty Four Thousand Five Hundred and Forty Six (45,454,546) new Ordinary Voting Shares of the Company at the Share Issue Price of Rupees Twenty Two (Rs. 22/-) per Share as mentioned in Section 5.3 to raise up to Rupees One Billion and Twelve (Rs. 1,000,000,012/-).

The Company has already obtained the requisite approval from the Central Bank of Sri Lanka (CBSL) for the Issue.

Previously, the Board of Directors of SDF via the Prospectus dated February 12, 2020, intended to issue to Identified Investors up to 19,230,770 Ordinary Voting Shares at the share issue price of Rs. 26/- per share to raise up to Rs. 500,000,020/- and to further issue of up to 19,230,770 Ordinary Voting Shares at the share issue price of Rs. 26/- per Share to raise up to a total sum of Rs. 1,000,000,040/- at the discretion of the Board of Directors of the Company subject to the approval of CBSL in the event of an over subscription of the initial issue.

The Board of Directors of SDF, having considered the pandemic situation in the country and the deferment by the CBSL to meet the minimum capital requirements by Licensed Finance Companies, decided to close the share issue on May 14, 2020 in terms of the Prospectus dated February 12, 2020. Since the Company did not receive the requisite financial consideration due on the application forms submitted by the Identified Investors as at the closure of the share issue, no allotment of shares of SDF were made to any Identified Investors under the said share Issue.

5.2 Nature of the Offered Shares

Offered Shares shall upon allotment, rank equal and *pari passu* in all respects with the existing Ordinary Shares of the Company with the right to vote, the right to an equal share in any dividend that may be declared by the Company and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

5.3 Share Issue Price

The Share Issue Price is Rupees Twenty Two (Rs. 22/-) per Share. The Board of Directors of SDF is of the opinion that the Share Issue Price is fair and reasonable to the Company and to all its existing shareholders.

5.4 Listing of Shares

The Company will endeavour to seek a listing for the Shares on the Colombo Stock Exchange (CSE) by way of an Initial Public Offering (IPO) to the general public or via an Introduction as decided by the Board of SDF subject to the approvals from the relevant regulatory authorities within a period of eighteen months (18 months) upon the conclusion of the Issue contemplated herein or such other period as the Board may consider as being an appropriate time.

In the event of an IPO, the quantum of Shares to be issued would depend on the funding requirements of the Company at the time of such IPO. The price at which the Shares are to be issued through the IPO will be determined by the Board at the time of the issue in terms of the Companies Act No. 7 of 2007.

Once the Shares of the Company are listed on the CSE, the Identified Investors are advised that the Company and shareholders would be bound by the Listing Rules of the CSE/Rules of the CDS and any directives issued by the SEC as applicable at the time of such listing and thereafter.

5.5 Objectives of the Issue

The funds raised through this Issue would be utilised for the following.

5.5.1. To improve the Core Capital and thereby Strengthening the Equity Base of the Company

Funds raised from the Issue will be utilised to improve the Core Capital of the Company.

As per the CBSL letter dated 31 March 2020 (Ref No: 24/01/015/0004/016), all Licensed Finance Companies (LFCs) are permitted to defer the enhancement of minimum Core Capital requirement stipulated by CBSL in terms of Finance Business Act Directions No. 02 of 2017 as follows;

Minimum Core Capital Requirement for LFCs	Previous Deadline as per Finance Business Act Directions No. 02 of 2017	Revised Deadline as per CBSL Letter Dated 31 March 2020
Rs.2.0 Billion	January 01, 2020	December 31, 2020*
Rs.2.5 Billion	January 01, 2021	January 01, 2022

* Provided LFCs maintains a minimum Core Capital above Rs. 1.0 Billion.

Accordingly, SDF is required to increase its Core Capital to Rs. 2.0 Billion by December 31, 2020. SDF's Core Capital as at March 31, 2020 was reported at approximately Rs. 1.1 Billion and the aforementioned Issue if fully subscribed, would facilitate SDF to increase its Core Capital up to approximately Rs. 2.1 Billion

In the event SDF is unable to raise the requisite funds through the Issue, the Company will explore other options available to raise Core Capital including the IPO mentioned in Section 5.4 above to fulfill the minimum Core Capital requirements in order to comply with the stipulated regulatory limits of the CBSL.

Further, the Company's Total Risk Weighted Capital Adequacy Ratio as at March 31, 2020 which currently stands at 13.23% will further improve with the funds raised through the Issue.

Details of the Issue

5.5.2. Part Finance the Growth in the Loan Portfolio of the Company

The growth in the loan portfolio of SDF is expected to be driven by the rising demand for credit by micro and Small and Medium Enterprises (SMEs) which has shown a significant progress in the recent past and form an integral component of SDF's customer base. Funding requirement for such disbursements would be mainly financed through public deposits and borrowings mainly from financial institutions.

The funds raised through the Issue, would also facilitate the Company to part finance the loan disbursements predominantly to product segments such as micro loans, SME loans, and leasing.

The Company expects to utilise the proceeds of the Issue within the Financial Year 2020/21.

5.6 Cost of the Issue

The costs associated with the Issue consist of all direct costs and expenses associated with the Issue, inclusive of but not limited to advisory fees payable to the Financial Advisors and Managers to the Issue, fees for the registrar function and legal, consultancy, accountancy, brokerage and agents' fees and printing costs. Such costs are estimated to be not exceeding 4% of the funds to be raised through the Issue and will be met through internally generated funds of the Company.

5.7 Underwriting and Minimum Amount to be Raised via the Issue

The Company has not entered into any underwriting arrangement with regards to this Issue, and in the opinion of Board of Directors, there is no minimum amount required to be raised through this Issue.

5.8 Period for Subscription

The subscription list for the Shares to be issued to the Identified Investors in terms of this Prospectus will open at 9.00 a.m. on August 26, 2020 and shall remain open for a period of four (4) months until closure at 4.30 p.m. on December 28, 2020. The Board may make allotments in tranches to Identified Investors who subscribe for the Share Issue as morefully disclosed in Section 5.16 of this Prospectus.

The Board of Directors may at their discretion close the subscription list on any Market Day, prior to December 28, 2020 in which the Issue is fully subscribed.

The Board of Directors may also at their discretion close the subscription list on any Market Day, prior to December 28, 2020 even without the Share Issue being not fully subscribed. In such an event, the Board will accept any subscriptions received by the Company via the Share Issue until such closure.

The closure of the subscription list will be notified to the Identified Investors via the website of the Company, www.sarvodayafinance.lk.

5.9 Eligible Applicants

Applications for the Issue are invited ONLY from the Identified Investors.

Identified Investors should fall under any of the following criteria:

- ⦿ Citizens of Sri Lanka who are resident in or outside Sri Lanka and above 18 years of age; or
- ⦿ Companies, corporations or institutions incorporated or established within Sri Lanka; or
- ⦿ Corporate bodies incorporated or established outside Sri Lanka; or
- ⦿ Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka (in this case Applications should be in the name of the Trustee/ Board of Management in order to facilitate the opening of the CDS account); or
- ⦿ Non-corporate bodies incorporated or established within Sri Lanka; or
- ⦿ Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- ⦿ Development Financial Institutions incorporated or established outside Sri Lanka; or
- ⦿ Global, regional and country funds

Please note that Applications made by **individuals under 18 years** of age or those in the names of **sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies not duly incorporated or established within Sri Lanka** shall be rejected at the outset.

5.10 Procedure for Applications

For the procedure of application, please refer Annexure, which forms part and parcel of this Prospectus. Annexure includes/describes the following:

- ⦿ Application Form
- ⦿ Instructions
 - Procedure for Application
 - Mode of Payment
 - Forwarding Completed Applications
 - Allotment
 - Refunds
 - Share Certificates

Duly completed Application Form together with the payment by way of cheque/bank draft should be sent to be reached by the Head Office of SDF at No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, by hand or courier or post not later than 4.30 p.m. on the date of closure of the subscription list as morefully described in Section 5.8.

Care must be taken to follow the instructions set out in Annexure regarding the completion of Application Form. The Application Forms that do not strictly conform to the instructions set out herein and the said forms or which are illegible may be rejected at the sole discretion of the Company.

5.11 Application for Offered Shares

Applications should be made for a **minimum of Forty Thousand Shares (40,000 Shares), i.e. for a value of Rupees Eight Hundred and Eighty Thousand (Rs. 880,000/-)**. Applications in excess of the minimum subscription should be in multiples of 10,000 Shares (i.e. Rs.220,000/-).

5.12 Responsibility of a Non-Resident Investor

As this Issue is not made outside Sri Lanka, non-resident investors may be affected by the laws of the jurisdiction of their residence. If the non-resident investors wish to apply for the Offered Shares, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

5.13 Applications Made under Power of Attorney

In the case of Applications made under POA, a copy of the said POA, **certified by a Notary Public** to be a true copy of the original, should be lodged with the Registrar to the Issue or Company Secretaries along with the Application Form. **The original POA should not be attached.**

5.14 Joint Applications

Joint Application Forms are permitted only for natural persons and not exceeding three applicants. Joint applicants should note that all parties should either be residents of Sri Lanka or non-residents.

5.15 Banking of Payments

Cheques or Bank drafts received during the Offer Period in respect of Applications will be banked commencing on the fourth (4th) Market Day of opening of the subscription list.

5.16 Allotment of Offered Shares, Refunds and Issuance of Share Certificates

Allotment of Offered Shares will be determined at the discretion of the Board of Directors. The Board shall reserve the right to refuse any Application or to accept any Application in full or part, received in respect of the Issue. The allotment of Shares under the Issue to the successful applicants will be carried out in tranches including during the Offer Period.

In the event of an oversubscription of Issue, the Offered Shares will be allotted to applicants who are Identified Investors at the sole discretion of the Board of Directors of SDF.

Any refunds in respect of the Applications will be dispatched as expeditiously as possible and in any event within ten (10) Market Days from the date of allotment of Shares.

Share certificates will be issued to the successful applicants within twenty (20) days from the date of allotment to such applicants.

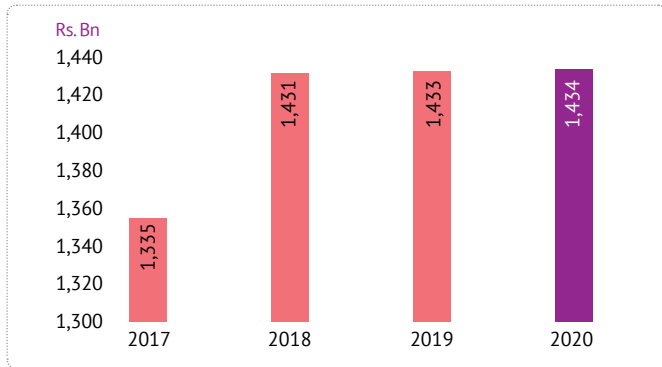
6.0 Non-Bank Finance Sector

6.1 Overview

The non-bank finance sector (Sector) comprises of 42 Licensed Finance Companies (LFCs) and 5 Specialized Leasing Companies (SLCs). As at March, 2020, there were 1,446 branches in the Sector, out of which 959 branches (66.3 %) were concentrated outside the Western Province.

In 2019, sectoral growth as measured by year-on-year increase in the asset base shows an annual growth of 0.1% down from 5.6% in 2018 following the downturn in investor sentiment mainly due to the protracted impact of the constitutional crisis in 2018 and Easter Sunday attacks in 2019. Sluggish economic growth, prudential macro-economic policies together with decline in asset quality also saw a reduction in profitability of the Sector. This slowdown was expected to reverse in the backdrop of gradual revival of the economy following normalization of the security situation and faster than expected recovery of the tourism sector. However, with the unprecedented two quarters marked by multiple challenges experienced in 2020, the short to medium term outlook of the Sector remains unclear.

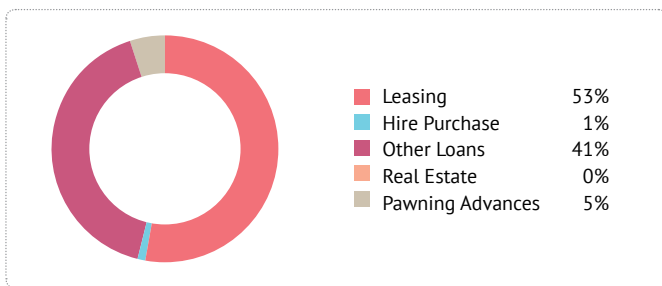
Figure 6.1: Asset Base of the Sector (2017 – March 2020)



Source: CBSL Data Library

Of the total Sector asset base of LKR 1,434 Billion as at March, 2020, 77.3% was accounted for by Loans and Advances. Finance Leases accounted for the highest share of Loans and Advances, representing 52.9% followed by Other Secured Loans. Credit provided by the Sector declined by 3.0% in 2019 with a further increase of 0.5% during the first quarter of 2020. This stands in contrast to the growth of 7.6% in the year 2018. For the four quarters ended March, 2020 Secured Loans and Hire Purchase portfolios contracted significantly (1.3% and 17.6% respectively) with a mild decline in the Finance Lease portfolio of 0.5% compared to growth of 14.7% for the full year 2018.

Figure 6.2: Loans and Advances Composition of the Sector



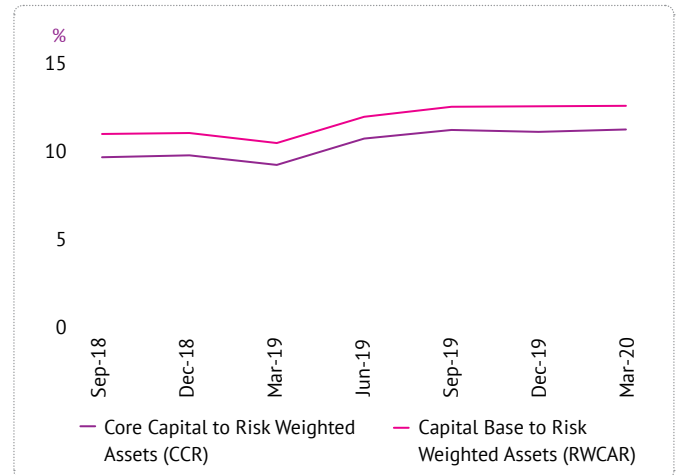
Source: CBSL Data Library

Customer Deposits still dominate the major portion of liabilities of the Sector accounting for 53.2%. During 2019, Borrowings recorded a decline of 12.6%, a shift from the positive growth recorded in the year 2018. The declining trend has continued to the first quarter of 2020 (3.6%) on the back of the aftermath of the global pandemic. Deposit growth has remained resilient with an uptick of 5.6% in 2019 and 0.8% in the first quarter of 2020.

The capital elements of the Sector increased by 12.2% on a year-on-year basis to Rs.210,460 million at the end of March, 2020, mainly on account of steps taken by LFCs to enhance minimum core capital to meet the Rs. 2.0 Billion requirement by December, 2020 as stipulated by the CBSL and due to accumulation of profits. Minimum Core Capital requirement is further increased to Rs.2.5 Billion by December, 2021 driving more stress on the Sector to capitalize. The Gross Non-Performing Advances (NPAs) ratio increased to 11.4% as of March 2020, compared to 7.7% reported in March 2019. Slow economic conditions, policy uncertainty and national security concerns accounted for this increased NPA ratio in 2019. The increase in the NPA ratios in the first quarter of 2020 marks the elevated risks due to stressed market conditions, exacerbated by Covid-19 related stresses.

Further, the provision coverage ratio decreased to 55.0% by March, 2020 compared to 58.8% in March, 2019. The Net Interest Income of the Sector declined by 1.7% for the 12 months ended March, 2020, relative to the corresponding period in 2019. As a result, the Net Interest Margin of the Sector declined to 7.6% by March, 2020 from 8.0% in 2019. Annualized Return on Assets (ROA) decreased by 92 basis points, reporting a ratio of 1.9% and Return on Equity (ROE) declined nearly by 534 basis points, reporting a ratio of 6.6% showing signs of stress on profitability and increased capital commitments.

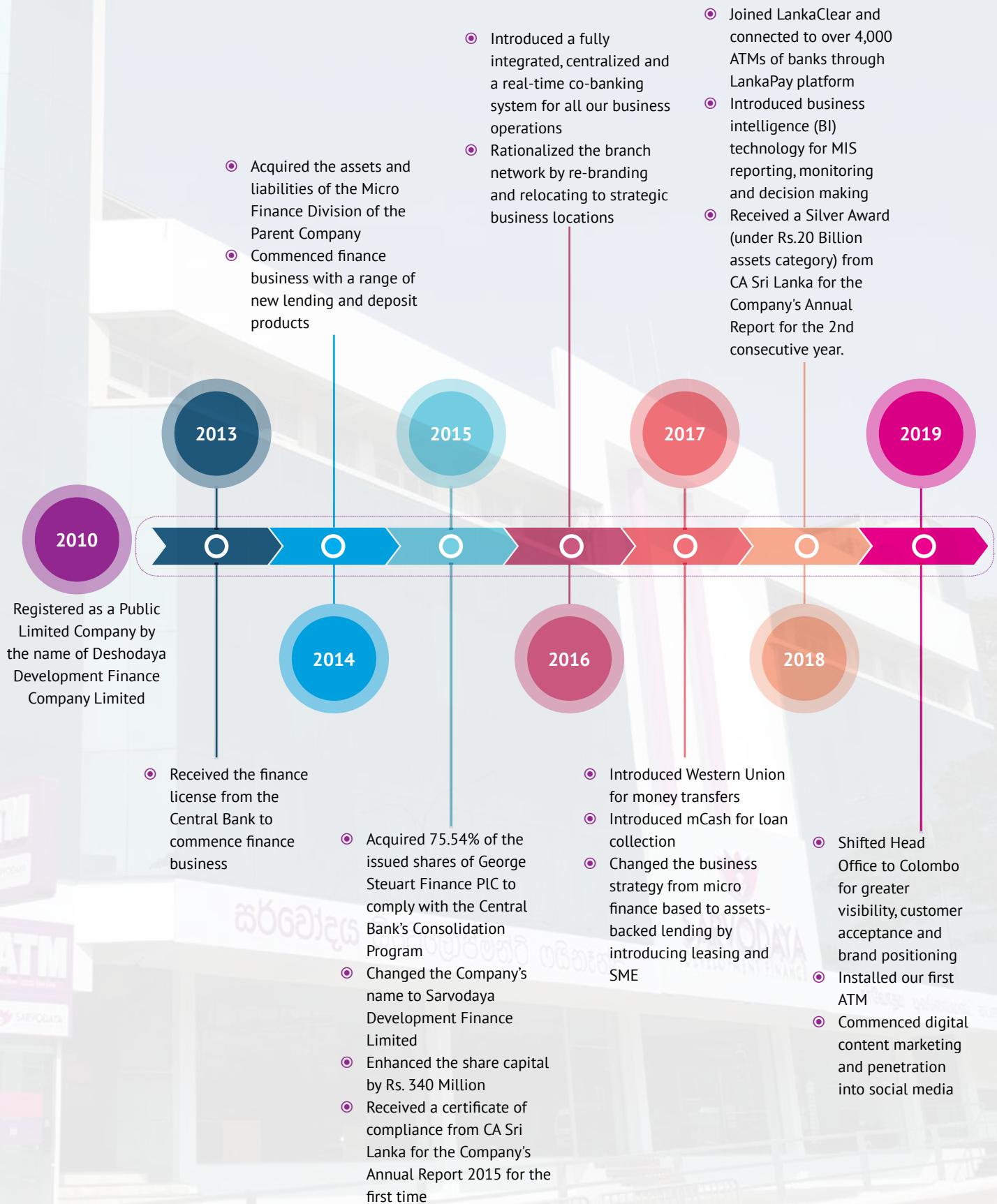
Figure 6.3: Sector Core Capital and Total Risk Weighted Capital Adequacy Ratios



Source: CBSL Data Library

The Sector Core Capital and total risk weighted capital adequacy ratios increased to 11.2% and 12.5% by March, 2020 from the reported levels of 9.3% and 10.5% in March, 2019. Onset of the global pandemic and the heightened responsive measures of an island wide lockdown towards the latter part of the first quarter of 2020 was strongly felt by the Sri Lankan economy due to cascading effect on global supply chains and local business operations. While the situation poses significant challenges to the Sector, with prudent, strategic and skilful navigation of the current circumstance the Sector is well equipped to weather the challenges.

Journey of SDF





SARVODAYA
DEVELOPMENT FINANCE

SDF helped us find a renewed respect for our vocation of feeding the nation





Establishing the pumpkin festival when farmers all over the island were in dire need of selling their excess produce was one of the most challenging yet innovative projects that was undertaken by SDF. Through it, we assisted struggling farmers by selling over 100,000 Kgs of produce and also raising awareness about the health benefits and diverse uses of pumpkin.

7.0 Business Operations of Sarvodaya Development Finance Limited

7.1 Overview of Sarvodaya Development Finance Limited

Sarvodaya Development Finance Limited ("SDF" or the "Company" and formerly known as Deshodaya Development Finance Company Limited) is a licensed finance company incorporated in 2010 as the economic arm of Sarvodaya Movement. SDF has evolved from deep rooted commitment to nation building and development alongwith the 'grass roots upwards' model of the Sarvodaya Movement. Sarvodaya is the oldest, largest and internationally acclaimed Non-Government Organisation ("NGO") in Sri Lanka and it has been uplifting and empowering rural masses for over five decades. SDF has evolved by capitalising on the unique Sarvodaya brand recognition and widespread network of solid relationships to cater to the needs of the Small and Medium Enterprises (SME's) in Sri Lanka. At present SDF has transformed itself into young, tech-savvy financial services entity providing a diverse product range to fulfil the financial needs of the customers.

The principal business activities of SDF include deposit mobilisation, micro credit (represented by bulk loans to Sarvodaya Shramadana Societies ("SSS"), micro credit to individuals and individual entrepreneurs and gold loans), PCBE (represented by micro credit to employees of pre-approved corporate business entities), corporate and retail credit (represented by personal loans, business loans, housing loans, SME loans and leasing) and other credit facilities and related services.

7.2 About Sarvodaya Movement

Sarvodaya Movement commenced its journey in 1958 under its visionary Founder, Dr. A. T. Ariyaratne and has evolved as a voluntary movement committed to the upliftment of the poor and marginal communities through a philosophy of sharing and mutual support. Elected councils were later formed in order to represent and organise the voluntarism and concerns of the members. These councils developed into Sarvodaya Shramadana Societies, which took on the responsibility of maintaining the well-being of their communities.



Dr. Ahangamage Tudor Ariyaratne

Born on November 5, 1931, Dr. Ahangamage Tudor Ariyaratne is the founder of the Sarvodaya Movement of Sri Lanka. A former high school teacher at Nalanda College, he conducted the first shramadana work camp in 1958, which eventually led to the establishment of the Sarvodaya Movement.

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.

Initially the movement involved an education program that enabled students and teachers to live and work with the most remote village communities in Sri Lanka, lending a hand and developing self-help initiatives. Within nine years the "Service Learning Programme" had expanded into a full-fledged development movement in hundreds of villages, with the goal of a comprehensive and non-violent social transformation. During its first 15 years, Sarvodaya grew with hardly any foreign aid or state support, relying on volunteer labour, mostly from the beneficiaries themselves.

By the late 1970s, the Sarvodaya Movement, with support from partner organizations in more prosperous countries, became capable of reaching 15,000 villages in Sri Lanka.






Disaster reconstruction efforts, by the Sarvodaya Shanthi Sena Youth Volunteer Teams in the coastal district of Galle. Sarvodaya has adapted 5R approach in managing natural and man-made disasters, namely Relief, Reconstruction, Rehabilitation, Reconciliation and Reawakening.

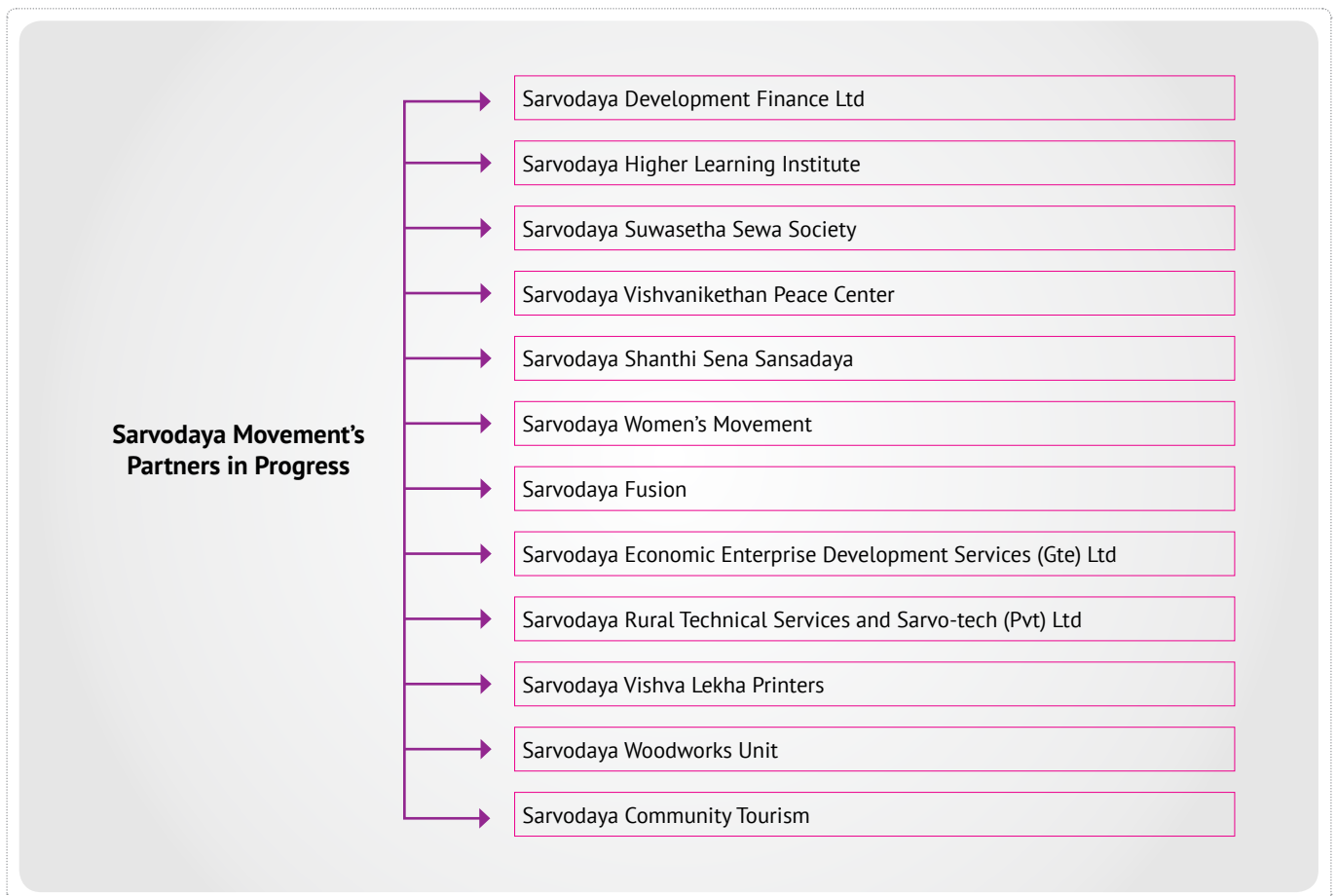


The wellbeing of the vulnerable urban children is often neglected, and Sarvodaya District Centers work very closely with the communities of urban tenement gardens, and slums, to provide them a variety of services including livelihood support, child education and protection, trainings on gender-based violence, and health and nutrition.

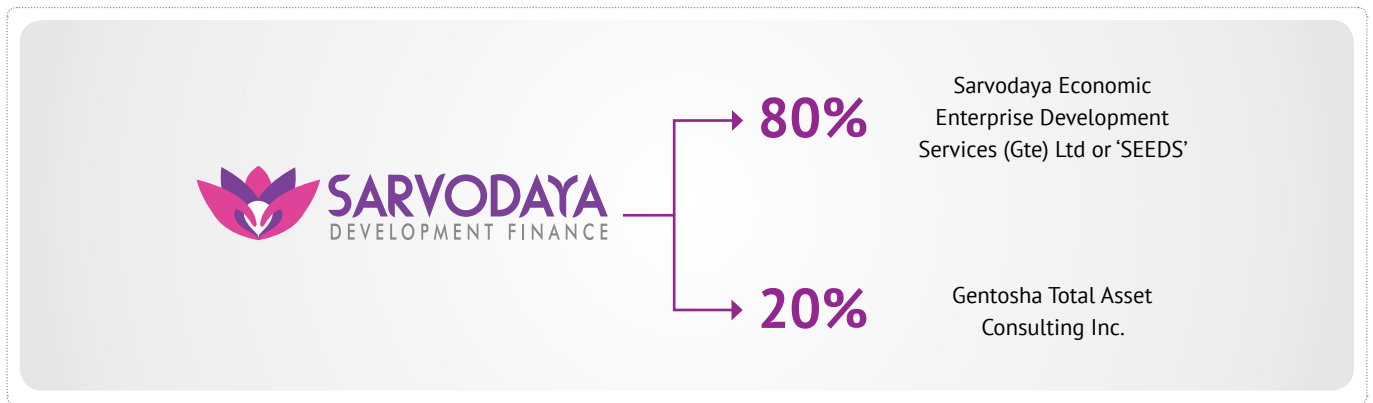
Business Operations of Sarvodaya Development Finance Limited

60 Years of Sarvodaya Service to Humanity

 <p>600 community projects in the Plantation Sector</p>	 <p>50,000 women trained in self-employment</p>	 <p>Services to over 15,000 villages out of the total 38,000</p>	 <p>5,640 registered Community-based Organizations under the patronage of Sarvodaya</p>	 <p>3,000 houses and 15,000 water and sanitation facilities to those affected by war</p>
 <p>400,000, including women and youth trained in enterprise development</p>	 <p>250,000 volunteer community development projects, including 10,000 village roads, 4,500 pre-schools, 10,700 water projects</p>	 <p>Serves over 195,000 customers at any given time. This customer base is with us for the past 25 years</p>	 <p>Rupees 6.5 Billion worth of community projects during last 10 years</p>	 <p>15,000 children in Sarvodaya Suwasetha Homes</p>



7.3 Shareholding Structure of SDF



** Dr. Vinya Ariyaratne and Mr. Shakila Wijewardena hold 1 share each in SDF representing shareholders.*

Sarvodaya Economic Enterprise Development Services (Guarantee) Limited, popularly known as “SEEDS (Gte.) Ltd.”, is the majority shareholder of SDF with a shareholding of 80%.


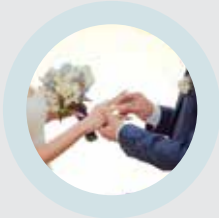

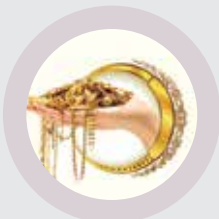

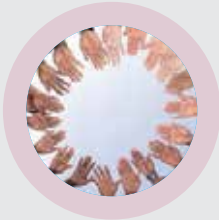
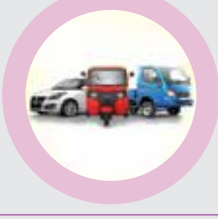
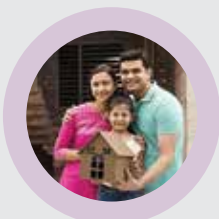

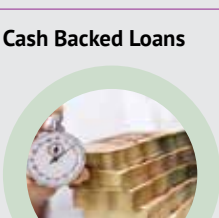

Gentosha Total Asset Consulting Inc. (GTAC) formed in April 2012, is a comprehensive consulting company in Japan. The company consults high net worth individuals and corporates on various property and finance matters which includes but not limited to inheritance, business succession, optimisation of corporate finance and corporate insurance, real estate utilisation of domestic and foreign, such as M & A etc. GTAC’s majority shareholding is owned by Gentosha Group, a Japanese large publisher of various books and magazines, including contents on property and asset formation and inheritance measures.

Business Operations of Sarvodaya Development Finance Limited

7.4 Product Portfolio of SDF

The product range has continuously evolved in line with changing customer needs and to support the growth and development of its clientele from grass root level entrepreneurs to fully fledged SME entrepreneurs.

Table 7.1: Product Portfolio of SDF

<p>General Savings</p>  <p>General Savings are regular or ordinary saving products.</p>	<p>Personal Loans (PCBE)</p>  <p>Employees of Private and Public Sector Corporates are offered competitively priced personal loans with an employer undertaking to deduct the loan installments from their salaries and remit to SDF.</p>
<p>Children's Savings</p>  <p>The saving product "Pancha" is a minor savings account and is an investment made on behalf of the child for future use.</p>	<p>Gold Loans</p>  <p>Gold loan facilities are provided for customers' personal and consumption needs by keeping gold jewellery as security.</p>
<p>Fixed Deposits</p>  <p>SDF has fixed deposits products ranging from 1 month to 5 years at a fixed interest rate, interest is payable monthly or at maturity.</p>	<p>Society Loans</p>  <p>Provides bulk loans to SSS for onward lending to their individual members. This product assists in uplifting the lives of rural low-income customers who are members of the SSS and helps to propagate Sarvodaya values of self-sufficiency.</p>
<p>Leasing</p>  <p>Leasing facilities are granted to individuals including professionals, businessmen and corporate bodies by large to purchase motor vehicles. SDF provides easy payment schemes and fast and friendly service through island-wide branch network.</p>	<p>Housing Loans</p>  <p>These consist of loan facilities to support house constructions, extensions, renovations or repairs. The product mainly caters to low income micro customers who cannot avail themselves to housing loans provided by banks and other financial institutions.</p>
<p>Micro Loans</p>  <p>Micro Personal Loans provides financial support for personal needs of the salaried employees and also serves the under-served low income employees who are not catered to by banks and other financial institutions.</p> <p>Micro Business Loans are offered to micro-scale entrepreneurs to meet working capital requirements and capital expenditure. SDF continues its pioneering micro-finance services in Sri Lanka through this core product.</p>	<p>Cash Backed Loans</p>  <p>Loans are granted against fixed deposits at attractive rates to facilitate urgent financial requirements of deposits holders.</p>
<p>SME Loans</p>  <p>SME facilities are offered in the forms of term loans, short-term loans and revolving loans for customers for business purpose to facilitate the financial needs of their businesses.</p>	

7.5 Physical Infrastructure of SDF

The requirement to provide convenient financial services is considered by SDF as being of strategic importance along with the continuous expansion of its deposit base. As at March 31, 2020, entire service network of SDF comprised of 51 customer delivery points, comprising 30 branches and 21 Customer Service Centers (CSCs), spread across the island serving different segments of the society including those at grass root levels.

Branches of SDF are set up in key strategic locations giving the Company access to both rural and urban populations. The revamped branch network was located at the most beneficial locations and the transformation of the branch outlook aided in brand visibility.



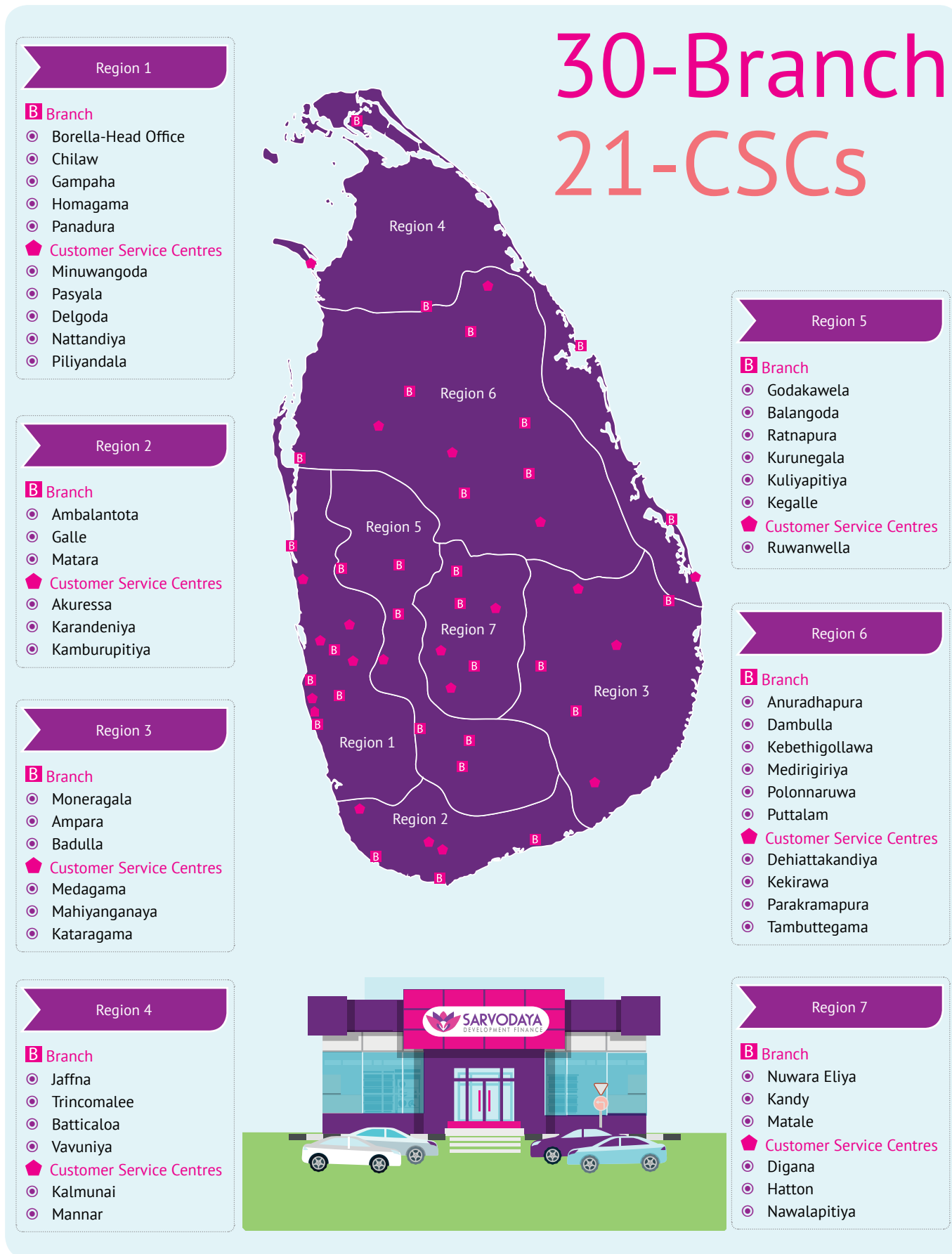
Relocation of Gampaha Branch

In 2019, the Company relocated its Head Office premises to the Colombo metropolitan area enabling greater visibility to potential clientele and as a brand positioning initiative.

Further as a measure of providing a convenient service for savings withdrawals, SDF is joined to the Island-wide ATM network via LankaPay network in 2018 to provide SDF customers access to over 4,000 ATMs across the country. With SDF's business model shifting more towards SME and leasing in the recent years, where the majority of disbursements of these products are given to corporate clients, the requirement to cater financial services to corporate clients using Fintech solutions became crucial.

Business Operations of Sarvodaya Development Finance Limited

Figure 7.1: Distribution Network of SDF





New Head Office Opening in Colombo

For the purpose of facilitating these requirements, the company owned first ATM machine was ceremonially unveiled at head office premises, Colombo in September 2018. The newly installed ATM offers great convenience and highly efficient services to the customers 24 hours a day, and 365 days a year.

7.6 Customer Orientation

SDF strives to extend the best service standards to its customers, thus increasing customer satisfaction levels, the number of repeat customers and the overall longevity of operations. Communication with customers is maintained on a consistent basis whereby the Company uses customer feedback to improve the productivity of the operations and the effectiveness of the products. Customer satisfaction is evaluated via Mystery Shoppers which is a mechanism used to identify areas that need improvement, and to take necessary action.

In addition, customer feedback is discussed at staff meetings and management meetings, to respond as soon as possible. Further, Company conducts customer satisfaction surveys on a continuous basis and encourages customer feedback through placing suggestions and complaint register in branches. Also via social media customer satisfaction is measured in order to analyse customer response patterns.

SDF introduced a hotline support with a shortcode 1319. This hotline would provide a speedy service to customers or potential customers in need of their financial emergency. A customer can call 1319 from any phone and it will get directed/connected to call centre which is operated by a dedicated team who are ready to assist customers or potential inquirers who might become potential customers, instantly.

As a key strategy of strengthening the business partnership with Sarvodaya Societies, SDF has given a greater emphasis on the activities carried out by Society Coordinating Unit (SCU) of SDF. SCU focused on strengthening SSS through motivation of the SSS officers and the management. In order to fulfil this strategic objective, SCU conducts several development and leadership training programs to SSS officers each year. Further, SDF continued to activate the dormant SSS and to re-engage them and rebuild the network to fulfil Sarvodaya's greater mission and vision. The SCU conducts joint marketing campaigns with SSS, to grow the SDF's brand name and assists in increasing bulk-loans to SSS, savings including children savings and micro personal and business loans to SSS members.

Business Operations of Sarvodaya Development Finance Limited

7.7 Human Capital of SDF

Human Resource (HR) strategy of SDF has been aligned with the corporate strategy and the HR policies cover all HR related matters from recruitment to retirement. SDF does not discriminate on the grounds of race, gender, age and any other socioeconomic factors in recruitment, training and promotion of its employees. The HR resource is built through training, coaching and mentoring to increase the creative and innovative output of the business operations.

As a key component of competitiveness in the market place, SDF continued to further integrate the HR strategy with the corporate strategy by addressing any HR policy gaps through the revision of formal policies and by adopting next generation management concepts to enhance the quality level of its employee base.

SDF motivates its staff using performance based incentive schemes, training and skill development opportunities and reward systems including spot rewards. SDF conducts numerous quality development training in-house and outside as well as on the job training. HR policies are periodically upgraded to capture the latest HR management developments and thereby, identify next generation motivation methodologies to enhance the quality level of our employee base.

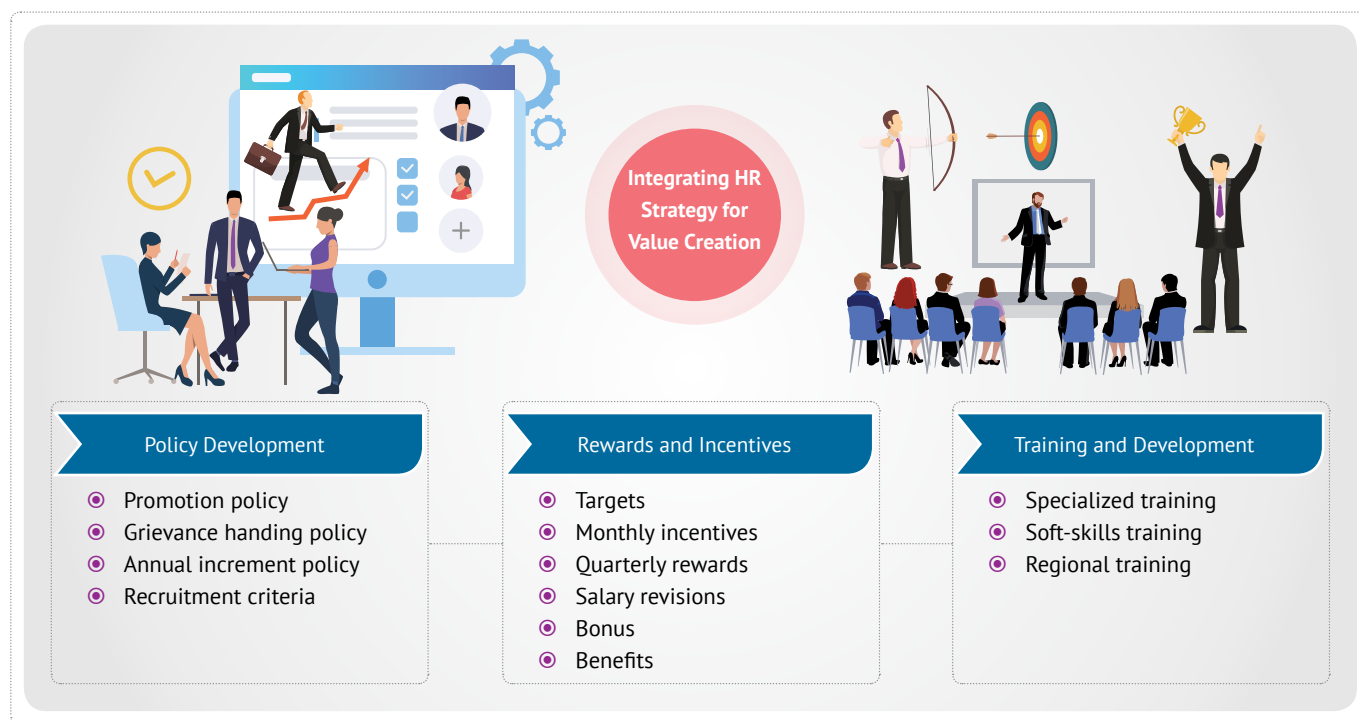


Table 7.2: Human Capital of SDF

The current staff strength of SDF consists of 471 employees as at March 31, 2020.

	Male	Female	Total	%
Corporate Management	7	1	8	2%
Senior Management	18	1	19	4%
Line Management	123	29	152	32%
Executives	61	104	165	35%
Others	49	78	127	27%
	258	213	471	100%

7.8 Core Competencies of SDF

Experienced Management Team and Qualified Employees

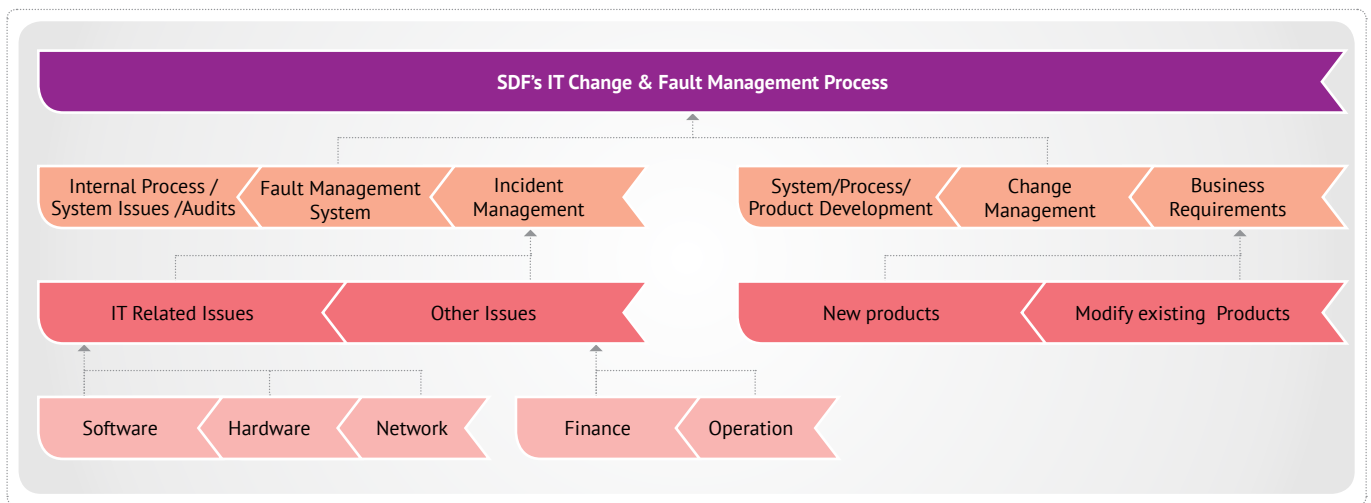
The Company has an experienced corporate management team who has extensive expertise in their respective domains. The experience and professionalism within the corporate management team has been the catalyst in integrating the core competencies which enables SDF to capitalise on the market opportunities.

The management team of SDF is a qualified and trained workforce who has mastered the operations in respective service divisions. Skill sets of employees provide the Company the flexibility to adapt to the needs of its clients and deliver the financial solutions in an effective manner.

Modern and Advanced Technology

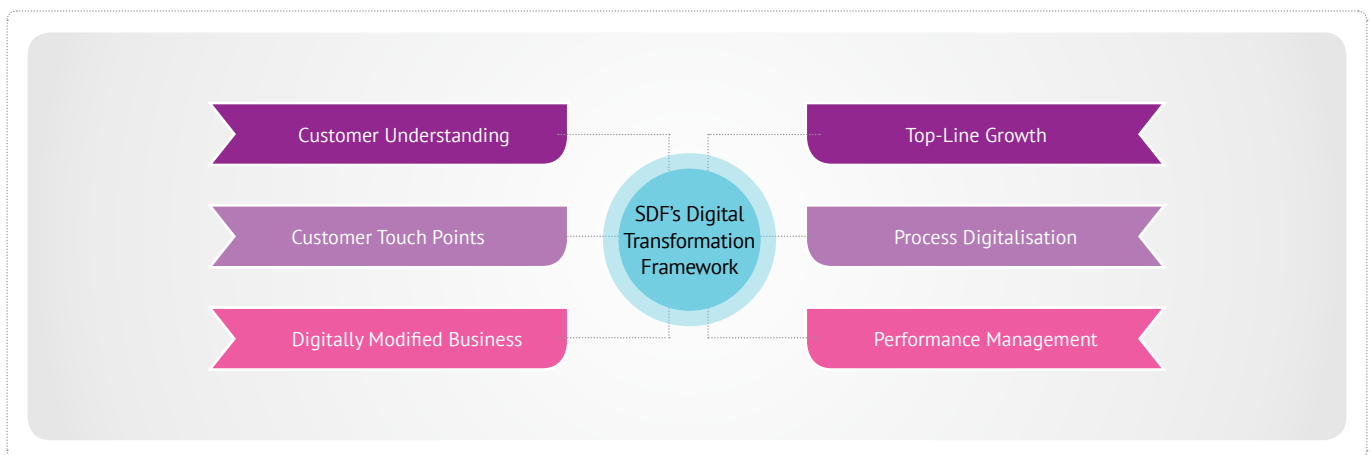
A key success factor that has driven SDF to procure a successful growth over the years is its technical competency and incessant innovativeness in the infrastructure development field. IT strategy of the Company aims to include technology in all its operations to build efficiency and effectiveness across the organisation structure. As such the systems and processes are aligned, designed and inbuilt to reach greater customer satisfaction and quality of service. SDF strive to continuously upgrade its IT system with available new technologies to improve the effectiveness and efficiency of delivering a better value for its clientele.

SDF invests continuously in upgrading various applications of the IT system for improved MIS/Finance reporting and several other industry best practices. These upgrades improved customer convenience and reduced lead time for carrying-out transactions.



A brand new chapter in the financial services industry, the virtual branches concept, has captured the attention of SDF due to the time efficiency, saving on cost on building premises, convenience, and flexibility and in order to reach the millennial entrepreneurial population in the country for next generation banking experience. The Company commenced its initial step towards virtual branches equipped the modern technology such as collections via Mobitel mCash and Western Union money transfers. Further, the change towards virtual banks will enable SDF to reach niche markets, expand reach, and increase speed and to increase monitoring and control to a greater and transparent level.

Digital Transformation Solution



Business Operations of Sarvodaya Development Finance Limited

Going forward SDF is building work flow management systems and have commenced to process mapping and work flow building for identified crucial processes. Through this, SDF expects the work flow management system to enhance efficiency through transparency improving the quality of service aiming enhanced customer satisfaction levels. Further, value addition in terms of cost savings, flexibility and lean processing is also expected from the initiative.



Group Synergies through Affiliation with “Sarvodaya Movement” and SDF Brand

The synergistic collaboration with the Sarvodaya Movement spanning from the ‘One Sarvodaya’ initiative expanded with many collaborative efforts facilitate SDF to build network. Access to the market that SDF receive through the Sarvodaya Movement is unparalleled in increasing brand presence and business growth. The connection with Sarvodaya Societies has paved way for penetration into niche market segments and thereby fulfil SDF’s mission of economic development of the society through the collaborations created via the One Sarvodaya Movement. The synergies created via Sarvodaya sister companies allow SDF to add value through access to new markets, and to identify one stop solutions for customer segments.

In the continuation of the Company brand repositioning initiative further action to place the SDF brand as a millennial driven, digitally revolutionised, commercial enterprise, specialising in unique customer experience centric financial services provision was further improved using targeted marketing techniques. Repositioning the SDF brand has been a strategic priority for the Company. Thus, by using technology, the brand was revamped and the brand visibility was improved as a value centric, customer driven, economic value creator.

New Product Development and Brand Image

The new savings and fixed deposit products introduced by SDF, namely; Daru Isuru Savings, 60x60 Dambadiva Vandana Fixed deposits and Pancha children savings with a new gift scheme, elevated the SDF brand as a responsible and responsive brand addressing its customers’ current requirements. These products add value to SDF brand by specifically focusing on a customer segment and their identified needs. Thus, the products enables the SDF brand to be recognised as a customer centric and responsive brand.

Following are few other new products introduced by SDF during the year;

Table 7.3: New Product Developments of SDF

New Leasing Products	
SDF scooter bike	The Company launched this new leasing product for its female customers to purchase their own personal scooter bike through a leasing facility obtained from the Company. This new product focuses on target customer segments, such as, the beauty salon owners, beauticians, lady insurance advisors, government & private sector permanent lady employees and self-employed lady entrepreneurs. The customers can obtain a leasing facility up to 70% LTV for a maximum tenor of three years to purchase a brand new or an unregistered Scooter bike. This product comes with added features such as, a free comprehensive insurance cover and a free motor-bike jacket with SDF logo embroidered.
New 3W leasing package	The product is targeted at penetrating the 3W leasing market with competitive features so as to grow the leasing portfolio via higher volumes with lower risk and higher NIM's. This new three-wheeler leasing package introduced in the previous year was re-energized by adding more features to include 2 free tyres and free RMV for the first year in addition to the free insurance for the first year which was already there.

Aapu Gaman Cash	The Company launched this product by targeting to cater for the short term working capital requirements of the Company's SME clients, as well as, any emergency cash needs of professionals and salaried employees. The customers can borrow up to 50% LTV of their vehicle by keeping the RMV book as a security with no additional guarantors. The customers who wish to borrow through this product, can obtain a structured leasing facility, with a maximum tenor of two years, with interest paid monthly and capital paid as a bullet payment, to facilitate their growing financial emergencies.
New SME Products	
Revolving Loans	SDF launched this product by targeting to cater for the short term working capital requirements of SME clients, for smooth functioning of their business operation. The repayment of loan is tailor made to suit their present financial position and future cash-flow generation. The loan is given for a maximum period of 12 months and the interest of the loan to be paid monthly and the capital as a bullet payment. The capital can be revolved for a further period of 12 months with in a short period after settling the capital in full at maturity.
New PCBE Products	
Consumer Durable Easy-payment Loan Scheme	In partnership with Singer Sri Lanka an easy payment loan scheme to purchase a selected range of products from Singer retail outlets was introduced during the current year. The product was launched through selected SSS island-wide to facilitate their members to purchase Singer products.
New Micro Business Loans Products	
Tharunodaya Loan Scheme	<p>The Tharunodaya is a subsidised loan scheme targeting Micro Entrepreneurs under the Tharunodaya Project of Sarvodaya Movement to aid the young entrepreneurs to meet their working capital requirements to purchase of equipment or machinery for the smooth running / start-up of business ventures.</p> <p>Project objectives</p> <ul style="list-style-type: none"> ● Self-dependency ● Enjoy financial autonomy ● Contribute to the development of the area ● Actively participate in the development of the nation ● Provide employment opportunities to others ● Live with dignity, start a family <p>Marking the uniqueness of the Tharunodaya loan scheme, during 2019 SDF offered young entrepreneurs a leasing facility to finance Jet Ski which enables them to obtain state-of-the-art water sports equipment. Through this initiative, young people can offer tourists the opportunity to enjoy high-adrenaline water sports such as jet skiing on the Thissamaharama Water Reservoir and Gregory Lake, Nuwara Eliya. The first two clients were handed over with keys at the head office relocation ceremony held in Colombo.</p>



Business Operations of Sarvodaya Development Finance Limited

Sound Business Partnerships

SDF has a sound track record of partnering with well-known suppliers to promote leasing and micro loans. SDF has signed Memorandum of Understandings (MOUs) with Ideal Motors, DIMO and All Island Schools Children's Transport Association while jointly arranges marketing campaign with David Pieris for three wheeler leasing.

Partnership with Ideal Motors and DIMO facilitate their customers, to obtain leasing and loan facilities from SDF extensive network of branches, at a competitive rate and a privileged, personalised service while promoting the leasing business of SDF. Partnership with DIMO facilitates SDF to promote Mahindra Tractors in Sri Lanka. Accordingly, SDF will be leasing Mahindra Tractors to customers at an attractive down payment of 15% from the selling price during the 'Maha' season starting from September 2019. MOU with All Island Schools Children's Transport Association would assist to explore the opportunity to reward the 30,000+ membership of the association with flexible, convenient and trustworthy finance solutions by offering customised, unique financial solutions.



Signing the MOU with DIMO



Signing the MOU with Ideal Motors

7.9 Corporate Social Responsibility

Responsibility and commitment towards community remains an integral feature within the CSR framework of SDF with primary importance given to building better community living and lifestyle enhancement. SDF through its business culture attempts to support financial needs of micro entrepreneurs and SMEs, and by distributing dividend to parent, SEEDS, which redistributes these funds back to society through community welfare activities through the Sarvodaya Movement. In addition, SDF also engages in CSR and charitable events to contribute to those in needs.

As a policy, we do not finance projects that are harmful to society, such as slaughtering animals, gambling, money laundering and alcohol. As a responsible corporate citizen, we encourage women empowerment, sustainability and environment protection activities. Our contribution towards social and community advancement during the reporting year is highlighted below.



Some of the successfully completed CSR programmes of SDF include the following;



POSITIVE IMPACT



Founder of Coexist

Coexist Sri Lanka is a platform founded by SDF to ignite and inspire synergetic collaboration and co-creation between progressive businesses, innovative social entrepreneurs and young society leaders to create a stronger and more sustainable Sri Lanka that is supported by an empowered coexistence on all levels.

Coexist focusses on co-creating:

- ⦿ Sustainable business
- ⦿ Sustainable communities
- ⦿ Sustainable nature

Coexist strives to create a meaningful dialogue to promote and create awareness of coexistence among all members of the community. Events organized by Coexist to create a movement to inspire people and communities is good reflection of the social change coexist endeavors as an important foundation of Sarvodaya Development Finance Limited.

Business Operations of Sarvodaya Development Finance Limited

Village Biz Festival

One hundred village entrepreneurs assembled at the Green Path Colombo on July 20, 2019 to celebrate sustainable business models that promote coexistence at the first ever "Village Biz Festival". Organized by Co-Exist foundation in collaboration with SDF, the main objective of this international event was to create awareness on sustainable business and life patterns through this one day showcase initiative that focused on up-cycling, recycling, sustainability and innovation of sustainable products and promoted holistic living that embraces the concept of wellness.

The event was an attempt to promote sustainable approaches among Sri Lankan entrepreneurs and showcased the products of more than 100 entrepreneurs from different parts of Sri Lanka. It also facilitated the collective learning of sustainable business models and frameworks.



Pumpkin Farmers Festival

Farmers in Ampara, Anuradhapura and Monaragala districts, where pumpkins grow in abundance were hard hit by falling prices due to a bumper harvest, with some of them giving away their produce free of charge rather than letting them rot and go to waste.

In a move to help pumpkin farmers, Green Path in Colombo became a colorful venue for a pumpkin festival on the 22nd of February 2019. Organised by Coexit Foundation in collaboration with SDF, this social endeavor provided a platform for farmers to sell their crops, educate the public and stand tall against adversity. During this festival famers were able to sell over 100,000kg of pumpkin.



Business Operations of Sarvodaya Development Finance Limited

7.10 Accolades and Awards

The relentless endeavour of SDF has been recognised by accomplishing rewards for the commitment towards consistent innovative and value added solutions, quality, safe and sustainable construction.

The Annual Report for FY 2018 themed 'Progressive Action', was awarded with the silver award for the second consecutive year under LFCs and SLCs (total assets up to Rs.20 Billion) category at the 54th Annual Report Awards of the Institute of Chartered Accountants of Sri Lanka, held in December 2018.

SDF Annual Report for FY 2019 themed 'Responsible, Responsive, Respected', won gold award under the same category at the 55th Annual Report Awards of the Institute of Chartered Accountants of Sri Lanka, held in December 2019.



7.11 Future Direction of SDF

SDF will continue to evolve through automation and integration on a digital level where SDF intends to make IT systems more robust in terms of security and governance. SDF intends to implement the Information Security Management System (ISMS) based on the ISO/IEC 27001:2013 standard for IT processes. Also, the implementation of CEFTS integration is on the pipe line as customers demand inward and outward transfers from their accounts to SDF accounts. Further, SDF expects to fully integrate all systems in the future through an ERP platform.

SDF intends to enhance branding through advertising and marketing efforts and also by stronger linkages with SSS and Sarvodaya Movement. Further, SDF intends to empower its staff through offering opportunity for participatory decision making, job rotation, instant rewards on service excellence and coaching and training for leadership. Staff social engagements will also be strengthened to develop team spirit and cooperation among primarily front-line personnel adding value to SDF's origins which are rooted in rural communities and the social welfare movement in Sri Lanka.

SDF with a view to build a solid financial foundation for the Company, focuses on improving the quality of the lending portfolio as a strategic priority. Therefore, while pushing new lending products, SDF continue to place high importance on recoveries and internal procedural aspects, including training for credit officers, to ensure better quality of new lending.

The Company believes its branch network as an integral component for its development where it continuously focuses on introducing new technologies and modern equipment which facilitates brand building of branches and thus ensure faster service delivery and customer satisfaction.

7.12 Financial Snapshot of SDF

Financial snapshot of SDF as at March 31, 2020 is as follows;



LKR 1.80Bn
Income



8.87%
Return on Equity



LKR 101.72Mn
Profit for the Year



10.27%
Growth in Total Assets



LKR 8.22Bn
Total Assets



LKR 5.10Bn
Customer Deposits



LKR 1.20Bn
Total Shareholders' Funds



1.30%
Return on Assets

Just as we monitor growth, SDF has watched over us from the very beginning



In 2011, I decided never to request a loan from any of the so-called popular banks. As I am only a small-time vegetable farmer, they had no respect for me and rejected all my loan applications. One day, on my way to Nuwara-Eliya in a private bus, a group of young girls and boys from SDF got in and distributed leaflets describing SDF's loan schemes for small and medium scale farmers.

I decided to visit SDF. The SDF staff were respectful and granted me a loan of Rs. 100,000 to improve my vegetable cultivation. As luck favoured me, I got a good crop. I got two more loans totalling to Rs.500,000/- from SDF to start a mushroom cultivation, in addition to vegetables. We earn good money now, and feel secure with peace of mind.

SDF treated me with respect and helped me move forward with courage.



8.0 Corporate Structure

8.1 The Board of Directors of SDF

The Board of Directors of SDF endeavours to provide leadership through effective formulation and execution of policies and procedures to attain the objectives of the Company. The Board assumes ultimate responsibility for corporate governance within the Company. As at the date of the Prospectus, the Board comprises of nine Directors of which seven are Non Executive/Independent Directors including the Chairman and two are Non Executive/Non Independent Directors. Board members are established personnel in their respective professional fields with several serving on public company boards, collectively providing the diversity and balance of skills for effective stewardship.

Table 8.1: Details of SDF Board of Directors

Name	Designation	Address
Mr. Channa de Silva	Chairman Non Executive / Independent	36/31, Edmanton Rd, Kirulapone, Colombo 06.
Mr. Masayoshi Yamashita	Director Non Executive / Non Independent	2-28-1 Shirako, Wako, Saitama, Japan.
Dr. Richard W A Vokes	Director Non Executive / Independent	15 Roman Raod, Colchester, CO1 1UR, Essex, United Kingdom.
Dr. Janaki Kuruppu	Director Non Executive / Independent	No.27, Havelock Rd, Colombo 05.
Mr. Chamindha Rajakaruna	Director Non Executive / Non Independent	3/19, Sri Gnanawimala Mawatha, Athurugiriya.
Mr. C. Amrit CanagaRetna	Director Non Executive / Independent	367, Temple Road, Off New Hospital Road, Madiwela.
Ms. Shehara De Silva	Director Non Executive / Independent	14/5, Sri Jinarathne Street, Park Street, Colombo 2.
MR. Sunil De Silva	Director Non Executive / Independent	No.368, Manel Watta Road, Bollegala, Gonawala.
Mr. Dhammika Ganegama	Director Non Executive/ Independent	70/1, Rawathawatte road, Moratuwa

8.2 Profiles of the Board of Directors



Mr. Channa de Silva

Chairman – Non Executive / Independent

Mr Channa de Silva was appointed to the SDF Board in April 2011 thereafter appointed as Deputy Chairman in November 2014 and assumed office as the Chairman of the SDF in October 2016.

He previously served as Managing Director of Summit Finance PLC as well as Managing Director of George Stuart Finance PLC. Formerly, he served as a Director of Pan Asia Bank PLC. He also served as Group Managing Director of Delmege Group Limited. He has served the government sector previously as Director General of the Securities and Exchange Commission (SEC) and the Executive Director of the Board of Investments (BOI) Sri Lanka.

A Fellow of the Chartered Institute of Management Accountants (FCMA – UK) and Fellow of the Chartered Certified Accountants (FCCA – UK), Mr. de Silva is a Sri Lanka board member of Member Net Worth Panel of the Association of Chartered Certified Accountants (ACCA - UK) as well as Sri Lankan council member of the Chartered Institute for Securities & Investments (CISI- UK). He holds a Bachelor's Degree from the University of Colombo and Master's Degrees from Harvard University (USA) and Melbourne University (Australia). He serves as the President of University of Colombo Alumni Association "Sarasavi Mithuro" and also serves as Founder Chairman of Capital Media publishers of Echelon business magazine, Cosmopolitan Sri Lanka and Top Gear Sri Lanka magazines. He is also an Edward Mason Fellow of Harvard University and served as a Teaching Fellow in Finance at the Harvard Kennedy School.



Mr. Masayoshi Yamashita

Non Executive / Non Independent

Born in Tokyo in 1973, Mr. Masayoshi Yamashita holds a degree from the Department of Political Science at Hosei University (Japan) and currently serves as the President and CEO of Gentosha Total Asset Consulting Inc. Mr. Yamashita began his career at the Sanwa Bank (now MUFG Bank, Ltd.), as a coverage banker for corporate clients at the bank's Iidabashi Branch, Hibiya Branch and Corporate Banking Division of Tokyo Headquarters. There, his duties included providing support for corporate funding, overseas expansion, and management finance strategies, offering settlement solutions, and making proposals to company owners looking to establish business succession frameworks. At the Sanwa Bank Headquarters, Mr. Yamashita not only gained experience as a credit inspector and president's secretary but also developed expertise in crisis management support. After joining Gentosha Inc. (a Japanese publishing firm) in 2006, Mr. Yamashita served as a business management specialist in the Business Management Department, utilizing the experience he had gained in IR, stockholder relations, internal control development, IPO preparation, MBO and other initiatives for listed companies from a corporate perspective. In 2012, Mr. Yamashita helped found Gentosha Total Asset Consulting Inc. and now also holds several concurrent positions, including Executive Officer of Gentosha Inc.



Dr. Richard W A Vokes

Non Executive / Independent

Appointed to the Board in March 2013, Dr. Richard Vokes is the Chairman of its Integrated Risk Management Committee. Dr. Vokes currently works as an Independent Economic Consultant. From 1991-2011, he worked for the Asian Development Bank where he held a number of senior positions including Country Director for Nepal and later Sri Lanka. He has also been a Board Member of the Himal Hydro and Gorakali Tyre Company in Nepal, the South Asia Gateway Terminals and the National Development Bank (NDB) in Sri Lanka. Dr. Vokes was the Assistant Professor of Rural Development Planning at the Asian Institute of Technology (AIT), Bangkok, Thailand, from August 1978 to December 1982. Between 1985 and 1991, Dr. Vokes was Lecturer in Economics and South East Asian Studies at the University of Kent, Canterbury, UK. Specialising in Economic Development of South and South East Asia, Dr. Vokes has extensive experience in conflict and post-conflict environments and disaster reconstruction and rehabilitation, policy dialogue and project and programme management. In addition to Sri Lanka and Nepal, Dr. Vokes has work experience in Thailand, Philippines, Malaysia, Lao PDR, Vietnam, Bhutan, Maldives, Cambodia and Myanmar. Dr. Vokes holds a PhD in Economics from the University of Hull (1978), Certificate of Education in Economics, Hull College of Education (1973) and BA (Hons.) in Economics and South East Asian Studies from the University of Hull (1972).



Dr. Janaki Kuruppu

Non Executive / Independent

Dr. Janaki Kuruppu was appointed to the Director board of SDF in December 2015. Dr. Kuruppu brings with her 27 years of professional experience to enhance the operations of the SDF. Her experience in development banking as the first Chairperson of the Regional Development Bank which she set up by merging 6 provincial level banks to become the development bank with Sri Lanka's largest network, experience in retail and corporate banking and finance companies adds value to SDF.

Starting her career as an entrepreneur, Dr. Kuruppu was single handedly responsible for bringing Nielsen to Sri Lanka and spearheaded it to become the largest Market Research Company of that time as its first CEO/Managing Director. Thereafter, she served the Cargills Group as the Group Director-Strategic Planning and Business Development. After an illustrious career in the private sector, she served the public sector for seven years in an advisory capacity. Her tenure in the Public Service is marked with many milestones. Namely, she has the distinct honour of being the first Chairperson of the Regional Development Bank and the first female Chairperson of the Sri Lanka Tea Board. She also founded the Mother Sri Lanka Trust, a non-profit organisation to pioneer proactive participation in nation building. Dr. Kuruppu was also an Adviser to the cabinet Sub Committee for Food Security and Cost of Living Management, Director of the Co-operative Wholesale Establishment, Commercial Bank, Colombo Dockyard & The Green Building Council and a Director of the Presidential Secretariat.

Dr. Kuruppu holds a PhD from the University of Colombo, an M.A. in Statistics and a BSc in Mathematics from the University of Missouri, USA. At present, Dr. Kuruppu is the Chairperson of Mother Sri Lanka Trust, runs her own business ventures and also works as a freelance business strategy and development consultant while serving as a member of many corporate boards.

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Mr. Chamindha Rajakaruna

Non Executive / Non Independent

Mr. Chamindha Rajakaruna, is the Executive Director of Sarvodaya Shramadana Movement of Sri Lanka, the largest non-governmental organisation in the country since 2015. He was appointed to the Board of Directors of Sarvodaya Development Finance Limited in November 2017.

Mr. Rajakaruna was a prominent student of Royal College, Colombo 07 and he obtained his bachelor's degree in agriculture from the University of Peradeniya with a Second-class Upper. He started his postgraduate studies, Master of Science in Water Resources Engineering in Belgium, in Katholieke University, Leuven (2003) and in Vrije University, Brussels (2004). Afterwards he entered the Technical University of Karlsruhe, Germany for his second Masters of Science Resources Engineering (2006). In his academic career, Mr. Rajakaruna was awarded two scholarships from the governments of Belgium and Germany, namely Vlaamse Inter universitaire Raad (VLIR) and Deutscher Akademischer Austausch Dienst (DAAD).

After his return to Sri Lanka in end-2006, Mr. Rajakaruna joined with Sarvodaya Movement as the Legal Officer. Subsequently, the National Awakening and Good Governance programme of Sarvodaya 'Deshodaya' was handed over to him and he was appointed as Director of Deshodaya (Awakening the Nation) Secretariat.

The Foreign and Commonwealth Office of the United Kingdom offered him the Chevening Fellowship to study Government and Civil Society/NGO Relations in Wolverhampton University, UK. He also has served in the capacities of Project Director and Project Manager of a few USAID, Canadian High Commission, Embassy to Switzerland and Royal Norwegian Embassy funded projects to promote reconciliation and good governance in Sri Lanka.

He presently serves as a Director of Sarvo-Tech (PVT) Ltd. and the Sarvodaya Institute of Higher Learning. Mr. Rajakaruna is also an Attorney-at-Law in the Supreme Court. Democratic Social Republic of Sri Lanka.



Mr. C. Amrit CanagaRetna

Non Executive / Independent

Experienced and a qualified banker with over 35 years of international and local experience specializing in retail and corporate conventional & sharia based financing, with the last 7 years 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 Bank PLC.

Skilled at 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.

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



Ms. Shehara De Silva
Non Executive / Independent Director

Shehara De Silva was appointed to the Director board of SDF in June 2019. An experienced international communication and marketing expert, with a track record of high impact Strategy development in Malaysia and Sri Lanka, Shehara has been behind the success of several local, regional and Fortune 500 multinational brands.

Shehara has worked over a decade with Omnicom companies beginning as Director Planning of Naga DDB and later Managing Director of Interbrand Malaysia one of the world's leading brand consultancies. She ended up as Group Chief Strategy Officer of Foetus International with oversight over Naga DDB, Rapp, Tribal DDB Milk PR, covering a spectrum of companies in digital and interactive marketing, PR, media and publishing, and advertising.

She is on the Board of Keells Foods Plc, The Biomass Group, The Neelan Thiruchelvan Trust, Informatics Institute of Technology and The Music Project. She has been previously on the boards of The Arthur C Clark Centre for Science and Technology, and Eagle Fund Management. She has also worked in the development sector with ILO, Internews, USAID, NORAD, GIZ Plan International etc.

She was Deputy Director General Marketing and Promotion of the Board of Investment (BOI), Trained on attracting FDI at the IDA in Ireland. Innovative Public private Partnerships such as Lanka Link/Cap Gemini, and the diaspora engagement and knowledge transfer initiative 'Return to Lanka' was initiated. Known for her creative conceptual air, she has being linked to several iconic transformation and CSR strategies, including "Developing young Minds", "Planet Internet", the "StART Foundation" MAS Women Go Beyond etc. As CEO and Founder of ESP consult she created PET (People Empowerment through technology) and SETTLE (Social equity through teaching and learning English).

She facilitated in the transformation of three Sri Lankan groups Singer in retail, NDB in banking and Janashakthi in Insurance. She has sat on several think tanks, judged and mentored several start-ups and Innovation awards from the Eisenhower fellowship and Ray awards, to MIT global start-ups and the Roger Herschel creativity awards. She has spoken extensively at international conferences on branding, strategy and Gender issues and won several International marketing and women leadership awards.



Mr. Sunil De Silva
Non Executive / Independent Director

Mr. Sunil De Silva was appointed to the Board of SDF in March 12, 2020 is a Professional Banker with over 41 years of experience in the areas of Corporate Banking, Retail Banking, Micro Finance, General Banking, Credit Management and Recoveries. He has served as the Senior Deputy General Manager, Seylan Bank PLC and the Deputy General Manager of Pan Asia Bank PLC.

He holds a Bachelor of Arts degree from University of Peradeniya. Mr. De Silva is a Fellow of the Institute of Bankers of Sri Lanka. He has also served as the High Commissioner of Sri Lanka to South Africa (2015 – 2018) and Kenya (2018 – 2019). He was the Sri Lanka's permanent representative to UN Environment Programme and U N Human Settlement Programme (UNHABITAT) during 2018 - 2019.

He is a Lecturer in Lending and Credit Management at the Institute of Bankers - Sri Lanka and Central Bank of Sri Lanka for over 22 years. He is the author of the first Banking book on Credit Management subject in Sri Lanka, "Credit Management - A Hand Book for Credit officers" which is a recommended hand book for banking exams. He has also served as a member of the Board of Directors of Mahaweli Development Board during the period of 2005 – 2010.

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Mr. Dammika Ganegama

Non Executive / Independent Director

Mr. Dammika Ganegama was appointed to the Board of SDF on July 2020. He has been involved in the tech industry for over 20 years, owns and operate multiple ventures and businesses across many geographies. Trusted advisor For and Not for Profit organisations. Throughout the career, Mr. Ganegama has developed a wealth of experience in consulting global clients on program management, business consultancy, setting up operations, partnerships and ventures. He was involved in designing consumer and enterprise products ('edocs' was a successful online Bill Presentment product sold to Siebel / Oracle), delivering operations and support services to SME's while delivering large scale enterprise solutions and consulting services to multi-nationals including Siemens, Aetna, BT, Staples, Axiata, IBM and other Fortune 500 clients.

Mr. Ganegama was an entrepreneur and a technology consultant passionate to work with various entrepreneurs in various stages, SME's and corporates to use disruptive thinking around technology, process, R&D and automation to drive efficiency, productivity, quality, quick time to market in order to create a competitor advantage and a unique value proposition. Involves in setting up various ventures and providing. He has a strong experience in handling Openbanking programs for Banking and Financial Services while building software solutions to various industry verticals incorporating new ventures. He was involved in driving process optimisation to enhance delivery framework for SME, corporates and enterprises. He was also involved in a small startup growing to a company which got listed in 2009 : NASDAQ (VRTU), and heading operations for a BPO/ KPO company supporting Fortune 500 clients with setting up service desk operations with ITIL standards, finance operations, software delivery & quality assurance service outfit leveraging global teams across various geographies.

8.3 Directors' Shareholdings in the Company

As at the date of this Prospectus, none of the Directors of SDF hold Shares in the Company.

8.4 Directors' Interests in Contracts

There are no contracts or arrangements in force as at the date of this Prospectus in which the Directors of SDF are materially interested in relation to the business of the Company.

8.5 Directors' Interests in Assets

None of the Directors of SDF have any interest in any assets acquired, disposed or leased by the Company during the past two years preceding the date of this Prospectus and/or in any assets proposed to be acquired, disposed or leased during the two years succeeding the Issue.

8.6 Directors' Emoluments

Emoluments paid in the form of salaries, bonuses, fees, allowances and/or profit sharing payments to the Directors during the FY2020 amounted to Rs. 7.5 Million. The Directors are expected to be remunerated in the form of salaries, bonuses, fees, allowances and/or profit sharing payments during the FY2021 to an approximate extent of Rs. 6.4 Million.

8.7 Corporate Governance

The Board of Directors of SDF believes that Corporate Governance is the gateway for long-term sustainability enhancing value for the stakeholders through ethical business conduct. The Board has the prime responsibility for managing affairs at SDF in a fair and transparent manner. The Board of SDF ensures that the Corporate Governance guidelines and best practices are strictly followed. The Board is aware of its inherent responsibility to disclose timely and accurate information regarding the financial performance as well as navigating the governance of the Company through its leadership.

The Board ensures that necessary processes are in place to review and evaluate the Company's operations. For this, the Board has adopted Corporate Governance practices in line with the guidelines of CBSL and Code of Best Practice on Corporate Governance 2013 published jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. These Rules assist the Board to make decisions that are independent of the Management.

The Board being responsible for the Company's Corporate Governance, oversees how the Management serves and protects the long-term interests of all its stakeholders. SDF believes that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance. This is implemented through the careful selection and maintenance of a well-balanced and diversified Board.

In view of the best practice in Corporate Governance, the Board has delegated certain responsibilities to the following committees of the Board. The Committees deal with relevant issues according to the Terms of References of each committee and make recommendations to the Board.

In line with the section 8 (1) of Finance Companies (Corporate Governance) Direction No.03 of 2008 issued by CBSL and such prudential norms, the Company has set up following board appointed committees:

- Integrated Risk Management Committee (IRMC)
- Board Audit Committee (BAC)

- Board Remuneration Committee (BRC)
- Board Credit Committee (BCC)

8.7.1 The Integrated Risk Management Committee (IRMC)

The Integrated Risk Management Committee (IRMC) was established by the Board of Directors in compliance with the Section 8(3) of the Finance Companies (Corporate Governance) Direction No.03 of 2008. The IRMC is comprised of two (2) Non Executive / Independent Directors, the CEO, Acting Risk Officer and the Corporate Management Team who manage the risks of business units. The Chairman of the IRMC is a Non Executive / Independent Director.

Members of the Integrated Risk Management Committee are as follows;

Name	Designation
Dr. Richard Vokes	Chairman Non Executive/Independent Director
Mr. Amrit CanagaRetna	Member Non Executive/Independent Director

Duties of the IRMC include:

- Determining the adequacy and effectiveness of risk mitigating measures used and to ensure that the actual overall risk profile of the Company conforms to the desirable risk profile of the Company as defined by the Board of Directors.
- IRMC oversees issues involving market risk, credit risk, liquidity, funding and capital.
- IRMC provides oversight and advice to the Assets and Liability Committee on market risk and liquidity risk exposures.
- IRMC reviews and evaluates the appropriateness of the governance model adapted.

The IRMC includes two management committees,

- Assets and Liability Committee (ALCO) – Makes investments and executes asset/liability transactions within delegated limits and manages liquidity and other market risks. The Committee ensures the development of appropriate parameters for pricing of deposits, loans and investments.
- Product Development Committee (PDC) – To develop new products in-line with the Company's strategic objectives.

8.7.2 The Board Audit Committee (BAC)

The members of the Board Audit Committee (BAC) are appointed by the Board and comprised entirely of Non Executive Directors. The BAC of SDF is comprised of two Non Executive/Independent Directors as at March 31, 2020.

Members of the Board Audit Committee are as follows;

Name	Designation
Mr. Channa de Silva	Chairman Non Executive/Independent Director
Mr. Amrit CanagaRetna	Member Non Executive/Independent Director

The BAC is expected to ensure following roles and responsibilities;

- 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

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- 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 gives the Board, through its work and in dialogue with the External Auditor and the Head of Internal Audit, a greater access to information on any deficiencies in routines and organisation from the standpoint of corporate governance, risk management and control.

The BAC is responsible for ensuring that processes are in place for recommendations raised by the Management Audit Committee to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored.

The Board Audit Committee includes the Management Audit Committee which implements and monitors the progress of the decision of the BAC.

8.7.3 The Board Remuneration Committee (BRC)

The Board Remuneration Committee (BRC) is established to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of staff while complying with the requirements of regulatory and governance bodies, satisfying the expectations of staff members. The BRC comprised of three Non-Executive Directors as mentioned below.

Members of the Board Remuneration Committee are as follows;

Name	Designation
Dr. Janaki Kuruppu	Chairman Non Executive/Independent Director
Mr. Channa de Silva	Member Non Executive/Independent Director
Mr. Amrit CanagaRetna	Member Non Executive/Independent Director

The BRC has following role and responsibilities;

- Recommend to the Board on the Company's framework of Non-Executive Directors' remuneration and its cost and to determine on behalf of the Board specific remuneration packages including pension rights for Executive Directors (which also includes that of the Chief Executive Officer and/or equivalent position thereof)
- Recommend any contract of employment or related contract with Executive Directors on behalf of the Company
- Determine the terms of any compensation package in the event of early termination of the contract of any Executive Director and make recommendations to the Board regarding the content to be included in the Annual Report on Directors remuneration
- Assist the Board in deciding the Human Resource Policy
- Approve Performance Goals for Key Management Personnel

The role and responsibilities of the BRC has been extended with the role and responsibilities of the Board Nomination Committee (BNC) as the BNC was dissolved by the Board in FY 2018 with an intention of broad-basing the role of BRC for effective functioning and greater value creation.

Accordingly, the following roles and responsibilities of BNC has been amalgamated with BRC; namely,

- Propose suitable Charter for the appointment and reappointment 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.
- Consider the making of any appointment or re-appointment to the Board
- Provide advice and recommendations to the Board or the Chairman (as the case may be) on any such appointment
- 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 BRC should not participate in decisions relating to his/her own appointment)
- Adopt a scheme of self-assessment to be undertaken by each Director annually
- Identifying and designating Key Management Personnel

8.7.4 The Board Credit Committee (BCC)

There are two Credit Committees, namely Board Credit Committee (BCC) and Internal Credit Committee (ICC). BCC is comprised of three Non-Executive Directors including the Chairman and two directors and the ICC is comprised of the Chief Executive Officer (CEO), Deputy General Manager (DGM)- Finance and Planning, Assistant General Manager (AGM) -Credit, Assistant General Manager (AGM) -Compliance and Acting Head of Recoveries. BCC is the supreme authority to approve credit facilities and formulate credit policies for the Company and ICC is the supreme management level approving authority beyond the delegated authority of the CEO.

Members of the Board Credit Committee are as follows;

Name	Designation
Mr. Amrit CanagaRetna	Chairman Non Executive/Independent Director
Mr. Channa de Silva	Member Non Executive/Independent Director
Dr. Janaki Kuruppu	Member Non Executive/Independent Director
Dr. Richard Vokes	Member Non Executive/Independent Director

The BCC approves credits within delegated limits, and set risk appetites for credits by evaluating and recommending the implementation of the credit risk policies in-line with the Company's strategic objectives. The Board Credit Committee includes the Internal Credit Committee which approves credits within delegated limits. The committee is sanctioned with developing the Company's credit policy by ensuring that the concentration of the credit risks are within the risks tolerance limits approved by the IRMC.

8.8 Corporate Management of SDF

The Corporate Management of SDF possesses a wealth of experience and are motivated individuals playing distinctive roles in pursuing corporate objectives and strategy. The team brings together capabilities and experience which aid the Company in providing comprehensive high quality service to its clientele. Further, the Senior Management Team of SDF is experienced in working with a high quality of service.

Corporate Management of SDF is as follows:

Names	Designation
Mr. Nilantha Jayanetti	Chief Executive Officer
Mr. Deshantha de Alwis	Deputy General Manager – Finance and Planning
Mr. Felician Jayakody	Assistant General Manager - Credit
Mr. Piyal Salwathura	Assistant General Manager - HR
Ms. Sameera Kaumudi	Assistant General Manager – Compliance

Mr. Nilantha Jayanetti

Chief Executive Officer

Mr. Nilantha Jayanetti joined as the Chief Executive Officer of Sarvodaya Development Finance Limited (SDF) in November 2018. Mr. Jayanetti has a wealth of experience in the sphere of banking and finance, having served in senior management positions in reputed Financial Institutions with proven skills in Marketing, Business Transformation, Team Building, Operations Management & proactive leader in adopting Technology & Finance and Risk Management.

Before joining SDF, he served as the Senior Assistant General Manager at Orient Finance PLC for eleven years, where his initiatives that led to change in the business drive has positioned the company as a top brand in the industry. Prior to which, he has worked as the Marketing Manager at Merchant Bank of Sri Lanka & Finance PLC (Formerly known as Merchant Credit of Sri Lanka).

Holder of a degree in Business Management with a specialisation in Accountancy from the University of Kelaniya, Mr. Jayanetti went on to obtain an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenapura. He has followed a programme on Strategic Leadership from Cornell University - Johnson Graduate School of Management, USA.

Mr. Deshantha de Alwis

Deputy General Manager – Finance and Planning

Mr. Deshantha de Alwis joined SDF in May 2013 and assumed duties as the Deputy General Manager – Finance and Planning. Mr. de Alwis counts over 25 years of experience in the financial services sector specialising in Merchant Banking, Finance and Planning, Treasury Management, IS, Recoveries, Compliance and Administration. Prior to joining SDF he held the positions of General Manager – Finance and Administration at Mercantile Merchant Bank Limited and was the Deputy Financial Controller at Alliance Finance Company PLC, where he gained thorough experience at the strategic level of operations in relation to all key business activities. Mr. de Alwis is a Fellow of the Association of Chartered Certified Accountants, UK (FCCA), and Institute of the Certified Management Accountants of Sri Lanka (FCMA) and also of the Cambridge Association of Managers, UK (FCAM).

Mr. Felician Jayakody

Assistant General Manager - Credit

Mr. Felician Jayakody joined SDF in January 2018. He counts over 27 years of banking experience having served International and local banks.

He has experience in branch Banking, Trade Finance, Corporate / SME Banking, Leasing, Project financing, Relationship Banking, Syndications, Risk Management, Treasury, Process Development & Re- Engineering, Audit, Credit Administration, Recoveries, Islamic Banking, Compliance and FCBU.

He started his career at Hatton National Bank where he served for 11 years and moved to Nations Trust Bank as Customer Relationship Manager. Prior to joining Emirates NBD Bank in the United Arab Emirates, he was the Regional Manager at Pan Asia Banking Corporation. Having returned to Sri Lanka from the United Arab Emirates in June 2012, Mr. Felician joined Amana Bank as a Head of Corporate Banking / FCBU. He has completed the Credit Management Diploma (IBSL), Diploma in International Factoring – UAE, Diploma in Computer Studies. He has a BSc in Business Administration from University of Sri Jayawardenepura, MBA (USA) as well as AIB (inter) SL.

Mr. Jayakody is also a Fellow of The Cambridge Association of Managers (UK) and of The Certified Professional Managers (Sri Lanka).

Mr. Piyal Salwathura

Assistant General Manager – Human Resources

Mr. Piyal Salwathura joined SDF in August 2019. He graduated from the University of Peradeniya and also holds a National Diploma in Human Resource Management from NIBM.

Mr. Salwathura counts well over 25 years of work experience in the field of human resource management both in manufacturing and service sectors which also includes close to 8 years of exposure to finance and banking sector. He has held senior management positions in several blue chip organisations and some of them are multinationals.

Ms. Sameera Kaumudi

Assistant General Manager – Compliance

Ms. Sameera Kaumudi counts over 12 years of experience spanning the fields of Risk Management, Compliance, Process Improvement and Finance. Experienced at financial and non-financial institutions including leading conglomerates with exposure to multiple sectors such as Healthcare, Leisure, FMCG, Power, Insurance, Automobile, Retail, Media, Entertainment and Financial Services. Prior to joining SDF, she served in Orient Finance PLC as the Senior Manager-Risk & Compliance.

She is an Associate Member of the Chartered Institute of Management Accountants (ACMA- UK) and holds a Bachelors Degree in Town and Country Planning from University of Moratuwa. At present, she is reading for her Executive MBA at Commonwealth of Learning.

8.8.1 Corporate Management's Emoluments

The Corporate Management was remunerated in the form of salaries, allowances and bonuses during the FY2020 to an extent of Rs. 18.4 Million. The Corporate Management is expected to be remunerated in the form of salaries, allowances and bonuses during the year FY2021 to an extent of Rs. 19.3 Million.

The speed in which we were able to take our livelihood to new waters with SDF, has been remarkable



A few years ago, when the Gregory's Lake beautification project started, I launched three passenger boats. The income from this venture was not much. Sitting in a rowing boat, I dreamed of a speed boat.

I visited SDF to discuss my "big plans". Their friendliness impressed me. I applied for a loan of Rs. 5 Million. SDF granted me two loans of Rs.2.5 Million each. I bought two jet skis. On an auspicious day, surrounded by friends and family, I launched my two jet skis into the waters of Lake Gregory. On my first jet ski ride, I felt like I was flying.

SDF fulfilled my dreams and brought me success.



9.0 Capital Structure

As at the date of this Prospectus, the Stated Capital of the Company is Rupees Eight Hundred and Ninety Million and Twenty only (Rs. 890,000,020) represented by Sixty Seven Million Five Hundred Thousand and Six (67,500,006) fully paid Ordinary Voting Shares.

9.1 An Overview of the Stated Capital

The detailed breakdown of the Stated Capital of SDF is given below

Table 9.1: Overview of Stated Capital

	FY 2019/2020		FY 2018/2019	
	Number of Shares	Rs.	Number of Shares	Rs.
At the beginning of the year	67,500,006	890,000,020	67,500,006	890,000,020
Issued during the year	-	-	-	-
At the end of the year	67,500,006	890,000,020	67,500,006	890,000,020

9.2 Shareholding Structure -Pre and Post Share Issue

Table 9.2: Shareholding Structure – Pre and Post Share Issue

Name of the Shareholder	Pre Share Issue		Post Share Issue	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%
Sarvodaya Economic Enterprise Development Services (Gte) Ltd (SEEDS)	54,000,000	80.00%	54,000,000	47.81%
Gentosha Total Asset Consulting Inc.	13,500,004	20.00%	13,500,004	11.95%
Dr. Vinya Ariyaratne	1	NEGL*	1	NEGL*
Mr. Shakila Wijewardena	1	NEGL*	1	NEGL*
New Shareholders			45,454,546	40.24%
Total	67,500,006	100.00%	112,954,552	100.00%

*Negligible

There are no restrictions applicable to non-resident shareholders when investing in Shares of the Company.

9.3 Other Securities

The Company has not issued any convertible debt securities or any other class of shares other than the Shares stated above. Further there are no securities of the same or other class subscribed or sold privately in conjunction with this Issue.

9.4 Share Re-Purchases or Redemptions

The Company has not engaged in any share re-purchase, redemption or stated capital reduction exercises in the two (2) years preceding the date of this Prospectus.

9.5 Free Transferability of Shares

Shares of SDF including Shares to be issued through the Share Issue can be transferable as per the provisions of Articles of Association of the Company.

In the event the Shares are quoted on the CSE, notwithstanding any provisions in these Articles suggesting the contrary, Shares quoted in the CSE shall be freely transferable and registration of the transfer of such quoted Shares shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.

10.0 Other Information

10.1 Dividend Policy

Subject to the provisions of the Companies Act No. 7 of 2007 and the Articles of Association of SDF, the actual amount and timing of dividend payments on the Ordinary Voting Shares of the Company will be recommended and approved by the Board of Directors of the Company. The dividend policy of the Company will be based on a number of factors, including but not limited to the minimum capital requirements stipulated by CBSL from time to time, Company's earnings, cash flow position, and future investments and funding of growth and the maintenance of a sound and efficient capital structure and any other factors which the Board of Directors of the Company may deem relevant.

10.2 Dividend History

Information on dividend paid by the Company for the last five Financial Years are disclosed in Section 2.5 of the Accountants' Report of this Prospectus.

10.3 Details of Material Indebtedness

Particulars of Loans and Other Borrowings outstanding as at March 31, 2020 are given below.

Table 10.1: Loans and Other Borrowings Outstanding as at March 31, 2020

Bank/ Institution	Facility Name	Facility Limit (Rs.)	Outstanding Balance (Rs.)	Amount Repayable Within 1 Year (Rs.)	Amount Repayable After 1 Year (Rs.)
National Development Bank PLC	Term Loan	300,000,000	165,000,000	60,000,000	105,000,000
National Development Bank PLC	Term Loan	300,000,000	255,000,000	60,000,000	195,000,000
National Development Bank PLC	Term Loan	300,000,000	275,000,000	60,000,000	215,000,000
National Development Bank PLC	Short Term Loan	75,000,000	75,000,000	75,000,000	-
National Development Bank PLC	Overdraft	100,000,000	90,317,510	90,317,510	-
Hatton National Bank PLC	Term Loan	300,000,000	206,250,000	75,000,000	131,250,000
Hatton National Bank PLC	Short Term Loan	150,000,000	150,000,000	150,000,000	-
Hatton National Bank PLC	Overdraft	150,000,000	77,141,859	77,141,859	-
Sanasa Development Bank PLC	Term Loan	300,000,000	300,000,000	150,000,000	150,000,000
Senani Wijewardena Babson Fund	Term Loan	5,961,950	5,961,950	-	5,961,950
Rotary Kandy Com.Dev.Pvt.Ltd	Term Loan	19,111,322	19,111,322	7,087,092	12,024,230
Total		2,000,073,272	1,618,782,642	804,546,462	814,236,180

There were no leases, lease purchases and capital commitments as at March 31, 2020.

10.4 Working Capital

The Board is of the opinion that the working capital is sufficient for the purpose of carrying out day to day operations of the Company.

10.5 Litigation, Disputes and Contingent Liabilities

As at March 31, 2020, there are no material legal, arbitration or mediation proceedings against the Company which may have or have had in the recent past affected the financial position or profitability of the Company. However, the Company in the normal course of its business has commenced legal recovery proceedings against defaulting customers.

As at March 31, 2020, there are no material contingent liabilities that would affect the current and future profits of the Company except as disclosed in Note 39.1 to the Financial Statements for the year ended March 31, 2020.

As at March 31, 2020, there are no penalties imposed by any regulatory or state authority against the Company.

10.6 Management Agreements

There are no management agreements presently in force or currently being considered by SDF.

10.7 Material Contracts

There are no material contracts entered into by the Company other than those contracts entered into in the ordinary course of business.

10.8 Details of Commissions Paid

No commission has been paid in the two (2) years preceding the Issue or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares of the Company other than the fees being fully disclosed under Section 5.6 of this Prospectus.

10.9 Details of Benefits Paid to Promoters

No benefit has been paid or given within the two (2) years preceding the Issue and there are no benefits intended to be paid or given to any promoter.

10.10 Details of Transactions Relating to Property

There were no transactions relating to the property within the two (2) years preceding the Issue in which any vendor of the property to the Company or any person who is or was at the time of the transaction, a promoter or a director or proposed director of the Company had any interest, direct or indirect.

11.0 Investment Considerations and Associated Risks

Prior to investing in the Offered Shares, prospective investors should pay particular attention to the fact that the Company and to a large extent its business activities are subject to a number of risk factors which may be within or outside the control of the Company.

We recommend that you review the entire Prospectus in detail and pay particular attention to the following risks in connection with your investment. If any of the considerations and uncertainties given below develop into actual events, the Company's business, financial conditions or results of operations and prospects could be materially and adversely affected and this may impact the performance of the Ordinary Shares.

11.1 Risks Relating to Macro-Environmental Factors

11.1.1 Government Policy and Regulations

The non-bank finance sector is monitored and regulated by the CBSL, with the primary intention of safeguarding the interest of the deposit holders, while overseeing the development of the industry. Any major regulatory changes that are introduced, such as the Risk Based Capital framework and the business segregation, will have a direct impact on the operations and performance of non-bank finance sector entities. However, the strict supervision by the regulators reduces the risk of liquidation and malpractices within the sector. This strict monitoring process provides a sense of security for the investors as well as the deposit holders.

11.1.2 Macro Economic Risk

Change in economic factors such as the GDP growth rate, disposable income levels and the financial market performance pose a direct risk to the Company's financial performance. Additionally, prevailing interest rate regime and monetary policy of the country would also have an impact on the non-bank finance sector.

Moreover, the global pandemic COVID-19 could significantly impact the financial sector of the economy in addition to the aforesaid economic variables.

11.2 Risks Relating to the Existing Business of SDF

11.2.1 Strategic Risk

Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. Thus, it is important to formulate the right strategy. With the selection of the right strategy, there needs to be proper execution in order to achieve corporate objectives. The strategic risk of SDF is monitored by the Senior Management of SDF.

Further, SDF's performance is comprehensively reviewed monthly against budgets/ targets and for any gaps as mitigation methods. If there are any significant variances immediate action is taken to ensure that the strategy implementation is back on track. Performance review meetings are held regularly at branch level and regional levels. At the Head Office level, top management meets regional managers monthly and meet branch managers and Officers in Charge (OICs) once in three months.

11.2.2 Credit Risk

Credit risk arises due to the possible low credit quality of borrowers with regard to repayment or due to outright default of payment. In order to manage the credit risk, the cash flows of the proposal and the credit worthiness of borrowers are properly evaluated and reviewed periodically.

Additionally, the credit approval takes into consideration the purpose of the loan, the security value and the credit history of the borrower. SDF lending products, such as leases and loans are originated at the branch level and from the Credit Department. The credit proposals are evaluated based on the credit policy and guidelines of the Company. The credit approvals are in line with the delegated authority. The Credit Administration Department which reports to the Chief Manager-Branch Operations and Administration ensures that the security documents relating to the facilities are in order. It is the Finance and Planning Department that is entrusted with releasing disbursements of loans. Responsibility for credit risk has been delegated to the Board Credit Committee.

The Credit Department and Recoveries Department along with the Legal and Litigation Department are responsible for the overall management of the SDF's credit risk. The Credit Department measures the risk level of the credit portfolio. The Credit Department formulates the credit policy in consultation with business units, covers collateral requirements, and undertakes credit assessment and credit documentation. They also establish the authorisation structure for the approval and renewal of credit facilities. In order to minimize the credit exposure, the Credit Department seeks to ensure that the lending is backed by adequate realisable assets. SDF uses its own internal credit risk assessment models for assessing credit risk together with clear guidelines to determine the suitability of collaterals and their valuation to ensure secondary sources of repayment in an eventuality.

The Credit Department prepares a comprehensive management information report and submits it on a monthly basis to the Board of Directors. The Recoveries Department works closely with the Credit Department to ensure timely collection of overdue loans. The Recovery Department presents a monthly performance report to the Board of Directors. Recovery action of default accounts is undertaken by the legal and litigation departments which is informed to the Board on a monthly basis.

The Board Credit Committee has authority and responsibility in decisions pertaining to the oversight of all transactions carried out by the Credit Division, Recoveries Division, and Legal and Litigation Division. The Board Credit Committee ensures stringent assessment of all clients. The Company has appointed professional valuers for the valuation of vehicles, and other movable and non-movable properties obtained as collateral. The MIS has been developed to stringently monitor and frequently report on customer loans showing signs of weakening credit quality. SDF also closely monitors the geographical concentration as well as the severity and volatility of the external environment when granting credit. Key ratios related to credit appetite of the Company and the risk tolerance levels have been established by Risk Management Division (RMD).

The credit compliance has been covered by the Internal Audit Department in line with the credit policy and directions laid out by the CBSL. Head of Internal Audit raises significant credit concerns to the Management Audit Committee. The follow up action of all material credit concerns are highlighted to the BAC. Further, the Company has considered possible measures to ascertain the level of expected credit loss to capture the impact of COVID 19 on its asset book to the extent required.

11.2.3 Operational Risk

Operational risk is the risk pertaining to loss resulting from inadequate or failed internal processes, people and systems, or from external events including pandemic situations like COVID 19, which affect the operations and business continuity of the entity.

The responsibility of managing the operational risk lies with all staff in the Company. The accountability of managing operational risk lies with the management committee members and IRMC. They are responsible for maintaining an oversight over operational risk management and internal controls which cover all businesses and operations for effective utilisation of the Company's resources and to minimise the risk of loss.

The Company has developed a Risk Control Self-Assessment (RCSA) that has been carried out bi-annually for branches on their business processes. The risk audits are also carried out bi-annually. RCSA completed by the branch managers is used to identify, assess, monitor and control operational risks. On reviewing audit reports, RMD has identified certain common Key Risk Indicators (KRI) that affect the branch operations. These risks are critically reviewed regularly with the co-operation of the Internal Audit Department. The KRIs are used by the RMD to develop proactive action while at the same time providing a reverse analysis as guidance to avoid financial pitfalls in the foreseeable future.

SDF has in place a comprehensive Business Continuity Plan (BCP) and a Disaster Recovery Policy (DRP) whose implementation go parallel with each other. In mitigating operational risk, SDF has established robust controls with well-defined segregation of duties, policies and procedures. Upon identification and assessment of operational risks through Internal Audit, key controls have been suggested to mitigate such risk in operations.

SDF has taken proactive measures to safeguard the health and safety of its employees and customers, implement flex and remote work policies and delivery of financial services through digital means to minimise any potential disruptions in its operations due to any pandemic situation.

11.2.4 Market Risk

Changes in interest rates, liquidity and other market variables with an adverse impact on SDF's earnings or capital can result in a market risk. Financial products introduced such as loans and deposit schemes to facilitate transactions can also expose the Company to market risks. The Finance and Planning Department is responsible for coordinating and performing market risk management activities including measuring, and reporting of market risk possibilities and

also reviewing SDF's market risk related policies. The monitoring of market risk is done by the RMD and it also provides independent reviews on market risks associated with new investment proposals and products. RMD recognizes various sources of market risks and their characteristics with possible outcomes resulting from transactions undertaken by SDF. In addition RMD ensures compliance with the Investment Policy and Assets and Liability Management Policy. Market risk limits set out in the above policies are regularly reviewed by ALCO and IRMC and monitored by RMD.

The ALCO regularly reviews the interest rate environment, the movement of key interest rate indices and competitor rates. These reviews form the basis for determining the lending and deposit rates for the future. In arriving at such rates, the ALCO ensures that the minimum average interest rate spread is maintained at all times, thereby sustaining a healthy interest margin. Sensitivity analysis and stress testing is carried out by the RMD on interest rate scenarios to decide on the risk exposure and to assess the impact on net interest income. The market risk limits are monitored and reported to the IRMC for its review.

11.2.5 Liquidity Risk

Liquidity Risk arises due to badly formulated or badly enforced policies having an adverse impact on the Company. SDF's funding comes mainly from deposits. SDF has initiated a strong deposit drive to manage and maintain the assets of the Company. The ALCO monitors the deposit portfolio and deposit movements periodically. The Treasury monitors daily disbursements and collections to assess cash flow gaps. The Company maintains stringent awareness and monitoring of its resources and has also put in place contingency measures to manage funding to face any adverse condition and maintain positive customer relations. SDF currently possesses adequate cash and other liquid assets, bank funding lines and access to money market instruments to meet any funding needs as and when they fall due.

SDF's ALCO meets once in two months or whenever the need arises to analyse and monitor liquidity risk and decide on actions to maintain an adequate margin of safety in liquid assets. This action helps to manage and control the overall liquidity of the Company. SDF's liquidity ratios are constantly monitored against benchmarks. A contingency plan is in place to curtail the exposure on SDF's liquidity position. SDF overdrafts were arranged as liquidity buffer and as cushion for contingencies.

Further, the management of SDF has considered and taken necessary measures to assess the impact of COVID 19 on the operations of the Company, in order to absorb sudden liquidity shocks, whilst complying with financial covenants and CBSL liquidity requirements.

SDF maintains the liquid assets ratio at its required level as a method to measure and control daily liquidity risk.

11.2.6 Information Technology Risk

Information Technology (IT) risk is created due to weak information security structures which mainly cause data loss and threats. IT risk is monitored by RMD and the Audit Department. The fully integrated

Investment Considerations and Associated Risks

network system supports on-going branch operation, expansion, a growing product range and other business requirements.

SDF has implemented a comprehensive IT Policy with an Information Security Policy. These policies are in line with industry practices. Employee awareness programs are conducted to ensure security and to increase awareness. To keep pace with rapid changes in the industry, the IT staff at SDF are continuously trained to adapt to a new virtual IT environment. A disaster recovery drill was conducted as a part of the implementation of the Business Continuity Process. Continuous updates to the E-Finance co-banking system are tested in a test environment and undergo security reviews before launching to the live system.

11.2.7 Business Risk

Business risk is the possibility of SDF making a loss when introducing new products to the market. Business risk impairs a Company's ability to provide stakeholders with adequate returns. The business risk is reviewed on a monthly basis by the Management Committee.

New products are screened by the Product Development Committee and reviewed by ALCO for pricing and by IRMC for risks before implementation. Additionally, RMD reviews the processes and systems of new products and advises on risks associated with products prior to launch or implementation.

11.2.8 Compliance Risk

Compliance Risk arises due to the possibility of an adverse impact on reputation. The relevant areas to be considered are adherence to principles of integrity and fair dealing, adherence to all regulatory requirements and best practices recommended by the competent authorities. Compliance at SDF is carried out by the Compliance Division (CD).

The CD has the responsibility of acting as the focal point to assess the Company's compliance procedures and guidelines and to promptly identify and address deficiencies when necessary. The CD is also responsible to monitor the adherence to internal controls and policies across all strata of divisions in the Company. A comprehensive report is given to the Board of Directors monthly on the status of meeting of compliance requirements stipulated.

11.3 Risks Relating to Investment in Shares

11.3.1 Inability to Provide Continuous Dividends

The ability of the Company to make dividend payments to its shareholders will be based on number of factors including the sufficiency of capital as per the CBSL requirements and distributable reserves, availability of cash reserves, business growth prospects, compliance with financing covenants etc.

Dividend payments are not assured and the Board of Directors may decide, in its absolute discretion, not to pay dividends. Further, any substantial dividend payment can significantly impact the capital requirements of the Company, restrict the Company's cash reserves and may adversely affect the liquidity position to support its lending operations and the ability to fund capital expenditures as well as

make interest and principal repayments on its customer deposits and funding obligations. As a result, the Company may be required to borrow additional money or raise equity capital, which may not be possible on attractive terms or at all, depending on market conditions prevailing at that point in time.

11.3.2 No Proper Market Exists for the Offered Shares

Post the Offer, there will be no public market for the Company's Shares unless and until the Company seeks a listing on the CSE at a later date. Even in the event the Company is listed on CSE at a subsequent stage, there can be no assurance that an active trading market for the Offered Shares will develop or, if developed, will be sustained, or that the market price of Offered Shares will not decline below the Offer Price. The Share Offer Price may not be an indicative of the market price for the Offered Shares after the completion of this Offer. However, Shares of SDF including Shares to be issued through the Share Issue can be transferred as per the provisions of Articles of the Company.

11.3.3 Price Volatility of Shares on the Secondary Market

Once the Shares of the Company are listed, secondary market prices of the Company's Shares may be volatile due to a range of factors including temporary spikes in demand or supply of such Shares, the Company's financial performance, investor sentiment, general economic and political conditions or fluctuations in the aggregate market. Due to these price volatilities, potential investors depending on their risk appetite may be required to hold the Shares on a long-term basis in order to optimise returns and therefore may not be suitable for short term investment. Further, the market price of the Shares may not reflect the underlying value of the Company due to price volatilities.

12.0 Statutory Declaration by the Directors

We, the undersigned, who are named in the Prospectus as Directors of Sarvodaya Development Finance Limited, hereby declare and confirm that we have read the provisions of the Companies Act No. 07 of 2007 and any amendments to it, relating to the issue of a Prospectus and those provisions have been complied with.

Name	Designation	Place	Date	Signature
Mr. Channa de Silva	Chairman Non Executive / Independent	Colombo, Sri Lanka	August 20, 2020	Sgd.
Dr. Richard W A Vokes	Director Non Executive / Independent	Colchester, United Kingdom	August 20, 2020	Sgd.
Mr. Masayoshi Yamashita	Director Non Executive / Non Independent	Tokyo, Japan	August 20, 2020	Sgd.
Dr. Janaki Kuruppu	Director Non Executive / Independent	Colombo, Sri Lanka	August 21, 2020	Sgd.
Mr. Chaminda Rajakaruna	Director Non Executive / Non Independent	Colombo, Sri Lanka	August 21, 2020	Sgd.
Mr. C. Amrit CanagaRetna	Director Non Executive / Independent	Colombo, Sri Lanka	August 21, 2020	Sgd.
Ms. Shehara De Silva	Director Non Executive / Independent	Colombo, Sri Lanka	August 21, 2020	Sgd.
Mr. Sunil De Silva	Director Non Executive / Independent	Colombo, Sri Lanka	August 21, 2020	Sgd.
Mr. Dammika Ganegama	Director Non Executive/Independent	Colombo, Sri Lanka	August 21, 2020	Sgd.

SDF lent us a hand to grow and make our dreams come true





When the owner of our business was in Korea, for the first time he saw a glove making machine. He bought two machines home and started glove manufacturing at his small house. He drove all the way from his home in Mattegoda to Tangalle, to sell his gloves to the fishing community. His dream was to build a small factory. SDF gave him a helping hand and gave him Rs.1.5 Million loan to put up his factory.

Today, SG Gloves have made a name for itself. Our products are sold across the country. SDF came forward again and gave us another loan to buy a land for expansion. Now, our dreams are coming true.

SDF showed us the path towards fulfilling our dreams.

13.0 Financial Statements and Auditors' Report

13.1 Accountants' Report for Inclusion in the Prospectus



Ernst & Young
Chartered Accountants
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PNS/DW

Board of Directors
Sarvodaya Development Finance Limited
No. 155/A
Dr Danister De Silva Mawatha
Colombo 10

10 August 2020

Accountants' Report Sarvodaya Development Finance Limited

Dear Sirs/Madam,

Introduction

This report has been prepared for the purpose of Prospectus issued in connection with the issuance of up to 45,454,546 ordinary voting shares of Sarvodaya Development Finance Limited (the "Company") to identified investors at an issue price of Rs. 22/- per share to raise up to Rs.1,000,000,012/- ("Issue").

We have examined the Financial Statements of the Sarvodaya Development Finance Limited for the financial years ended 31 March 2016 to 31 March 2020, and report as follows.

1. Incorporation

Sarvodaya Development Finance Limited (the "Company") is a public limited liability Company incorporated on 01 January 2010, and domiciled in Sri Lanka. It is a Licensed Finance Company regulated under the Finance Business Act No. 42 of 2011 and amendments thereto. The Company was re-registered under the Companies Act No. 07 of 2007.

2. Financial Information

2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statement of Changes in Equity and Statement of Cash Flows of the Company for the financial years ended 31 March 2016 to 31 March 2020, based on the audited Financial Statements are out in Section 13.2 of the Prospectus.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA & P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajjewanani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudilan ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

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2.2 Audited Financial Statements for the Year Ended 31 March 2020

Audit report on the Financial Statements of the Company for the year ended 31 March 2020 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes.

2.3 Audit Reports

We (Messrs. Ernst & Young) have audited the Financial Statements of the Company for the years ended 31 March 2020 and unmodified audit opinions have been issued for the said financial years by our reports dated 27 May 2016, 26 May 2017, 31 May 2018 and 25 June 2019 and 29 June 2020.

2.4 Accounting Policies

The Financial Statements of the Company for the years ended 31 March 2016 to 31 March 2020 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company is stated in detail in the audited Financial Statements of Sarvodaya Development Finance Limited for the year ended 31 March 2020.

2.5 Dividends

Company has paid dividend during the years ended 31 March 2016 to 31 March 2020 as follows.

Year	Dividend Per Share (Rs.)
2019	0.53

2.6 Events After Reporting Date

There were no significant events occurred after the last audit report date.

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Sarvodaya Development Finance Limited to include in the Prospectus issued in connection with the issuance of up to 45,454,546 ordinary voting shares to identified investors at an issue price of Rs. 22/- per share to raise up to Rs. 1,000,000,012/- . To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for this report we have formed. This report should not to be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully

Statement of Profit or Loss and Other Comprehensive Income

	2020 Rs.	Restated 2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.
Income	1,802,435,773	1,575,246,892	1,320,761,083	1,096,432,113	1,014,753,642
Interest Income	1,681,678,539	1,433,374,472	1,179,563,193	883,758,122	922,993,919
Interest Expenses	(750,116,462)	(606,621,257)	(416,598,838)	(280,902,184)	(255,915,002)
Net Interest Income	931,562,077	826,753,216	762,964,355	602,855,938	667,078,917
Net Fee and Commission Income	29,580,891	24,992,979	30,837,094	29,193,693	17,351,163
Other Operating Income	91,176,343	116,879,440	110,360,797	183,480,298	74,408,560
Total Operating Income	1,052,319,311	968,625,635	904,162,245	815,529,929	758,838,640
Impairment Charges for Loans and Other Losses	(119,317,776)	(94,014,169)	(89,116,323)	(172,259,081)	(61,294,116)
Net Operating Income	933,001,535	874,611,466	815,045,922	643,270,847	697,544,524
Operating Expenses					
Personnel Expenses	(356,879,823)	(357,108,571)	(322,738,479)	(361,457,648)	(314,185,138)
Depreciation of Property, Plant and Equipment	(40,442,919)	(45,088,470)	(46,923,650)	(40,736,446)	(34,771,373)
Amortisation of Intangible Assets	(13,285,897)	(13,051,870)	(11,263,143)	(6,683,064)	(10,662,306)
Other Operating Expenses	(290,302,786)	(302,645,855)	(249,265,028)	(230,225,116)	(212,142,771)
Operating Profit before Tax on Financial Services	232,090,111	156,716,700	184,855,622	4,168,574	125,782,936
Tax on Financial Services	(108,022,553)	(87,760,056)	(70,751,368)	(48,027,957)	(49,272,363)
Profit/(Loss) before Taxation	124,067,558	68,956,644	114,104,254	(43,859,383)	76,510,573
Income Tax Expenses	(22,351,216)	(27,740,393)	(21,921,964)	9,323,911	(30,368,790)
Profit/(Loss) for the Year	101,716,342	41,216,251	92,182,290	(34,535,473)	46,141,783
Other Comprehensive Income					
Actuarial Gains/(Losses) on Defined Benefit Plans	(2,062,826)	5,548	(3,346,548)	(6,311,370)	(1,768,842)
Gain/(Loss) due to changes in Assumptions	(4,302,064)	930,725	(1,974,056)	-	2,896,283
Deferred Tax (Charge)/Reversal on above items	1,782,169	(262,156)	1,489,769	2,082,867	771,066
Net Other Comprehensive Income not to be Reclassified to Profit or Loss	(4,582,721)	674,117	(3,830,835)	(4,228,503)	1,898,507
Surplus from Revaluation of Property, Plant & Equipment	-	1,900,707	11,794,414	-	-
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment	-	(532,198)	(16,110,987)	-	-
Net Other Comprehensive Income not to be Reclassified to Profit or Loss	-	1,368,509	(4,316,573)	-	-
Other Comprehensive Income for the Year, Net of Tax	(4,582,721)	2,042,626	(8,147,408)	(4,228,503)	1,898,507
Total Comprehensive Income/(Expenses) for the Year	97,133,622	43,258,877	84,034,882	(38,763,976)	48,040,290



Statement of Financial Position

	2020.03.31	2019.03.31	Restated 2018.03.31	2017.03.31	2016.03.31
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and Cash Equivalents	73,226,394	140,902,916	116,978,318	138,046,068	306,766,105
Loans and Receivables	5,230,704,947	5,113,657,129	4,697,449,566	3,477,040,068	2,766,806,059
Lease Rentals Receivables	1,702,847,496	1,102,513,124	611,054,718	283,558,784	-
Financial Investments	444,939,031	442,595,260	282,268,953	268,211,272	243,177,150
Other Financial Assets	164,535,666	189,276,648	207,371,048	282,577,503	232,859,565
Investment in Subsidiary Companies	-	-	-	-	379,474,885
Other Non Financial Assets	142,043,956	144,424,300	101,195,106	64,336,684	78,966,548
Income Tax Refund	-	-	-	29,768	-
Intangible Assets	15,111,123	27,008,129	35,134,360	36,694,563	30,443,303
Investment Property	126,094,500	118,594,500	-	-	-
Property, Plant and Equipment	146,268,040	170,852,218	308,724,162	321,409,381	281,535,732
Deferred Tax Assets	-	-	-	988,885	-
Right-of-use Lease Assets	169,444,369	-	-	-	-
Total Assets	8,215,215,520	7,449,824,224	6,360,176,231	4,872,892,976	4,320,029,346
Liabilities					
Due to Banks and Other Institutions	1,595,035,613	835,133,455	463,277,223	75,855,964	31,225,454
Due to Customers	5,101,975,953	5,385,341,597	4,624,835,030	3,563,699,800	3,070,417,410
Other Non Financial Liabilities	99,220,587	80,408,493	84,070,152	165,765,352	96,909,412
Post Employment Benefit Liability	33,753,016	27,212,065	26,415,691	20,796,934	16,088,241
Current Tax Liabilities	15,432,447	14,768,247	11,051,015	-	9,471,585
Lease Creditor	171,735,097	-	-	-	-
Deferred Tax Liabilities	2,383,540	8,414,722	19,717,312	-	10,378,342
Total Liabilities	7,019,536,254	6,351,278,580	5,229,366,422	3,826,118,050	3,234,490,444
Shareholders' Funds					
Stated Capital	890,000,020	890,000,020	890,000,020	890,000,020	890,000,020
Retained Earnings	195,476,359	118,686,006	160,561,929	90,646,934	129,410,910
Reserves	110,202,886	89,859,618	80,247,859	66,127,972	66,127,972
Total Shareholders' Funds	1,195,679,266	1,098,545,644	1,130,809,809	1,046,774,926	1,085,538,902
Total Liabilities and Shareholders' Funds	8,215,215,520	7,449,824,224	6,360,176,231	4,872,892,976	4,320,029,346

Deshantha de Alwis

DGM - Finance & Planning

The above summarised financial information and its extraction from audited financial statements, is the responsibility of the Board of Directors.

Channa de Silva

Chairman

Nilantha Jayanetti

Chief Executive Officer

Chamindha Rajakaruna

Director

10 August 2020
Colombo



Statement of Changes In Equity

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserves Rs.	Revaluation Reserves Rs.	Total Equity Rs.
Balances as at 01 April 2015	890,000,020	83,677,710	18,076,058	45,744,825	1,037,498,611
Profit for the Year	-	46,141,783	-	-	46,141,783
Other Comprehensive Income	-	1,898,507	-	-	1,898,507
Transfer to Statutory Reserves Fund		(2,307,089)	2,307,089		
Balances as at 01 April 2016	890,000,020	129,410,910	20,383,148	45,744,825	1,085,538,902
Profit for the Year	-	(34,535,473)	-	-	(34,535,473)
Other Comprehensive Income	-	(4,228,503)	-	-	(4,228,503)
Balances as at 01 April 2017	890,000,020	90,646,933	20,383,148	45,744,825	1,046,774,926
Profit for the Year	-	92,182,290	-	-	92,182,290
Other Comprehensive Income	-	(3,830,835)	-	-	(3,830,835)
Transfer to Statutory Reserves Fund	-	(18,436,459)	18,436,459	-	-
Revaluation of Land & Building	-	-	-	(4,316,573)	(4,316,573)
Balances as at 31 March 2018 (Restated)	890,000,020	160,561,930	38,819,607	41,428,252	1,130,809,809
Impact of adopting SLFRS 9 as at 1 April 2018	-	(39,748,039)	-	-	(39,748,039)
Restated balance under SLFRS 9 as at 1 April 2018	890,000,020	120,813,891	38,819,607	41,428,252	1,091,061,770
Loss for the year	-	41,216,251	-	-	41,216,251
Other Comprehensive Income	-	674,117	-	-	674,117
Transfer to Statutory Reserves Fund	-	(8,243,250)	8,243,250	-	-
Revaluation of Land & Building	-	-	-	1,368,509	1,368,509
Final Dividend Paid	-	(35,775,003)	-	-	(35,775,003)
Balances as at 31 March 2019	890,000,020	118,686,006	47,062,857	42,796,761	1,098,545,644
Profit for the period	-	101,716,342	-	-	101,716,342
Other Comprehensive Income	-	(4,582,721)	-	-	(4,582,721)
Transfer to Statutory Reserves Fund	-	(20,343,268)	20,343,268	-	-
Balances as at 31 March 2020	890,000,020	195,476,359	67,406,125	42,796,761	1,195,679,266



Statement of Cash Flows

	2020 Rs.	2019 Rs.	Restated 2018 Rs.	2017 Rs.	2016 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expense	124,067,558	68,956,644	114,104,254	(43,859,383)	76,510,573
Adjustments for					
Impairment Provision	119,317,776	94,014,169	89,116,323	172,259,081	61,294,116
Profit from sale of subsidiary	-	-	-	(100,280,782)	-
Reversal of Provision of Loan Risk Assurance Benefit Fund	(1,030,125)	(5,585,990)	(6,835,413)	(15,116,703)	(5,606,967)
Loss/(Profit) on Disposal of Property, Plant and Equipment	(7,832,178)	(46,464)	1,087,861	(877,984)	27,103
Provision for Defined Benefit Plans	10,733,365	8,491,897	6,739,853	5,778,323	4,754,295
Depreciation of Property, Plant and Equipment	40,442,919	45,088,470	46,923,650	40,736,446	34,771,373
Amortisation of Intangible Assets	13,285,897	13,051,870	11,263,143	6,683,064	10,662,306
Notional Tax Credit on Interest on Treasury Bills	-	2,940,945	2,940,945	2,547,619	1,738,897
Operating Profit before Working Capital Changes	298,985,211	226,911,541	265,340,616	67,869,680	184,151,696
(Increase)/Decrease in Loans and Advances	(160,271,308)	(523,322,568)	(1,305,957,454)	(880,648,372)	(55,066,124)
(Increase)/Decrease in Lease Rentals Receivable	(676,290,858)	(539,381,909)	(331,064,301)	(286,341,389)	-
(Increase)/Decrease in Other Financial Assets	24,740,982	15,153,455	72,265,510	(49,717,939)	(225,810,690)
(Increase)/Decrease in Other Non Financial Assets	2,380,344	(43,229,194)	(26,277,076)	14,629,864	(12,363,388)
Increase/(Decrease) in Amounts Due to Customers	(283,365,644)	760,506,567	1,061,135,230	493,282,390	294,178,805
Increase/(Decrease) in Other Non Financial Liabilities	22,559,165	1,203,000	(87,336,547)	73,292,189	36,428,237
Cash Generated from Operations	(771,262,107)	(102,159,107)	(351,894,022)	(567,633,576)	221,518,536
Retirement Benefit Liabilities Paid	(10,557,304)	(6,759,250)	(6,441,700)	(7,381,000)	(5,775,310)
Net Collection of LRAB Fund	370,125	215,990	1,895,413	10,693,703	18,221,991
Income Tax Paid	(25,936,029)	(14,475,303)	(4,756,204)	(9,501,353)	-
Net Cash From/(Used in) Operating Activities	(807,385,315)	(123,177,670)	(361,196,513)	(573,822,226)	233,965,217
Cash Flows from / (Used in) Investing Activities					
Sales of Property, Plant and Equipment	8,015,000	238,338	671,563	7,262,685	1,305,204
Acquisition of Property, Plant and Equipment	(23,735,187)	(23,965,355)	(24,203,439)	(88,578,227)	(76,496,267)
Acquisition of Intangible Assets	(1,388,891)	(4,925,640)	(9,702,939)	(12,934,325)	(2,777,600)
Financial Investments	(2,343,771)	(160,326,307)	(14,057,681)	(25,034,121)	(41,333,564)
Net cash received from sale of subsidiary	-	-	-	479,755,667	-
Net cash effect on acquisition of subsidiary	-	-	-	-	-
Dividend Paid	-	(35,775,003)	-	-	-
Net Cash Flows from/(Used in) Investing Activities	(19,452,848)	(224,753,967)	(47,292,496)	360,471,680	(119,302,227)
Cash Flows from / (Used in) Financing Activities					
Issues Shares	-	-	-	-	-
Net Cash Flow from bank and other institutional borrowings	990,494,489	500,120,116	267,602,520	(5,389,218)	(6,878,629)
Net Cash Flow from Debt Issued and Other borrowings	(398,338,806)	-	-	-	-
Net Cash Flows from/(Used in) Financing Activities	592,155,683	500,120,116	267,602,520	(5,389,218)	(6,878,629)
Net Increase in Cash and Cash Equivalents	(234,682,480)	152,188,481	(140,886,489)	(218,739,764)	107,784,363
Cash and Cash Equivalents at the beginning of the year	99,328,333	(52,860,148)	88,026,341	306,766,105	198,981,741
Cash and Cash Equivalents at the end of the year	(135,354,147)	99,328,333	(52,860,148)	88,026,341	306,766,104
A Cash and Cash Equivalents at the end of the year					
Favorable Cash & Cash Equivalents	73,226,394	140,902,916	116,978,318	138,046,068	306,766,104
Unfavorable Cash & Cash Equivalents	(208,580,540)	(41,574,583)	(169,838,466)	(50,019,727)	-
Total Cash and Cash Equivalents at the end of the year	(135,354,147)	99,328,333	(52,860,148)	88,026,341	306,766,104





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PNS/DW/AD

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SARVODAYA DEVELOPMENT FINANCE LIMITED**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sarvodaya Development Finance Limited ("the Company), which comprise the statement of financial position as at 31 March 2020, and the statement of Profit or Loss and Other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Partners: B B Fernando FCA FCMA, B H de Silva ACA FCMA, Ms. N A De Silva FCA, Ms. Y A De Silva FCA, W R H De Silva ACA ACMA, W B S P Fernando FCA FCMA, Ms. R D M Fernando FCA ACMA, Ms. L K H S Fonseka FCA, A P A Gunasekera FCA FCMA, A Hridith FCA, D K Hulangamswa FCA FCMA LLB (Lond), H M A Jayasinghe FCA FCMA, Ms. A A Ludowyke FCA FCMA, Ms. G S S Manojiriga FCA, Ms. P V R N Seneviratne FCA, N M Sumanth ACA ACMA, B E Wijerathne FCA FCMA.
Principals: G B Gnanakum ACMA, A A J R Perera ACA ACMA, T P M Prabero FCMA FCCA.
A member firm of Ernst & Young Global Limited



As part of an audit in accordance with SLAuSS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.


29 June 2020
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2020

	Notes	2020 Rs.	2019 Rs.
Income	6	1,802,435,773	1,575,246,892
Interest Income		1,681,678,539	1,433,374,472
Interest Expenses		(750,116,462)	(606,621,257)
Net Interest Income	7	931,562,077	826,753,216
Net Fee and Commission Income	8	29,580,891	24,992,979
Other Operating Income	9	91,176,343	116,879,440
Total Operating Income		1,052,319,311	968,625,635
Impairment Charges for Loans and Other Losses	10	(119,317,776)	(94,014,169)
Net Operating Income		933,001,535	874,611,466
Operating Expenses			
Personnel Expenses	11	(356,879,823)	(357,108,571)
Depreciation of Property, Plant and Equipment		(40,442,919)	(45,088,470)
Amortisation of Intangible Assets		(13,285,897)	(13,051,870)
Other Operating Expenses	12	(290,302,786)	(302,645,855)
Operating Profit before Tax on Financial Services		232,090,111	156,716,700
Tax on Financial Services	13	(108,022,553)	(87,760,056)
Profit/(Loss) before Taxation		124,067,558	68,956,645
Income Tax Expenses	14	(22,351,216)	(27,740,393)
Profit/(Loss) for the Year		101,716,342	41,216,252
Other Comprehensive Income			
Actuarial Gains/(Losses) on Defined Benefit Plans	31	(2,062,826)	5,548
Gain/(Loss) due to changes in Assumptions	31	(4,302,064)	930,725
Deferred Tax (Charge)/Reversal on above items		1,782,169	(262,156)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		(4,582,721)	674,117
Surplus from Revaluation of Property, Plant & Equipment		-	1,900,707
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment		-	(532,198)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		-	1,368,509
Other Comprehensive Income for the Year, Net of Tax		(4,582,721)	2,042,626
Total Comprehensive Income/(Expenses) for the Year		97,133,622	43,258,878
Basic Earnings Per Share (Rs)			
Earning per Share - Basic *	15	1.51	0.61
Dividend per Share (Rs)			
Dividend per Share : Gross	16	-	-
Dividend per Share : Net		-	-

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

Accounting Policies and Notes from pages 07 to 53 form an integral part of these Financial Statements.



Sarvodaya Development Finance Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2020


	Notes	2020 Rs.	2019 Rs.
Assets			
Cash and Cash Equivalents	18	73,226,394	140,902,916
Loans and Receivables	19	5,230,704,947	5,113,657,129
Lease Rentals Receivables	20	1,702,847,496	1,102,513,124
Financial Investments	21	444,939,031	442,595,260
Other Financial Assets	22	164,535,666	189,276,648
Other Non Financial Assets	23	142,043,956	144,424,300
Intangible Assets	24	15,111,123	27,008,129
Investment Property	25	126,094,500	118,594,500
Property, Plant and Equipment	26	146,268,040	170,852,219
Right-of-use Lease Assets	27	169,444,369	-
Total Assets		8,215,215,520	7,449,824,224
Liabilities			
Due to Banks and Other Institutions	28	1,595,035,613	835,873,973
Due to Customers	29	5,101,975,953	5,385,341,597
Other Non Financial Liabilities	30	99,220,587	79,667,975
Post Employment Benefit Liability	31	33,753,016	27,212,065
Current Tax Liabilities	32	15,432,447	14,768,247
Lease Creditor	33	171,735,097	-
Deferred Tax Liabilities	34	2,383,540	8,414,722
Total Liabilities		7,019,536,253	6,351,278,579
Shareholders' Funds			
Stated Capital	35	890,000,020	890,000,020
Retained Earnings	36	195,476,359	118,686,006
Reserves	37	110,202,886	89,859,618
Total Shareholders' Funds		1,195,679,266	1,098,545,644
Total Liabilities and Shareholders' Funds		8,215,215,520	7,449,824,224
Net assets value per share		17.71	16.27
Commitments and Contingencies	39	9,365,100	6,940,000

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


.....
Deshantha de Alwis
DGM - Finance & Planning


.....
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


.....
Chaminda Rajakaruna
Director

Accounting Policies and Notes from pages 07 to 53 form an integral part of these Financial Statements.



Sarvodaya Development Finance Limited
STATEMENT OF CHANGES IN EQUITY
 Year ended 31 March 2020

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserves Rs.	Revaluation Reserves Rs.	Total Equity Rs.
Balances as at 31 March 2018 (Restated)	890,000,020	160,561,930	38,819,607	41,428,252	1,130,809,809
Impact of adopting SLFRS 9 as at 1 April 2018	-	(39,748,039)	-	-	(39,748,039)
Restated balance under SLFRS 9 as at 1 April 2018	890,000,020	120,813,891	38,819,607	41,428,252	1,091,061,770
Profit for the Year	-	41,216,251	-	-	41,216,251
Other Comprehensive Income	-	674,117	-	-	674,117
Transfer to Statutory Reserves Fund	-	(8,243,250)	8,243,250	-	-
Revaluation of Land & Building	-	-	-	1,368,509	1,368,509
Final Dividend Paid	-	(35,775,003)	-	-	(35,775,003)
Balances as at 31 March 2019	890,000,020	118,686,006	47,062,857	42,796,761	1,098,545,644
Profit for the Year	-	101,716,342	-	-	101,716,342
Other Comprehensive Income	-	(4,582,721)	-	-	(4,582,721)
Transfer to Statutory Reserves Fund	-	(20,343,268)	20,343,268	-	-
Revaluation of Land & Building	-	-	-	-	-
Final Dividend Paid	-	-	-	-	-
Balances as at 31 March 2020	890,000,020	195,476,359	67,406,125	42,796,761	1,195,679,266

Accounting Policies and Notes from pages 07 to 53 form an integral part of these Financial Statements.



STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Notes	2020 Rs.	2019 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		124,067,558	68,956,644
Adjustments for			
Impairment Provision	10	119,317,776	94,014,169
Reversal of Provision of Loan Risk Assurance Benefit Fund		(1,030,125)	(5,585,990)
Loss/(Profit) on Disposal of Property, Plant and Equipment		(7,832,178)	(46,464)
Provision for Defined Benefit Plans	11	10,733,365	8,491,897
Depreciation of Property, Plant and Equipment	26.1.2	40,442,919	45,088,470
Amortisation of Intangible Assets		13,285,897	13,051,870
Operating Profit before Working Capital Changes		298,985,211	223,970,595
(Increase)/Decrease in Loans and Advances	19	(160,271,308)	(523,322,568)
(Increase)/Decrease in Lease Rentals Receivable	20	(676,290,858)	(539,381,909)
(Increase)/Decrease in Other Financial Assets		24,740,982	18,094,400
(Increase)/Decrease in Other Non Financial Assets		2,380,344	(43,229,194)
Increase/(Decrease) in Amounts Due to Customers	29	(283,365,644)	760,506,567
Increase/(Decrease) in Other Non Financial Liabilities		22,559,165	1,203,000
Cash Generated from Operations		(771,262,107)	(102,159,108)
Retirement Benefit Liabilities Paid		(10,557,304)	(6,759,250)
Net Collection of LRAB Fund		370,125	215,990
Income Tax Paid	32	(25,936,029)	(14,475,303)
Net Cash From/(Used in) Operating Activities		(807,385,315)	(123,177,670)
Cash Flows from / (Used in) Investing Activities			
Sales of Property, Plant and Equipment		8,015,000	238,338
Acquisition of Property, Plant and Equipment	26.1.1	(23,735,187)	(23,965,355)
Acquisition of Intangible Assets		(1,388,891)	(4,925,640)
Financial Investments		(2,343,771)	(160,326,307)
Dividend Paid		-	(35,775,003)
Net Cash Flows from/(Used in) Investing Activities		(19,452,848)	(224,753,967)
Cash Flows from / (Used in) Financing Activities			
Payment under Finance Lease Liabilities		-	-
Net Cash Flow from bank and other institutional borrowings		592,155,683	500,120,116
Net Cash Flow from Debt Issued and Other borrowings		-	-
Net Cash Flows from/(Used in) Financing Activities		592,155,683	500,120,116
Net Increase in Cash and Cash Equivalents		(234,682,480)	152,188,479
Cash and Cash Equivalents at the beginning of the year		99,328,332	(52,860,148)
Cash and Cash Equivalents at the end of the year	A	(135,354,147)	99,328,332
A Cash and Cash Equivalents at the end of the year			
Favorable Cash & Cash Equivalents		73,226,394	140,902,916
Unfavorable Cash & Cash Equivalents		(208,580,540)	(41,574,583)
Total Cash and Cash Equivalents at the end of the year	18	(135,354,147)	99,328,332

Accounting Policies and Notes from pages 07 to 53 form an integral part of these Financial Statements.



1. CORPORATE INFORMATION

1.1 General

Sarvodaya Development Finance Limited (The 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and is a Registered Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto.

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.

The Company's parent undertaking is Sarvodaya Economic Enterprises Development Services (Gte) limited, which is also the Company's ultimate Parent.

1.2 Principal Activities of the Company

The principal activities of the Company consist of Acceptance of Deposits, Granting Micro Finance Loans, SME Loan, 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 2020 (including comparatives) have been approved and authorized for issue by the Board of Directors on 26th June 2020.

1.4 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 Significant 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. The presentation of Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto.

1.5 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 Statement of Profit or Loss and Other Comprehensive Income provides the information on the performance for the year under review (Refer page 03). Statement of Financial Position provides the information on the financial position of the Company as at the yearend (Refer page 04). Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company (Refer page 05). 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 06) and Notes to the Financial Statements, which comprises of the Accounting Policies and other explanatory notes and information (Refer pages 7 to 53).



BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1.6 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 26	Page 30
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 31	Page 35
Investment Properties	Measured at fair value at the time of transferred from Property, plant & Equipment.	Note 25	Page 29

1.7 Presentation of Financial Statements

The Company present its Statement of Financial Position broadly in order of liquidity. 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 38 to these Financial Statements.

1.8 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.

Financial assets and financial liabilities are off set and the net amount is reported in the Statement of Financial Position of the Company only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expenses are not offset in the Statement of Profit or Loss of the Company unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the Notes to these Financial Statements of the Company.

1.9 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company’s functional currency, unless indicate otherwise. No adjustments have been made for inflationary factors.

1.10 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on ‘Presentation of Financial Statements.’



1.11 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, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the ability of the Company to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on the going concern basis.

2. GENERAL ACCOUNTING POLICIES

2.1 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.

The key significant accounting judgments, estimates and assumptions involving uncertainty for each type of assets, liabilities, income and expenses along with the respective carrying amounts of such items are given in the Notes to these Financial Statements are as follows

- Allowance for Impairment Charges for Loans and Receivables (Details under note 3.2.9)
- Deferred Taxation (Details under note 34)
- Post-Employment Benefit Liability (Details under note 31)
- Related Party Transactions (Details under note 42)

2.2 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

2.2.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date. i.e. the date that the Company becomes a party to the contractual provisions of the instrument. This includes “regular way trades”. Regular way trade means purchases or sales of financial assets with in the time frame generally established by regulation or convention in the market place.

2.2.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for “Day 1 profit or loss”, as described below.

2.2.3 ‘Day 1’ profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a ‘Day 1’ profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.



2.2.4 Measurement categories of Financial Assets and Financial Liabilities

On initial recognition, a financial asset is classified as measured at,

- Amortised cost,
- fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss. (FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

3.2.4 (a) (i) Financial Assets at Amortised cost :

The Company only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Loans and Receivables consist of cash and cash equivalents, lease receivables, loan and receivables, Financial investments and other assets.

The details of the above conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

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.

The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at 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).



The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms of that introduce a more than de minimis 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 amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3.2.4 (a) (ii) Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

The Company has not classified any Equity instruments at FVOCI.

3.2.4 (a) (iii) Due to Banks and other institutions

After initial measurement, due to banks are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

Currently, the Company has recorded due to banks as Financial Liabilities at Amortised Cost in the form of Overdrafts term loans and short term loans.

3.2.9 Impairment of Financial Assets

a. 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 Company's policies for determining if there has been a significant increase in credit risk are set out in Note 42.4.1.(b).

The 12mECL 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 1: When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

b. 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 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.



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%.

Loan

Commitments: When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment, ECLs are calculated and presented with the loan.

Financial Guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

c. 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.

d. Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.

The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

e. 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
- Unemployment rate
- Central Bank base rates
- Inflation

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.



The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers are experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation default or delinquency in interest or principal payments; and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.2.9 (iii) 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.

3.2.9 (iv) 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.

3.2.9 (v) Write-off of Financial Assets at Amortised Cost

The Company's accounting policy under SLFRS 9 remains the same as it was under LKAS 39. Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, 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.

3.2.9 (vi) Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.



To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

3.2.9 (vii) 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.

3.2.9 (viii) Offsetting Financial Assets and Liabilities

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 LKAS/ SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

3.3.1 Finance Lease

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 a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'Lease Receivable'. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Company is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' and the corresponding liability to the lessor is including 'Other liabilities'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which is not yet effective as at 31st March 2020. The Company intends to adopt these standards, if applicable, when they become effective.

SLFRS 17 Insurance Contracts

SLFRS 17 Insurance Contracts, is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, SLFRS 17 replaces existing SLFRS 4 Insurance contracts. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

SLFRS 17 is effective for reporting periods beginning on or after 1 January 2021. Early application permitted, if the entity is applying SLFRS 16 and SLFRS 15 on or before the date in which it first applies SLFRS17. This standard is not applicable to the Company.



Amendments to LKAS 1 and LKAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

The amendments to the definition of material are not expected to have a significant impact on the Company's Financial Statements.

4. CHANGES IN ACCOUNTING POLICIES

5.1 New Accounting Standards/Interpretations effective during the year

The Company has adopted SLFRS16 - Leases, effective for annual periods beginning on or after 01 January 2019, for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1.1 SLFRS 16 –Leases

SLFRS 16 supersedes LKAS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The Company has lease contracts for various branches. Before the adoption of SLFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 4.2.1 for the accounting policy beginning 1 April 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously classified as finance leases

For leases that were classified as finance leases applying LKAS 17, the carrying amount of the right of use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying LKAS 17. For those leases, the Company accounted for the right of use asset and the lease liability applying this Standard from the date of initial application.

Leases previously accounted for as operating leases



The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
 - Relied on its assessment of whether leases are onerous immediately before the date of initial application
 - Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
 - Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease



6. 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.

	2020 Rs.	2019 Rs.
Interest Income	1,681,678,539	1,433,374,472
Net Fee and Commission Income	29,580,891	24,992,979
Other Operating Income (net)	91,176,343	116,879,440
Total Income	1,802,435,773	1,575,246,892

7. 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

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.

	2020 Rs.	2019 Rs.
7.1 Interest Income		
Loans and Receivables	1,263,494,470	1,179,240,913
Lease Rentals Receivables	357,115,232	191,001,130
Financial Investments	40,686,088	30,326,307
Savings Deposits	1,496,777	4,350,666
Other Financial Assets	18,885,971	28,455,456
Total Interest Income	1,681,678,539	1,433,374,472
7.2 Interest Expenses		
Due to Bank and Other Institution	179,260,061	60,402,155
Due to Customers	546,799,253	546,219,102
Interest Expenses on Lease Creditor	24,057,148	
Total Interest Expenses	750,116,462	606,621,257
Net Interest Income	931,562,077	826,753,216



8. 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.

8.1 Fee and Commission Income	2020 Rs.	2019 Rs.
Credit Related Fees and Commissions	18,702,957	12,745,744
Documentation Charges	25,697,061	28,720,423
Service Charge	10,207,124	924,116
Total Fee and Commission Income	54,607,141	42,390,283
8.2 Fee and Commission Expenses	2020 Rs.	2019 Rs.
Credit Related Fees and Commissions	15,226,578	11,714,192
Documentation Charges	278,571	362,709
Service Charge	9,521,101	5,320,403
Total Fee and Commission Expenses	25,026,250	17,397,304
Total Net Fee and Commission Income	29,580,891	24,992,979

9. 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.

	2020 Rs.	2019 Rs.
Recoveries of Written-Off Loans & Receivables	56,319,546	97,545,842
Profit/(Loss) on Disposal of Property Plant & Equipment	7,832,178	46,464
Reversal of Provision of Loan Risk Assurance Benefit Fund	1,030,125.42	5,585,990
Other Sundry Income (Note 9.1)	25,994,493	13,701,144
Total Other Operating Income	91,176,343	116,879,440

9.1 Other Sundry Income included savings accounts threshold charges, office rent re-imburements, stationery income and other.



Sarvodaya Development Finance Limited
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

10. IMPAIRMENT CHARGES / (REVERSAL) FOR LOANS AND OTHER LOSSES

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 LKAS 9: Financial Instruments. The methodology adopted by the Company is explained in Note 3.2.9 to these Financial Statements.

	2020 Rs.	2019 Rs.
Loans and Receivables Excluding Pawning Advance	43,223,491	61,693,889
Finance Lease Rental Receivables	76,094,285	32,320,280
Total Impairment Charges for Loans and Other Losses	119,317,776	94,014,169

11. 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.

Year ended 31 March	2020 Rs.	2019 Rs.
Salaries and Other Related Expenses	312,413,478	314,570,215
Employer's Contribution to Employees' Provident Fund	23,587,300	23,961,690
Employer's Contribution to Employees' Trust Fund	5,896,825	5,988,236
Gratuity Charge for the Year	10,785,865	8,491,897
Other Staff Related Expenses	4,196,354	4,096,534
Total Personnel Expenses	356,879,823	357,108,571

12. 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.

	2020 Rs.	2019 Rs.
Directors' Emoluments	7,454,305	8,235,417
Auditors Remuneration	2,029,874	2,440,262
Professional and Legal Expenses	2,274,528	950,352
Deposit Insurance Premium	6,898,474	6,717,039
General Insurance Expenses	4,420,263	3,758,520
Office Administration and Establishment Expenses	201,765,609	196,875,369
Travelling & Transport Expenses	35,978,600	28,818,535
Other Expenses	5,218,327	10,961,711
Marketing and Promotional Expenses	24,262,806	43,888,651
Total Other Operating Expenses	290,302,786	302,645,855

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.



13. 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 value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation computed on prescribed rates and emoluments payable to employees and provision relating to terminal benefits.

VAT rate applied for the financial year ended 31 March 2020 was 15%.

Nations Building Tax (NBT) on Financial Services

As per provisions of the Nations Building Tax Act (NBT) Act No. 9 of 2009 and amendments thereto, NBT was payable at 2 percent on Company's value additions attributable to financial services with effect from 1st January 2014. The value addition attributable to financial service is same as the value using to calculate VAT on financial services.

As per the notice published by the Department of Inland Revenue dated 29th November 2019, Nations Building Tax (NBT) on Financial Services has been abolished with effect from 01 January 2020.

Debt Repayment Levy

As per the provisions of the Finance Act No.35 of 2018, Debt repayment levy has been imposed for a limited period from 01 October 2018 to 31 December 2021.

A levy of 7% is charged monthly on the value addition attributable to the supply of financial services as specified in section 36 of Finance Act No. 35 of 2018 along with section 25C of the Value Added Tax (VAT) Act No. 14 of 2002.

As per the notice published by the Department of Inland Revenue dated 20th January 2020, Debt Repayment Levy has been abolished with effect from 01 January 2020

	2020 Rs.	2019 Rs.
Value Added Tax on Financial Services	70,959,752	61,970,225
National Building Tax on Financial Services	6,082,516	8,262,696
Debit Repayment Lavvy	30,980,285	17,527,134
Total Tax on Financial Services	108,022,553	87,760,056

14. 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 years.

Deferred Taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 32 to the financial statements.

The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. The regulatory income tax rate for the first 9 months period was 28% and it was changed as 24% with effect from 1 January 2020 (2019 - 28%).

The components of the income tax expense for the years ended 31 March 2020 and 2019 are:

	2020 Rs.	2019 Rs.
Income Taxation		
Taxation based on Profits for the Year (Note 14.1)	19,554,842	-
(Over) / Under Provision in Respect of 2014/15	3,862,469	-
(Over) / Under Provision in Respect of 2015/16	3,182,917	-
(Over) / Under Provision in Respect of 2017/18	-	1,550,102
Deferred Taxation		
Transfers to/(from) Deferred Taxation (Note 34.2)	(4,249,013)	26,190,291
Total Tax Expenses	22,351,216	27,740,393



14. INCOME TAX EXPENSES (Contd...)**14.1 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 are as follows.

	2020 Rs.	2019 Rs.
Profit Before Tax	124,067,558	68,956,644
Add: Disallowable Expenses	264,584,242	233,883,316
Taxable Loss on Leasing Business	(8,737,906)	(6,294,331)
Adjustment on SLFRS 16	8,778,731	-
Less: Tax Deductible Expenses	(135,464,188)	(141,138,023)
Disallowable Income	(92,679,503)	(19,648,652)
Adjusted Profit / (Loss) for Tax Purposes	160,548,934	135,758,955
Assessable Income	160,548,934	135,758,955
Less - Allowable Losses	(88,123,592)	(135,758,955)
Taxable Income	72,425,342	-
Income Tax @ 28%	15,209,322	-
Income Tax @ 24%	4,345,521	-
Income Tax on Current Year's Profit	19,554,842	-

14.2 (Over) / Under Provision in Respect of Y/As 2014/15 and 2015/16

The Company recorded an income tax under provision Rs 3,862,469/- and Rs 3,182,917 in respect of the years 2014/15 and 2015/16. This under provision arose a result of finalizing two tax assessment.

15. 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':

	2020 Rs.	2019 Rs.
Amount used as the numerator		
Profit attributed to ordinary shareholders (Rs)	101,716,342	41,216,251
Amount used as the denominator		
Weighted average number of ordinary shares as at the date of the Statement of Financial Position for basic EPS calculation	67,500,006	67,500,006
Weighted average basic Earnings per Share (Rs.)	1.51	0.61



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

16. DIVIDEND PAID AND PROPOSED

The Board of Directors did not recommend distribution of dividend for the year ended 31 March 2020 and 2019.

17. 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 Significant 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.

17.1 Analysis of Financial Instruments by Measurement Basis

	2020 Amortised Cost Rs.	Total Rs.	2019 Amortised Cost Rs.	Total Rs.
Financial Assets				
Cash and Cash Equivalents	73,226,394	73,226,394	140,902,916	140,902,916
Loans and Receivables	5,230,704,947	5,230,704,947	5,113,657,129	5,113,657,129
Lease Rentals Receivables	1,702,847,496	1,702,847,496	1,102,513,124	1,102,513,124
Financial Investments	444,939,031	444,939,031	442,595,260	442,595,260
Other Financial Assets	164,535,666	164,535,666	189,276,648	189,276,648
Total Financial Assets	7,616,253,533	7,616,253,533	6,988,945,076	6,988,945,076
Financial Liabilities				
Due to Banks and Other Institutions	1,595,035,613	1,595,035,613	835,873,973	835,873,973
Due to Customers	5,101,975,953	5,101,975,953	5,385,341,597	5,385,341,597
Total Financial Liabilities	6,697,011,566	6,697,011,566	6,221,215,570	6,221,215,570

18. 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.

Year ended 31 March	2020 Rs.	2019 Rs.
Cash in Hand	34,089,998	44,382,608
Balances with Banks	39,136,396	96,520,308
Total Cash and Cash Equivalents	73,226,394	140,902,916

18.1 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.

Favorable Cash & Cash Equivalents (Note 18)	73,226,394	140,902,916
Unfavorable Cash & Cash Equivalents (Note 28)	(208,580,540)	(41,574,583)
Cash & Cash Equivalents for Cash Flow Purposes	(135,354,146)	99,328,333



19. 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 amortisation is included in 'interest income' in the statement of comprehensive income. The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of comprehensive income.

	2020 Rs.	2019 Rs.
Gross Loan and Receivables	5,523,994,556	5,363,723,248
Less : Allowance for Impairment Charges for Loans and Receivables (Note 19.2)	(293,289,609)	(250,066,119)
Net Loans and Receivables	5,230,704,947	5,113,657,129

19.1 Analysis of loans and receivables on maximum exposure to credit risk

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Collective Impaired loans and receivables	3,206,499,229	830,138,581	1,487,356,746	5,523,994,556
Gross Loan and Receivable	3,206,499,229	830,138,581	1,487,356,746	5,523,994,556
Allowance for expected credit losses(ECL)	(58,248,938)	(41,976,964)	(193,063,707)	(293,289,609)
	3,148,250,291	788,161,617	1,294,293,039	5,230,704,947

19.2 The Impact on COVID 19- Impairment of Financial Assets - Expected Credit Loss calculation

The Company considered the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA) computed as at February 29, 2020, in order to estimate the Expected Credit Loss (ECL) as at March 31, 2020, as there were no sufficient information available to make any adjustments to capture the impact of COVID 19. However, the Company increased weightage assigned for worst case scenario from base case scenario when assessing the probability weighted forward looking macro-economic indicators. Further, Company considered the staging as at February 29, 2020 based on Days Past Due(DPD) prevailed as at that date.



Sarvodaya Development Finance Limited
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Year ended 31 March 2020

19. LOANS AND RECEIVABLES (Contd...)

19.2 Allowance for Impairment Charges for Loans and Receivables

Reversal 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 financial asset impairment allowance account accordingly. The write-back is recognised in the statement of comprehensive income.

Year ended 31 March	2020 Rs.	2019 Rs.
Allowance for Impairment Losses on Loans & Receivables		
Balance as at Being of the Year	250,066,119	142,951,114
Impact of adopting SLFRS 9 as at 1 April 2019	-	45,788,865
	250,066,119	188,739,979
Charge for the Year	43,223,490	61,326,139
Amounts Written Off	-	-
Balance as at End of the Year	293,289,609	250,066,119
Individual Impairment	-	-
Collective Impairment	293,289,609	250,066,119
Total	293,289,609	250,066,119

19.3 Movement in allowance for expected credit losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2019	82,088,713	30,911,399	137,066,006	250,066,119
Charge/ (Reversal) to income statement	(23,839,775)	11,065,565	55,997,701	43,223,490
Write-off during the year	-	-	-	-
Balance as at 31st March 2020	58,248,938	41,976,964	193,063,707	293,289,609

20. 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

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 amortisation is included in 'interest income' in the statement of Profit or Loss. The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of Profit



20. LEASE RENTALS RECEIVABLE (Contd...)	2020 Rs.	2019 Rs.
20.1 Lease Rentals Receivable		
Gross Lease Rentals Receivables	2,635,271,050	1,645,200,014
Less: Unearned Income	(802,192,592)	(488,412,414)
Total Lease Rentals Receivables	1,833,078,458	1,156,787,600
(Less): Allowance for Impairment Charges (Note 20.5)	(130,230,964)	(54,274,476)
Net Lease Rentals Receivables	1,702,847,496	1,102,513,124

20.2 Analysis of loans and receivables on maximum exposure to credit risk	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Collective Impaired loans and receivables	994,966,920	502,844,238	335,267,300	1,833,078,458
Less - Allowance for expected credit losses (ECL)	(17,990,868)	(28,179,267)	(84,060,828)	(130,230,964)
	976,976,052	474,664,971	251,206,471	1,702,847,496

20.3 Maturity of Lease Rentals Receivables	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
As at 31 March 2020				
Gross Lease Rental Receivables	393,833,875	1,251,366,140	-	2,635,271,050
Less: Unearned Income	(210,058,973)	(278,353,441)	-	(802,192,592)
Total Lease Rental Receivables	363,889,839	1,427,637,422	-	1,833,078,458
(Less): Allowance for Impairment Charges (Note 20.5)	(70,341,185)	(59,889,778)	-	(130,230,964)
Net Lease Rentals Receivables	293,548,654	1,367,747,643	-	1,702,847,496

20.4 Maturity of Lease Rentals Receivables	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
As at 31 March 2019				
Gross Lease Rental Receivables	393,833,875	1,251,366,140	-	1,645,200,015
Less: Unearned Income	(210,058,973)	(278,353,441)	-	(488,412,414)
Total Lease Rental Receivables	183,774,902	973,012,699	-	1,156,787,601
(Less): Allowance for Impairment Charges (Note 20.5)	-	(54,274,476)	-	(54,274,476)
Net Lease Rentals Receivables	183,774,902	918,738,223	-	1,102,513,124



20. LEASE RENTALS RECEIVABLE (Contd...)

20.5 Allowance for Impairment Charges for Lease Rentals Receivable

Accounting Policy

The accounting policy used in calculating impairment charge is fully described under Note 3.2.9.

	2020 Rs.	2019 Rs.
Balance as at beginning of the Year	54,274,476	6,350,973
Impact of adopting SLFRS 9 as at 1 April 2019	-	15,603,224
	54,274,476	21,954,197
Charge / (Reversal) for the year	75,956,488	32,320,280
Balance as at End of the Year	130,230,964	54,274,476
Individual Impairment	-	-
Collective Impairment	130,230,964	54,274,476
Total	130,230,964	54,274,476

20.6 Movement in allowance for expected credit losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2019	12,684,971	14,092,112	27,497,393	54,274,476
Charge/ (Reversal) to income statement	5,305,897	14,087,154	56,563,436	75,956,487
Write-off during the year	-	-	-	-
Balance as at 31st March 2020	17,990,868	28,179,267	84,060,828	130,230,964

21. 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. The amortization is included in interest income in the Statement of Profit or Loss.

	2020 Rs.	2019 Rs.
Sri Lanka Government Securities - REPO	444,939,031	442,595,260
Total Financial Investments	444,939,031	442,595,260

22. OTHER FINANCIAL ASSETS

Accounting Policy

Financial investments include Fixed Deposit. After initial measurement, these are subsequently measured at amortized cost using the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

	2020 Rs.	2019 Rs.
Fixed Deposits	164,535,666	189,276,648
Total Other Financial Assets	164,535,666	189,276,648

22.1 Contractual Maturity Analysis of Other Financial Assets

	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	164,535,666	-	-	164,535,666
Total Other Financial Assets	164,535,666	-	-	164,535,666



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.

	2020 Rs.	2019 Rs.
Inventories	3,562,565	7,808,584
Other Advance	14,575,770	2,056,535
Rent Deposit	17,581,500	31,800,517
Other Receivable	106,324,121	102,758,664
Total Other Non Financial Assets	142,043,956	144,424,300

Amounts Receivable from Government

Other receivable includes Amounts Receivable from Government Rs 33,624,587/- As per signed MOU between SDF and Ministry of Finance and Mass Media under "Special debit relief for Microfinance Loan granted to women in drought affected Districts".

24. 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.

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.

24.1 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 2020 and 2019 is given below.

Computer software	3 Years
Computer software - E-Finance	5 Years

Intangible assets are derecognized 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 derecognized.



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Year ended 31 March 2020

24. INTANGIBLE ASSETS (Contd...)	2020 Rs.	2019 Rs.
24.2 Computer Software		
<i>Cost</i>		
Cost as at begging of the year	58,009,845	53,084,205
Additions and Improvements	1,388,891	4,925,640
Disposal during the year	-	-
Cost as at end of the year	59,398,736	58,009,845
<i>Amortisation & Impairment</i>		
Amortisation as at begging of the year	31,001,716	17,949,845
Charge for the year	13,285,897	13,051,870
Disposal during the year	-	-
Amortisation as at end of the year	44,287,613	31,001,716
Net book value as at end of the year	15,111,123	27,008,129
Net book value of total intangible assets	15,111,123	27,008,129

25. INVESTEMENT 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. 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.

	2020 Rs.	2019 Rs.
Balance as at 1 April	118,594,500	-
Transfer from during the year	7,500,000	118,594,500
Gain from fair value adjustment	-	
Balance as at 31 March	126,094,500	118,594,500



26. PROPERTY, PLANT & EQUIPMENT**Accounting Policies****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 derecognized 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 derecognized.

Useful Life Time of Property, Plant & 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

The estimated useful lives of the assets for the year ended 31 March 2020 and 2019, 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.



26. PROPERTY, PLANT & EQUIPMENT (Contd...)

26.1 The Movement in Property, Plant & Equipment

	Balance As at 01.04.2019 Rs.	Additions during the year Rs.	Adjustments on Revaluation Rs.	Disposals during the year Rs.	Balance As at 31.03.2020 Rs.
26.1.1 Cost or Valuation					
Freehold Assets					
Land	25,550,000	-	(7,500,000)	-	18,050,000
Furniture & Fittings	98,249,035	2,667,813	-	123,459	100,793,390
Office Equipment	60,212,608	10,522,363	-	91,483	70,643,488
Computer Equipment	80,565,796	248,933	-	-	80,814,729
Plant & Machinery	40,356,954	521,078	-	157,251	40,720,781
Motor Vehicle	43,328,322	9,775,000	-	10,350,000	42,753,322
Total cost or valuation	348,262,715	23,735,187	(7,500,000)	10,722,193	353,775,709

	Balance As at 01.04.2019 Rs.	Charge during the year Rs.	Adjustments on Revaluation Rs.	Disposals during the year Rs.	Balance As at 31.03.2020 Rs.
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26.1.2 Depreciation

Freehold Assets					
Building	-	-	-	-	-
Furniture & Fittings	34,070,685	9,963,952	-	(78,673)	43,956,994
Office Equipment	41,791,824	8,393,975	-	(57,469)	50,128,330
Computer Equipment	60,254,673	9,980,412	-	-	70,233,944
Plant & Machinery	15,002,689	5,073,861	-	(150,709)	19,925,842
Motor Vehicle	26,290,625	7,030,719	-	(10,058,784)	23,262,559
Total Depreciation	177,410,496	40,442,919	-	(10,345,634)	207,507,669

	2020 Rs.	2019 Rs.
26.1.3 Net Book Value		
Land	18,050,000	25,550,000
Furniture & Fittings	56,836,396	64,178,350
Office Equipment	20,515,157	18,420,784
Computer Equipment	10,580,785	20,311,123
Plant & Machinery	20,794,939	25,354,265
Motor Vehicle	19,490,763	17,037,697
Total Carrying Amount of Property, Plant and Equipment	146,268,040	170,852,219

26.1.4 Property, Plant & Equipments Acquired During the Financial Year

During the financial year, the Company acquired property, plant & equipments to the aggregate value of Rs. 23,735,187/- (2019 - Rs. 23,965,355/-) Cash payment amounting to Rs. 23,735,187/- (2019 - Rs 23,965,355) was paid during the year for purchase of property, plant & equipment.

26.1.5 Fully-depreciated property, plant & equipment

The initial cost of fully-depreciated property, plant & equipment, which are still in active use as at reporting date is Rs. 82,452,109/-. (2019 - Rs. 51,346,941/-)



26. PROPERTY, PLANT & EQUIPMENT (Contd...)

26.2 Fair value related disclosures of Freehold land

Freehold land and building located at No 45, Rawathawatta Road, Moratuwa is carried at the revalued amount, being the fair value at the valuation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The independent valuers provide the fair value of land and buildings once in three years or more frequently if the fair values are substantially different from carrying amounts according to the Company policy.

Therefore the fair value exist in the recent valuation (31 March 2020) which was carried out by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard-SLFRS 13 (Fair Value Measurement) less subsequent accumulated depreciation and impairment losses considered as the fair value exist as at the reporting date (31 March 2020). Accordingly, there were no any changed in valuation as at 31 March 2020.

26.3 Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of Property, Plant and Equipment as at 31 March 2020 and 31 March 2019.

26.4 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. (2019: Nil)

26.5 Temporarily Idle of Property, Plant and Equipment

There were no Property, Plant and Equipment idle as at 31 March 2020 and 31 March 2019.

26.6 Property, Plant and Equipment Retired from Active Use

There were no Property, Plant and Equipment retired from active use as at 31 March 2020 and 31 March 2019.

27. RIGHT-OF-USE ASSETS

Cost	2020 Rs.	2019 Rs.
Effect of adoption of SLFRS 16 as at 01 April 2019	188,564,089	-
Opening Balance of Advance Payment for the Right-of-Use Assets as at 01 April 2019	17,744,017	-
Rent Payable Under LKAS 17 as at 01 April 2019	(1,748,000)	-
Adjusted Balance as at beginning of the year	204,560,106	-
Additions during the year	29,914,134	-
Balance as at end of the Year	234,374,877	-
Accumulated Depreciation		
Balance as at beginning of the year		
Charges for the year	64,930,508	-
Balance as at end of the year	64,930,508	-
Carring Amount as at end of the Year	169,444,369	-



28. DUE TO BANKS & 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. Interest paid/payable on these dues are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

	2020 Rs.	2019 Rs.
Bank Overdrafts (Note 28.1)	208,580,540	41,574,583
Loans and Other Bank Facilities (Note 28.2)	1,374,276,405	793,558,872
Interest Payable on Bank Facilities	12,178,668	740,518
Total Due to Banks & Other Institution	1,595,035,613	835,873,973

28.1 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 Rs. 59,031,301 /- as at 31 March 2020 (2019 - Rs. 634,857/-).

	As at 01.04.2019 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2020 Rs.
28.2 Loans and Other Bank Facilities				
NDB Vehicle Loan	1,963,729	-	(1,963,729)	-
NDB Term Loan	510,000,000	375,000,000	(175,000,000)	710,000,000
HNB Term Loan	262,500,000	300,000,000	(225,000,000)	337,500,000
SDB Term Loan	-	300,000,000	-	300,000,000
Rotary Loan	13,133,193	15,494,489	(7,813,227)	20,814,455
Other Borrowings	5,961,950	-	-	5,961,950
Total Loans and Other Bank Facilities	793,558,872	990,494,489	(409,776,956)	1,374,276,405

28.3 Contractual Maturity Analysis of Due to Bank & Other Institution

	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
As at 31 March 2020				
NDB Vehicle Loan	1,963,729	-	-	1,963,729
NDB Term Loan	240,000,000	470,000,000	-	710,000,000
HNB Term Loan	225,000,000	112,500,000	-	337,500,000
SDB Term Loan	200,000,000	100,000,000	-	300,000,000
Rotary Loan	7,819,261	12,995,194	-	20,814,455
Other Borrowings	-	-	5,961,950	5,961,950
Bank Overdrafts	208,580,540	-	-	208,580,540
Interest Payable on Bank Facilities	12,178,668	-	-	12,178,668
Total Due to Customers	895,542,198	695,495,194	5,961,950	1,596,999,342

	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
As at 31 March 2019				
NDB Vehicle Loan	1,963,729	-	-	1,963,729
NDB Term Loan	120,000,000	390,000,000	-	510,000,000
HNB Term Loan	75,000,000	187,500,000	-	262,500,000
Rotary Loan	6,705,625	6,427,568	-	13,133,193
Other Borrowings	-	-	5,961,950	5,961,950
Bank Overdrafts	41,574,583	-	-	41,574,583
Total Due to Customers	245,243,937	583,927,568	5,961,950	835,133,455



29. DUE TO CUSTOMERS

Accounting Policies

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. Interest paid/payable on deposits are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

	2020 Rs.	2019 Rs.
Fixed Deposits	3,565,672,847	3,824,280,592
Savings Deposits	1,536,303,106	1,559,656,229
Inactive Society-Savings	-	1,404,776
Total Due to Customers	5,101,975,953	5,385,341,597

29.1 Sri Lanka Deposit Insurance And Liquidity Support Scheme

Under the Direction No. 2 of 2010 Finance Companies (Insurance of Deposit Liabilities) 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 Monetary Board for compensation up to a maximum of Rs. 600,000/- for each depositor. The Company has paid Rs. 6,898,474/- as the premium of the said Insurance scheme during the financial year under review (2019 - Rs. 6,717,039/-

29.2 Contractual Maturity Analysis Of Customer Deposits

	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
As at 31 March 2020				
Fixed Deposits	2,467,672,652	1,098,000,195	-	3,565,672,847
Savings Deposits	1,306,513,761	135,226,451	94,562,895	1,536,303,106
Inactive Society-Savings	-	-	-	-
Total Due to Customers	3,774,186,413	1,233,226,646	94,562,895	5,101,975,953
As at 31 March 2019				
Fixed Deposits	2,610,234,242	1,214,046,350	-	3,824,280,592
Savings Deposits	1,313,210,490	140,250,188	106,195,551	1,559,656,229
Inactive Society-Savings	1,404,776	-	-	1,404,776
Total Due to Customers	3,924,849,508	1,354,296,539	106,195,551	5,385,341,597

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.

30. 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 Shareholders. 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'.



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30. OTHER NON FINANCIAL LIABILITIES (Contd...)	2020 Rs.	2019 Rs.
Accrued Expenses	37,440,102	36,656,739
Others (Note 30.1)	59,712,891	35,318,653
Loan Risk Assurance Fund (Note 30.2)	1,830,000	2,490,000
Amount Due to Related Parties	237,594	5,202,583
	99,220,587	79,667,975

30.1 This balance included staff welfare fund, unidentified deposit, loan sundry charges payable and WHT collections.

30.2 The Company obtained an actuarial valuation on its 'Loan Risk Assurance Fund' as at 31st March 2020. The actuarial valuation was performed by Piyal S Goonetilleke and Associates, Professional Actuary. The reversal of provision that resulted from the actuarial valuation has been recognised as income under 'Other Operating Income'. All loan customers who enrolled with this assurance program will be eligible for total payment of the outstanding loan amounts at the time of death or total disability. The actuarial valuation will serve as the basis for calculating the liability adequate for covering the outstanding loan balances of customers (with a loan less than or equaling Rs.250,000/-) in the event of a participant death or a total disability.

31. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Accounting Policy

Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity

The costs of retirement gratuities are determined by a qualified actuary using projected unit credit actuarial cost method. Actuarial gains and losses are recognized as income or expense in other comprehensive income during the financial year in which it arises.

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.

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 occurs.

31.1 Provision for Retirement Gratuity	2020 Rs.	2019 Rs.
Balance at the beginning of the year	27,212,065	26,415,691
Amount Charged for the Year	10,733,365	8,491,897
Actuarial (Gains)/Losses	2,062,826	(5,548)
(Gain)/Loss Due to Changes in Assumptions	4,302,064	(930,725)
Payments Made During the Year	(10,557,304)	(6,759,250)
Balance at the End of the Year	33,753,016	27,212,065

31.2 Expenses on Defined Benefit Plan	2020 Rs.	2019 Rs.
Current Service Cost for the Year	7,628,469	5,571,046
Interest Cost for the Year	3,104,896	2,920,851
Actuarial (Gains)/ Losses (31.5)	2,062,826	(5,548)
(Gains)/ Losses Due to Changes in Assumptions	4,302,064	(930,725)
Total Expenses on Defined Benefit Plan	17,098,255	7,555,624



31. POST-EMPLOYEMENT BENEFIT OBLIGATIONS (Contd...)

31.3 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 2020 and 2019 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'.

	2020	2019
31.4 Actuarial Assumptions		
Discount Rate	9.7%	11.4%
Salary scale	10.0%	10.0%
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	9.5 Years	10 Years
Mortality	GA 1983 Mortality Table	
Disability	Long Term 1987 Soc. Sec. Table.	
Retirement age	Retirement age of 55 Years	

31.5 Actuarial Gains and Losses

As per actuarial valuation, actuarial gain and loss has arisen during the year because of change in Discount rate.

31.6 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 2020.

	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 Rs.	Sensitivity Effect on Pension Fund Surplus Increase / (decrease) Rs.
	+1%		(2,664,242)	2,664,242
	(-1%)		3,067,263	(3,067,263)
		+1%	2,932,224	(2,932,224)
		(-1%)	(2,600,423)	2,600,423



32. CURRENT TAX LIABILITIES	2020 Rs.	2019 Rs.
Balance as at 1st April	14,768,247	11,051,013
Add - Trafered duing the year	-	16,642,435
Less: Tax paid	(18,131,413)	(721,048)
Adjustment (ESC/WHT/Notional Tax etc.)	(7,804,616)	(13,754,255)
Provision for the year	26,600,229	1,550,102
Balance as at 31st March	15,432,447	14,768,247

33 LEASE CREDITOR

Balance as at 1 April 2019	204,560,106	-
Additions	29,914,134	-
Interest Expenses	24,057,148	-
Payments	(86,796,291)	-
Balance as at end of the Year	171,735,097	-

34. 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 recognized 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 recognized 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 utilized 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 recognized, 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 utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 realized 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.



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34. DEFERRED TAXATION (Cond...)

34.1 Statement of Financial Position
 Year ended 31 March

	2020 Rs.	2019 Rs.
Deferred Tax Liabilities		
Accelerated depreciation for tax purposes	24,288,306	29,273,316
Finance leases	16,476,201	20,268,031
Right-of Use Assets	3,735,087	-
Total Deferred Tax Liabilities	41,810,331	49,541,347
Deferred Tax Assets		
Defined benefit plans - Profit or loss	9,450,844	7,619,378
Carry forward losses	-	11,713,222
Impairment Provision	29,975,947	21,794,026
Total Deferred Tax Assets	39,426,792	41,126,626
Net Deferred Tax Liabilities/(Assets)	2,383,540	8,414,722

34.2 Statement of Profit or Loss
 Year ended 31 March

	2020 Rs.	2019 Rs.
Deferred Tax Liabilities		
Revaluation Reserve	-	532,198
Accelerated depreciation for tax purposes	(4,985,010)	(5,420,630)
Finance leases	(3,791,831)	(2,525,633)
Lease Creditor	1,045,824	-
Deferred Tax Income/(Expense)	(7,731,017)	(7,414,065)
Deferred Tax Assets		
Defined benefit plans - Profit or loss	(3,613,635)	(1,712,754)
Defined benefit plans - Other comprehensive income	1,782,169	1,489,769
Carry forwarded Impairment Expenses	11,713,222	7,517,605
Carry forward Loss on other operations	(8,181,922)	27,254,065
Deferred expenses to be claimed in income tax liability of future years	-	(149,975)
Deferred Tax Income/(Expense)	1,699,834	34,398,710
Net Deferred Tax Income/(Expense) - Statement of profit or loss	(4,249,013)	26,190,291
Net Deferred Tax Income/(Expense) - Statement of Other comprehensive income	1,782,169	(794,354)



Sarvodaya Development Finance Limited
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	Number of Shares	2020 Rs.	Number of Shares	2019 Rs.
35. STATED CAPITAL				
Issued and Fully Paid-Ordinary shares				
At the beginning of the year	67,500,006	890,000,020	67,500,006	890,000,020
Issued during the year	-	-	-	-
At the end of the year	67,500,006	890,000,020	67,500,006	890,000,020

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.

All shares rank equally with regard to the Company's residual assets.

	2020 Rs.	2019 Rs.
36. RETAINED EARNINGS		
Balance as at beginning of the Year	118,686,006	160,561,930
Impact of adopting SLFRS 9 as at 1 April 2018	-	(39,748,039)
	118,686,006	120,813,891
Profit for the Year	101,716,342	41,216,251
Other Comprehensive Income	(4,582,721)	674,117
Transfer to Statutory Reserves Fund	(20,343,268)	(8,243,250)
Dividend Paid	-	(35,775,003)
Balance as at end of the Year	195,476,359	118,686,006

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.

37. RESERVES

37.1 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%.

37.2 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 Rs.	Revaluation Reserve Rs.	Total Rs.
As at 01 April 2018	38,819,607	41,428,252	80,247,859
Transfers to/(from) during the year	8,243,250	-	8,243,250
Revaluation of Land & Building	-	1,368,509	1,368,509
As at 31 March 2019	47,062,857	42,796,761	89,859,618
Transfers to/(from) during the year	20,343,268	-	20,343,268
Revaluation of Land & Building	-	-	-
As at 31 March 2020	67,406,125	42,796,761	110,202,886



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38. 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.

	2020 Within 12 Months Rs.	2020 After 12 Months Rs.	2020 Total Rs.
Assets			
Cash and Cash Equivalents	73,226,394	-	73,226,394
Loans and Receivables	2,491,331,763	2,739,373,184	5,230,704,947
Lease Rentals Receivables	546,437,643	1,156,409,853	1,702,847,496
Financial Investments	444,939,030	-	444,939,031
Other Financial Assets	164,535,666	-	164,535,666
Other Non Financial Assets	79,490,760	62,553,196	142,043,956
Intangible Assets	-	15,111,123	15,111,123
Investment Property	-	126,094,500	126,094,500
Property, Plant and Equipment	-	146,268,040	146,268,040
Right-of-Use Assets	-	169,444,369	169,444,369
Total Assets	3,799,961,256	4,415,254,264	8,215,215,520
Liabilities			
Due to Banks and Other Institutions	893,578,469	701,457,144	1,595,035,613
Due to Customers	3,774,186,413	1,327,789,541	5,101,975,953
Other Non Financial Liabilities	45,097,684	54,122,903	99,220,587
Post Employment Benefit Liability	-	33,753,016	33,753,016
Current Tax Liabilities	15,432,447	-	15,432,447
Lease Creditor	-	-	171,735,097
Deferred Tax Liabilities	-	2,383,540	2,383,540
Total Liabilities	4,728,295,013	2,119,506,143	7,019,536,253
Net Assets/(Liability)	(928,333,757)	2,295,748,121	1,195,679,267

	2019 With in 12 Months Rs.	2019 After 12 Months Rs.	2019 Total Rs.
Assets			
Cash and Cash Equivalents	140,902,916	-	140,902,916
Loans and Receivables	2,386,305,386	2,727,351,743	5,113,657,129
Lease Rental Receivable	339,559,398	762,953,726	1,102,513,124
Financial Investments	442,595,260	-	442,595,260
Other Financial Assets	189,276,648	-	189,276,648
Other Non Financial Assets	79,490,760	64,933,540	144,424,300
Intangible Assets	-	27,008,129	27,008,129
Investment Property	-	118,594,500	118,594,500
Property, Plant and Equipment	-	170,852,219	170,852,219
Total Assets	3,578,130,368	3,871,693,856	7,449,824,224
Liabilities			
Due to Banks	245,984,455	589,889,518	835,873,973
Due to Customers	3,925,060,074	1,460,281,523	5,385,341,597
Other Non Financial Liabilities	44,357,166	35,310,809	79,667,975
Post Employment Benefit Liability	-	27,212,065	27,212,065
Current Tax Liabilities	14,768,247	-	14,768,247
Deferred Tax Liabilities	-	8,414,722	8,414,722
Total Liabilities	4,230,169,943	2,121,108,637	6,351,278,580
Net Assets/(Liability)	(652,039,575)	1,750,585,219	1,098,545,644



39. 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.

39.1 Contingent Liabilities	2020	2019
	Rs.	Rs.
Guarantees issues to other institution	4,225,000	-
Total contingent Liabilities	4,225,000	-

39.2 Commitments

The Company did not have significant capital commitments as at the Statement of Financial Position date.

39.3 Litigation Against the Company	2020	2019
	Rs.	Rs.
Cases pending against the Company	5,140,100	6,940,000
Total contingent Liabilities	5,140,100	6,940,000

Company did not have any significant contingent liabilities which requires disclosures in the Financial Statements of the Company as at the Statement of Financial Position date.

40. ASSETS PLEDGE

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2020	2019	
		Rs.	Rs.	
Rental receivable on Micro Business and Bank Overdraft Personal Loan		325,043,547	526,581,515	Loans and Receivables
Rental receivable on SME Loan	Bank Overdraft	-	82,052,807	Loans and Receivables
Rental receivable on SME Loan	Term Loan	1,098,333,229	896,372,078	Loans and Receivables
Rental receivable on Lease	Term Loan	453,579,866	475,067,552	Lease Rental Receivable
		1,876,956,643	1,980,073,952	

41. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.



42. 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,

42.1 Transactions with Key Managerial Personnel (KMPs)

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.

42.1.1 Key Management Personnel Compensation	2020 Rs.	2019 Rs.
Short Term Employment Benefits	6,317,600	5,373,904
Directors Fees & Expenses	7,454,305	8,235,417
Total Key Management Personnel Compensation	13,771,905	13,609,321

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.

42.1.2 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.

42.1.2.1 Transaction with KMPs, and their Close Members of the Family	2020 Rs.	2019 Rs.
Items in Statement of Financial Position		
Deposit accept during the year	585,000	563,231
Deposit repayment during the year	(979,547)	(11,052,631)
	(394,547)	(10,489,400)
Items in Statement of Profit or Loss		
Interest accrued during the period	18,812	156,236
	18,812	156,236

42.1.3 Transaction, arrangements and agreements involving Entities which are controlled, and/or jointly controlled by the KMPs and their CFMs or Shareholders

No transactions were there as of Statement of Financial Position date to be disclosed in the Financial Statements.



42. RELATED PARTY TRANSACTIONS (Contd...)

42.1.4 Transactions with Group Entities

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

42.1.4.1 Transactions with Parent Company Sarvodaya Economic Enterprises Development (Gte) Ltd.	2020 Rs.	2019 Rs.
Statement of Financial Position		
Transaction Made During the Year		
Loan Interest Payable	-	-
Interest Accrued during the Year	-	407,778
Loan Interest Paid during the Year	(1,866,840)	(62,191)
Deposit withdrawal during the year	2,000,000	-
	133,160	345,587

42.1.4.2 Transactions with Shareholders
Gentosa Total Assets Inc.

	2020 Rs.	2019 Rs.
Items in Statement of Financial Position		
Deposit Accepted during the period including interest capitalisation	52,796,499	144,496,500
Interest payable on Deposits	2,537,231	305,622
	55,333,730	144,802,122
Items in Statement of Profit or Loss		
Interest Accrued During the Period	16,740,033	21,347,878
	16,740,033	21,347,878

43. 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. In terms of Section 2.1 of Finance Business Act Direction No. 02 of 2017 – Minimum Core Capital, a cap of Rs. 5.5 Bn on total deposits including accrued interest has been imposed by the Central Bank of Sri Lanka.

43.1 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.

44. COMPARATIVE INFORMATION

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year.

	As Reported Previously Rs.	Reclassification Rs.	Current Presentation Rs.	Current Classification
Statement of Financial Position				
Due to Banks and Other Institutions	835,133,455	740,518	835,873,973	Due to Banks and Other Institutions
Other Non Financial Liabilities	80,408,493	(740,518)	79,667,975	Other Non Financial Liabilities

- (a) During the financial year, interest payable on Bank and Other Borrowings was reclassified under Due to Bank and Other Institutions for better presentation.



45. RISK MANAGEMENT

45.1 Introduction

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company. The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

Risk Management Framework

At Sarvodaya Development Finance Company the management of risk plays a pivotal part in all its business activities. The identification, evaluation, measurement, mitigation, monitoring and reporting of risks associated with products, processes, systems and services of Sarvodaya Development Finance Company is an integral part that forms the scope of risk management when fulfilling requirements of its customers and counterparties.

The risk management function of Sarvodaya Development Finance Company comes under the purview of the Director of Non Bank Supervision and the Integrated Risk Management Committee (IRMC) where its independence from the business lines. In the course of its business activities, Sarvodaya Development Finance Company is constantly exposed to risks that include but are not limited to Credit Risk, Liquidity Risk and Operational Risk.

Sarvodaya Development Finance Company 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 risk management function strives therefore to manage the integrated risks by developing a companywide risk appetite and measures and controls to ensure that the risk taken is within the set limits.

Sarvodaya Development Finance Company has put in place structures and processes to address these risks which are vested to departmental heads. Additionally the company has an IRMC which carry out independent risk evaluations both qualitative and quantitative and the results are shared with Management of Sarvodaya Development Finance Company as well as the members of the Board of Directors.

Three Lines of Defense

In achieving its goals, Sarvodaya Development Finance Company deploys risk management and internal control structure referred to as the 'three lines of defense', where in roles between the line management, risk management and inspection /audit are segregated.

Risk Profile Dashboard

Sarvodaya Development Finance Company has established policy parameters on tolerance limits on a number of identified key risk indicators. These encompass compliance with CBSL and other regulatory frameworks. Credit Risk aspects are evaluated through numerous types of concentrations and asset quality levels whereas Market Risk aspects focus on liquidity and interest rate. Operational Risk aspects focus on major risk types developed under the Risk Control Self Assessment (RCSA) exercise. The desired level under each indicator is being monitored against achievement on a regular basis to provide a clear perspective of the risk profile of the Sarvodaya Development Finance Company.



45. RISK MANAGEMENT (Contd...)

45.1 Introduction (Contd..)

Sarvodaya Development Finance Company's Risk Appetite Framework

Within a volatile financial market, it is important to understand the accurate risk profile of the company. For starters the company has implemented simple risk appetite framework that helps to better understand and manage the risks through the development of action plan and through day-to-day business decisions.

Risk appetite defines the aggregate quantum of risk the company is willing to assume in different areas of business. It is to achieve its strategic objectives while maintaining the desired risk profile. Tolerance limits have been set for certain risk. A limit system is adopted to translate the risk appetite of the company so that it is understood by the management and practical to implement, while catering to current levels of the operations.

Integrated Risk Management Unit (IRMU)

The business units (i.e. Credit Department, Operations Department and Branches etc.) have primary responsibility for risk management. The Integrated Risk Management Unit, which provides an independent oversight function, acts as the 2nd line of defense. The IRMU is headed by the Assistant General Manager – Risk Management & Acting Compliance Officer who directly reports to the Chair of IRMC and also has a functional reporting to the CEO.

Risk Measurement & Reporting

The Company's risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Company also carries out procedures to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to IRMC on a periodic basis.

Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept.

Assets and Liability Management Committee (ALCO)

ALCO is chaired by the CEO and has representatives from the Operation, Credit, Risk & Compliance and Finance & Planning Departments. The Committee meets regularly to monitor and manage the assets & liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements.

Credit Committee

There are two Credit Committees, namely Board Credit Committee (BCC) and Internal Credit Committee (ICC). BCC is comprised of three non-executive board members including the Chairman and two directors and the ICC is comprised of the CEO, AGM -Credit, AGM -Risk Management & Acting Compliance Officer, AGM Alternative Channels and Audit and AGM -Branch Operation & Marketing. BCC is the supreme authority to approve credit facilities and formulate credit policies for the company and ICC is the supreme management level approving authority beyond the delegated authority of the CEO.



45. RISK MANAGEMENT (Contd...)

45.2 Credit Risk

Over view

Credit risk is the risk of financial loss to SDF if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the SDF's loans and advances to customers. The exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review 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 management of the companies' credit risk, including the 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. Authorization limits are allocated to respective officers with the DA of the CEO.

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 PCBE and Leasing. For accounting purposes, the Company uses a collective model for the 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. Collateral generally include cash, marketable securities, properties, stocks, trade debtors, other receivables machinery and equipment and other physical or financial assets.

Clear guidelines are in place to determine the suitability of collateral in credit risk mitigation based on their different characteristics and for valuation, 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 valuation of the properties, machinery and vehicles obtained as collateral.

Periodic estimation of values of collateral 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 credit-worthy bodies as collateral 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.

45.2.1 Credit Quality by Class of Financial Assets

	2020 Neither Past Due Nor Impaired Rs.	2020 Past Due But Not Impaired Rs.	2020 Individually Impaired Rs.	2020 Collectively Impaired Rs.	2020 Total Rs.
Assets					
Cash and Cash Equivalents	73,226,394	-	-	-	73,226,394
Loans and Receivable (Gross) (Note 45.2.1.1)	492,268,426	-	-	5,031,726,130	5,523,994,556
Lease Rentals Receivables (Gross) (Note 45.2.1.1)	-	-	-	1,833,078,458	1,833,078,458
Financial Investments	444,939,031	-	-	-	444,939,031
Other Financial Assets	164,535,666	-	-	-	164,535,666
Total Financial Assets	1,174,969,516	-	-	6,864,804,589	8,039,774,105

45.2.1.1 The Company consider total loan and lease balances to calculate collective impairment.



45. RISK MANAGEMENT (Contd...)

45.2 Credit Risk	2019 Neither Past Due Nor Impaired Rs.	2019 Past Due But Not Impaired Rs.	2019 Individually Impaired Rs.	2019 Collectively Impaired Rs.	2019 Total Rs.
Assets					
Cash and Cash Equivalents	140,902,916	-	-	-	140,902,916
Loans and Receivable (Gross)	656,877,369	-	-	4,706,845,879	5,363,723,248
Lease Rentals Receivables (Gross)	-	-	-	1,156,787,600	1,156,787,600
Financial Investments	282,268,953	-	-	-	442,595,260
Other Financial Assets	207,371,048	-	-	-	189,276,648
Total Financial Assets	1,287,420,286	-	-	5,863,633,479	7,293,285,671

45.2.1.2 The Company consider total loan and lease balances to calculate collective impairment.

45.2.2 Analysis of Risk Concentration

45.2.2.1 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Sector wise Breakdown	2020 Cash and Cash Equivalents Rs.	2020 Loans and Receivable Rs.	2020 Lease Rental Receivable Rs.	2020 Financial Investments Rs.	2020 Other Financial Assets Rs.	2020 Total Financial Assets Rs.
Agriculture & Fishing	-	354,731,368	21,213,332	-	-	375,944,700
Manufacturing	-	665,361,030	466,788,554	-	-	1,132,149,584
Tourism	-	32,716,148	2,987,497	-	-	35,703,645
Transport	-	21,085,695	182,516,944	-	-	203,602,639
Constructions	-	2,357,396,597	20,071,408	-	-	2,377,468,005
Trades	-	491,579,668	28,135,841	-	-	519,715,509
New Economy	-	23,184,189	11,008,741	-	-	34,192,930
Financial and Business Services	73,226,394	63,381,150	3,320,575	-	164,535,666	304,463,784
Infrastructure	-	53,155,077	381,429	-	-	53,536,506
Government	-	-	-	444,939,031	-	444,939,031
Other Services	-	1,461,403,635	1,096,654,136	-	-	2,558,057,771
Total	73,226,394	5,523,994,556	1,833,078,458	444,939,031	164,535,666	8,039,774,104

Sector wise Breakdown	2019 Cash and Cash Equivalents Rs.	2019 Loans and Receivable Rs.	2019 Lease Rental Receivable Rs.	2019 Financial Investments Rs.	2019 Other Financial Assets Rs.	2019 Total Financial Assets Rs.
Agriculture & Fishing	-	413,235,823	10,903,470	-	-	424,139,293
Manufacturing	-	542,541,597	175,915,512	-	-	718,457,110
Tourism	-	36,295,644	3,201,050	-	-	39,496,694
Transport	-	34,877,872	223,032,997	-	-	257,910,869
Constructions	-	1,435,258,109	19,937,417	-	-	1,455,195,525
Trades	-	735,816,589	41,750,050	-	-	777,566,639
New Economy	-	27,429,535	14,792,038	-	-	42,221,573
Financial and Business Services	140,902,916	75,541,144	4,719,737	-	18,927,648	410,440,444
Infrastructure	-	49,648,994	3,323,974	-	-	52,972,968
Government	-	-	-	442,595,260	-	442,595,260
Other Services	-	2,013,077,941	659,211,356	-	-	2,672,289,297
Total	140,902,916	5,363,723,248	1,156,787,601	442,595,260	18,927,648	7,293,285,671



45. RISK MANAGEMENT (Contd...)

45.3 Liquidity Risk & 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 arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a regular basis. 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 high grade 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 and liability management committee (ALCO) analyses and monitors liquidity risk and maintains an adequate margin of safety in liquid assets.

ALCO meets at least once in two months and 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.

Management considered different possible outcomes to assess the possible impact from Covid 19 to the company's operations and forecast cash flows in order to absorb sudden liquidity shock to comply financial covenant and CBSL Liquidity Requirement. I.e. consider sufficient cash and unused credit lines, deposits renewal ratio, customer collection ratios, availability of negotiate borrowing facilities to meet short term needs, restructure operations to reduce operating costs and defer capital expenditure

Furthermore the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control daily liquidity risk.

45.3.1 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 2020	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Assets						
Cash and Cash Equivalents	73,226,394	-	-	-	-	73,226,394
Loans and Receivables	478,898,287	704,914,996	1,307,518,480	2,739,373,184	-	5,230,704,947
Lease Rentals Receivables	50,653,069	137,948,513	357,836,062	1,156,409,852	-	1,702,847,496
Financial Investments	-	366,058,986	78,880,044	-	-	444,939,031
Other Financial Assets	-	163,796,793	738,873	-	-	164,535,666
Total Financial Assets	602,777,750	1,372,719,288	1,744,973,459	3,895,783,036	-	7,616,253,533
Financial Liabilities						
Due to Banks and Other Institutions	220,759,208	325,901,647	346,917,615	695,495,194	5,961,950	1,595,035,613
Due to Customers	1,264,246,886	1,359,994,966	1,149,944,561	1,233,226,646	94,562,895	5,101,975,953
Total Financial Liabilities	1,485,006,094	1,685,896,612	1,496,862,176	1,928,721,840	100,524,845	6,697,011,566
Total Net Financial Assets/(Liabilities)	(882,228,343)	(313,177,324)	248,111,283	1,967,061,196	(100,524,845)	919,241,967
As at 31 March 2019						
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash and Cash Equivalents	140,902,916	-	-	-	-	140,902,916
Loans and Receivables	561,458,514	474,758,174	1,350,088,699	2,727,351,743	-	5,113,657,129
Lease Rentals Receivable	84,831,455	22,927,871	231,800,073	762,953,726	-	1,102,513,125
Financial Investments	-	347,317,986	95,277,274	-	-	442,595,260
Other Financial Assets	-	132,765,273	56,511,375	-	-	189,276,648
Total Financial Assets	787,192,885	977,769,304	1,733,677,421	3,490,305,469	-	6,988,945,078
Financial Liabilities						
Due to Banks and Other Institutions	-	93,081,310	152,162,626	583,927,568	-	829,171,505
Due to Customers	-	2,509,079,620	1,415,980,455	1,354,085,972	106,195,551	5,385,341,597
Total Financial Liabilities	-	2,602,160,930	1,568,143,081	1,938,013,540	106,195,551	6,214,513,102
Total Net Financial	787,192,885	(1,624,391,627)	165,534,340	1,552,291,929	(106,195,551)	774,431,976



45. RISK MANAGEMENT (Contd...)

45.3.2 Contractual Maturities of Commitments & Contingencies

There are no significant contingencies and significant capital commitments as at 31 March 2020.

45.3.2.1 Operational Risk

Overview

The operation risk management is the responsibility of all the staff in the company. The accountability of managing operation risk lies with the management committee members. They are responsible for maintaining an over sight over operational risk, and internal controls and covering all businesses and operations pertaining to SDF.

After reviewing the audit reports the Integrated Risk Management Committee has identified certain common KRI that is affecting the branch operations. These risks that have been identified are critically reviewed regularly with the help of Internal Audit Department.

SDF has introduced and implemented a comprehensive BCP and DR policy. The BCP and DR policy is supported by a BCP and DR plan to ensure that SDF has the capability to handle failure of system, disaster at branches and disruption of business.

Regulators are primarily interested in protecting the rights of customers. Greater attention has been given to risk appetite and mitigation both at Company and service-line levels. the fundamental data underlying record-keeping and the risk associated with their retention, has been over looked by Operations and Information Technology.

45.3.2.2 Market Risk

Overview

Market risk is the potential of an adverse impact on SDF'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 SDFC'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 risk management process functions in compliance with the Investment Policy and Asset and Liability Policy . Investment Policy and Asset and Liability Policy along with Integrated Risk Management Framework (IRMF) and Stress Testing Guidelines also 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 Asset and Liability Management Committee (ALCO) and Integrated Risk Management Committee (IRMC).

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 SDFC
- articulating interest rate review of the SDFC
- 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 SDF'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. SDF 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. SDF manages the volatility and potential downward risk through diversification.



45. RISK MANAGEMENT (Contd...)

45.5.1 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 repricing 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.

45.5.2 Interest Rate Risk Exposure On Financial Assets & 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 repricing or maturity dates.

Company	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31.03.2020 Rs.
Assets							
Cash and Cash Equivalents	39,136,396	-	-	-	-	34,089,998	73,226,394
Loans and Receivables	1,183,813,283	1,307,518,480	2,213,360,650	526,012,534	-	-	5,230,704,947
Lease Rentals Receivables	188,601,581	357,836,062	831,811,154	324,598,698	-	-	1,702,847,496
Financial Investments	366,058,986	78,880,044	-	-	-	-	444,939,031
Other Financial Assets	163,796,793	738,873	-	-	-	-	164,535,666
Total Financial Assets	1,941,407,039	1,744,973,459	3,045,171,805	850,611,232	-	34,089,998	7,616,253,533
Financial Liabilities							
Due to Banks and Other Institutions	546,660,854	346,917,615	555,495,194	140,000,000	-	5,961,950	1,595,035,613
Due to Customers	2,624,241,851	1,149,944,561	1,035,344,058	197,882,588	94,562,895	-	5,101,975,953
Total Financial Liabilities	2,624,241,851	1,149,944,561	1,035,344,058	197,882,588	94,562,895	5,961,950	6,697,011,566
Interest Sensitivity Gap	(682,834,812)	595,028,898	2,009,827,747	652,728,643	(94,562,895)	28,128,048	919,241,967
Company	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31.03.2019 Rs.
Assets							
Cash and Cash Equivalents	96,520,308	-	-	-	-	44,382,608	140,902,916
Loans and Receivables	1,036,216,688	1,350,088,699	2,017,764,591	709,587,152	-	-	5,113,657,129
Lease Rentals Receivables	107,759,326	231,800,073	545,355,412	217,598,314	-	-	1,102,513,124
Financial Investments	347,317,986	95,277,274	-	-	-	-	442,595,260
Other Financial Assets	132,765,273	56,511,375	-	-	-	-	189,276,648
Total Financial Assets	1,764,962,188	1,733,677,421	2,563,120,003	927,185,465	-	-	6,988,945,077
Financial Liabilities							
Due to Banks and Other Institutions	93,081,310	152,162,626	396,427,568	187,500,000	-	5,961,950	835,133,455
Due to Customers	2,509,079,620	1,415,980,455	912,124,891	441,961,081	106,195,551	-	5,385,341,597
Total Financial Liabilities	2,602,160,930	1,568,143,081	1,308,552,460	629,461,081	106,195,551	5,961,950	6,220,475,052
Interest Sensitivity Gap	(837,198,742)	165,534,340	1,254,567,544	297,724,385	(106,195,551)	(5,961,950)	768,470,024



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.

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 - Inputs include quoted prices for identical instruments and are the most observable.

Level 2 - Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves.

Level 3 - Inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

Valuation framework

The Company has an established control framework for the measurement of fair values. The Finance Department is responsible for the valuation of financial instruments. Obtaining input data, valuing of financial instruments and verifying the valuation models are being segregated within the finance department.

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. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

46.1 Assets & 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 & 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.

Non Financial Assets measured at fair value

Level 3 Fair Value Measurement

	2020		2019	
	Investment Property Rs.	Freehold Land Rs.	Investment Property Rs.	Freehold Land Rs.
Balance as at begging of the Year	118,594,500	25,550,000	-	144,144,500
Revaluation reserve credit to revaluation reserve	-	-	-	1,900,707
Total gain / (loss) recognised in profit or loss:				
Depreciation of buildings	-	-	-	(1,900,707)
Transfer during the Year	7,500,000	(7,500,000)	118,594,500	(118,594,500)
Balance at end on the Year	126,094,500	18,050,000	118,594,500	25,550,000

The company has transferred free hold land and building as Investment property as at 31 March 2020 and 2019.

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.



46. FARE VALUE OF FINANCIAL INSTRUMENTS (Contd...)

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 2020	Faire Value			Total Rs.	Carrying Value Rs.
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.		
Financial Assets					
Cash and Cash Equivalents	73,226,394	-	-	73,226,394	73,226,394
Loans and Receivables	-	5,194,937,239	-	5,194,937,239	5,230,704,947
Lease Rentals Receivables	-	1,692,490,922	-	1,692,490,922	1,702,847,496
Financial Investments	444,939,031	-	-	444,939,031	444,939,031
Other Financial Assets	164,535,666	-	-	164,535,666	164,535,666
	682,701,091	6,887,428,161	-	7,570,129,252	7,616,253,533
Financial Liabilities					
Due to Banks and Other Institutions	-	1,595,035,613	-	1,595,035,613	1,595,035,613
Due to Customers	-	5,101,975,953	-	5,101,975,953	5,101,975,953
	-	6,697,011,566	-	6,697,011,566	6,697,011,566
As at 31 March 2019					
As at 31 March 2019	Faire Value			Total Rs.	Carrying Value Rs.
	Level 1 Rest.	Level 2 Rs.	Level 3 Rs.		
Financial Assets					
Cash and Cash Equivalents	140,902,916	-	-	140,902,916	140,902,916
Loans and Receivables	-	5,536,157,881	-	5,536,157,881	5,363,721,143
Lease Rentals Receivables	-	1,197,308,675	-	1,197,308,675	1,156,787,601
Financial Investments	442,595,260	-	-	442,595,260	442,595,260
Other Financial Assets	189,276,648	-	-	189,276,648	189,276,648
	772,774,824	6,733,466,556	-	7,506,241,380	7,293,283,568
Financial Liabilities					
Due to Banks and Other Institutions	-	835,133,455	-	835,133,455	835,133,455
Due to Customers	-	5,357,395,535	-	5,357,395,535	5,385,339,493
	-	6,192,528,990	-	6,192,528,990	6,220,472,948

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.



ANNEXURE : APPLICATION FORM

INSTRUCTIONS

- The Application Form must be completed in **FULL**, in **BLOCK CAPITALS**
- All definitions and terms used herein are as defined in the Prospectus dated August 24, 2020
- Please refer the Prospectus for further details. Applications which are incomplete and/or not in accordance with the instructions set out in the Prospectus and herein will be rejected at the discretion of the Board of Directors of Sarvodaya Development Finance Limited.

(1) PROCEDURE FOR APPLICATION

- (i) Applications are only accepted from prospective investor/s as identified by the Board of Directors of Sarvodaya Development Finance Limited (i.e. "Identified Investor/s") as described in Section 5.9 - "Eligible Applicants" in the Prospectus.
- (ii) Subscription by applicants shall be for a **minimum of Forty Thousand Shares (40,000 Shares)** at the Share Issue Price of Rs.22/- per Share, **i.e. for Rupees Eight Hundred and Eighty Thousand (Rs. 880,000/-)** and in multiples of **Ten Thousand Shares (10,000 Shares)** i.e. **for Rupees Two Hundred and Twenty Thousand (Rs. 220,000/-)**. **Applications for less than Forty Thousand Shares (40,000 Shares), i.e. for Rupees Eight Hundred and Eighty Thousand (Rs. 880,000/-) will be rejected at the outset.**
- (iii) Joint applicants should note that they all should either be residents of Sri Lanka or non-residents.
- (iv) Corporate entities (including societies of Sarvodaya Movement) must provide the company registration number in the Application Form, and the Application Form must be executed in accordance with the Articles of Association/incorporating statute attested as required by the Articles of Association of the entity. Sri Lankan citizens should indicate their National Identity Card (NIC) number in the Application Form. The Passport (PP) number will be accepted only when the NIC number is not available. Foreign citizens must state the PP number together with the country of issue in the space provided. Any Application Form which does not state the NIC, PP or company registration number as the case may be will be rejected.
- (v) All applicants are requested to state their residency and nationality in the appropriate spaces provided in the Application Form.
- (vi) In case of Applications made under Power of Attorney (POA), a copy of the said POA certified by a Notary Public to be a true copy of the original should be lodged with the Company Secretary/Registrars to the Issue along with the completed Application Form. The original POA **should not** be attached.

(2) MODE OF PAYMENT

- (i) The payment must be made **either by cheque/ bank draft** drawn upon any commercial bank operating in Sri Lanka and payable to "**SARVODAYA DEVELOPMENT FINANCE LIMITED**" and crossed "**Account Payee Only**" for the total value of the Shares applied in the Application.
(number of Shares x Rs.22.00).
The minimum subscription value is Rs. 880,000/-.
- (ii) In case of Applications supported by multiple bank drafts or multiple cheques, such Applicants are required to attach a list to the Application Form giving details of payment, such as amount of bank draft/s or cheque/s, name of bank, name of branch and bank draft/s or cheque/s number.
- (iii) Payment by Non-Resident applicants must be made by way of bank draft/s as aforesaid against such applicant's **Inward Investment Account (IIA)**.

For any clarification, you may contact the Registrars to the Issue BDO Secretaries (Pvt) Ltd. on Tel: +94 11 2 421878-79-70.

(3) FORWARDING COMPLETED APPLICATIONS

The Application Form duly completed should be sent to be received by Head Office of Sarvodaya Development Finance Limited at No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08 by hand or courier or post not later than 4.30 p.m. on the date of closure of the subscription list as more fully described in Section 5.8 of the Prospectus.

(4) ALLOTMENT

Allotment of Offered Shares will be determined at the discretion of the Board of Directors as described in Section 5.16 of the Prospectus. The Board shall reserve the right to refuse any Application or to accept any Application in full or part, received in respect of the Issue.

In the event of an oversubscription of the Issue, the Offered Shares will be allotted to applicants who are Identified Investors at the sole discretion of the Board of Directors of SDF.

(5) REFUNDS

Any refunds in respect of applications will be dispatched as expeditiously as possible and in any event within ten (10) Market Days from the date of allotment of Shares.

Refunds will be made ONLY by cheque.

(6) SHARE CERTIFICATES

Share certificates will be issued to the successful applicants within twenty (20) days from the date of allotment of Offered Shares to such applicants.



සර්වෝදය ඩිවලොප්මන්ට් ෆයින්ෂන්ස් ලිමිටඩ්
(සමාගම් ලියාපදිංචි අංක PB 3795)

සර්වෝදය ඩිවලොප්මන්ට් ෆයින්ෂන්ස් ලිමිටඩ්, නව සාමාන්‍ය ජන්ද කොටස් 45,454,546 ක් එක් කොටසක් රුපියල් 22/- බැගින් රුපියල් 1,000,000,012/- ක් දක්වා සමස්ත මුදලක් සම්පාදනය කරගැනීම සඳහා කරන ආරාධනයයි.

අධ්‍යක්ෂක මණ්ඩලය
සර්වෝදය ඩිවලොප්මන්ට් ෆයින්ෂන්ස් ලිමිටඩ්
අංක 155/A, වෛද්‍ය ඩැනිස්ටර් ද සිල්වා මාවත, කොළඹ 08.

ප්‍රධාන අනුකූලිත අංකය (කාර්යාලීය ප්‍රයෝජනය සඳහා පමණි)

මුද්‍රාව තැබූ වේලාව/දිනය (කාර්යාලීය ප්‍රයෝජනය සඳහා පමණි)			
අයදුම්කරු 2020 අගෝස්තු 24 දිනැති සංස්ථා ප්‍රකාශය ප්‍රකාරව හඳුනාගත් ආයෝජකයෙකු වශයෙන් හඳුනාගැනීම සහ පිලිගැනීම තහවුරු කරමින් සමාගමේ මුද්‍රාව			
නිකුත්ව ඇරඹීම වීම	26	08	2020
නිකුත්ව ගිණුම් වීම	28	12	2020
කලින් ගිණුම් වීම	සංස්ථා ප්‍රකාශයේ 5.8 වන වගන්තිය ප්‍රකාරව		
දිනය	වර්ෂය	මාසය	දිනය

කරුණාකාර පැහැදිලි අකුරෙන් පුරවන්න. පසුපිටේ උපදෙස් පරීක්ෂාකාරීව කියවන්න.

මෙහි පහත සඳහන් සාමාන්‍ය ජන්ද කොටස් සංඛ්‍යාව 2020 අගෝස්තු 24 වන දිනැති සංස්ථා ප්‍රකාශය (Prospectus) අනුව ම/අපට විභජනය කරන ලෙසට මෙහි පහත අත්සන් කරන මම/අපි මෙයින් අයදුම් කර ඉල්ලා සිටිමි/සිටිමු. අයදුම් පත්‍රය ප්‍රකාරව ගෙවිය යුතු මුදල මීට අමුණා ඇත. අයදුම් කර ඇති කොටස් සංඛ්‍යාව හෝ අදාළ වන පරිදි ඊට අඩු කොටස් සංඛ්‍යාව, සංස්ථා ප්‍රකාශයේ සහ සමාගමේ සාමාන්‍ය ව්‍යවස්ථාවලින් අදාළ නියමයන් සහ කොන්දේසිවලට යටත්ව, විභජනයකට මම/අපි එකඟ වෙමි/වෙමු. මෙම ලියවිල්ලේ උපදෙස්වල සිටින (4 වන) වගන්තියේ සවිස්තරව දක්වා ඇති පරිදි, විභජනය කළහැකි වුවහොත් කොටස් සංඛ්‍යාවක් සඳහා සර්වෝදය ඩිවලොප්මන්ට් ෆයින්ෂන්ස් ලිමිටඩ් හි කොටස්ගිණියන්ගේ ලේඛනයේ මාගේ/අපගේ නම/නම් ඇතුළත් කිරීම පිණිස කටයුතු සම්පාදනය කිරීමට මම/අපි මෙයින් ඔබට බලය පවරමි/පවරමු.

කොටස් සංඛ්‍යාව අවම කොටස් 40,000 සහ ඉන් මතු කොටස් 10,000 ගුණාකාර ලෙස	මිල (රු.)	ගෙවිය යුතු මුළු මුදල (රු.) අවම සහභාගය රුපියල් 880,000/- විය යුතුය.
	22.00	

වෙක්පත	බැංකුවේ නම	බැංකු ශාඛාවේ නම	වෙක්පත්/ බැංකු අණකර අංකය
බැංකු අණකරය			

	තනි/ පළමු අයදුම්කරු	බද්ධ අයදුම්කරුවන් (1 සහ 2)
මහතා/මහත්මිය/මෙහෙවිය/වෙනත් යන වචන		1. 2.
මුලකුරු සමඟ පෙළපත් නාමය/ සංස්ථා නාමය		1. 2.
මුලකුරුවලින් හැඳින්වෙන නම්		1. 2.
ලිපිනය		1. 2.
ඇමතුම් දුරකථන අංකය		1. 2.
ජාතික හැඳුනුම්පත් අංකය/ ගමන් බලපත්‍ර අංකය/ සමාගම් ලියාපදිංචි අංකය		1. 2.
ජාතික හැඳුනුම්පත් අංකය/ ගමන් බලපත්‍ර අංකය/ සමාගම් ලියාපදිංචි අංකය	ගමන් බලපත්‍රය හිකුත් කළ රට	1. 2.
ජාතික (සුදුසු පරිදි ✓ ලකුණ යොදන්න.)	ශ්‍රී ලාංකික	1. ශ්‍රී ලාංකික වෙනත් 2. ශ්‍රී ලාංකික වෙනත්
ශ්‍රී ලංකාව තුළ පදිංචිය (සුදුසු පරිදි ✓ ලකුණ යොදන්න.)	තේවාසික	1. තේවාසික අනේවාසික 2. තේවාසික අනේවාසික

විදේශ විනිමය පනතේ විධිවිධාන ප්‍රකාරව කරන ප්‍රකාශය.

එක් කොටුවකට පමණක් ✓ ලකුණ යොදන්න	විදේශ විනිමය පනතේ විධිවිධාන ප්‍රකාරව, ශ්‍රී ලංකාව තුළ පදිංචි ශ්‍රී ලාංකික පුරවැසියන් සහ ශ්‍රී ලංකාව තුළ සංස්ථාගත කරන ලද සංස්ථාමය ආයතන සඳහා මම/අපි ශ්‍රී ලංකාවේ පුරවැසියෙකු/පුරවැසියන් සහ පදිංචිකරුවෙකු/පදිංචිකරුවන් වන බව සහ මම/අපි ශ්‍රී ලංකාවෙන් බැහැරව පදිංචි යම් තැනැත්තෙකුගේ (තැනැත්තන්ගේ) නම් කළ තැනැත්තා (නම්කළ තැනැත්තන්) වශයෙන් ක්‍රියා නොකරමින් සිටින බවට ඉහත සඳහන් සාමාන්‍ය ජන්ද කොටස්වල අයදුම්කරු(අයදුම්කරුවන්) වන මම/අපි මෙයින් ප්‍රකාශ කර සිටිමි/සිටිමු.
	විදේශ විනිමය පනතේ විධිවිධාන ප්‍රකාරව, තේවාසිකයන් නොවන සහ පුරවැසියන් නොවන තැනැත්තන් සඳහා මම/අපි විදේශ විනිමය පනතේ නියම කර ඇති පරිදි ප්‍රේෂණ සිදුකර ඇති බවට ඉහත නම් සඳහන් සාමාන්‍ය ජන්දහිම කොටස්වල ඉල්ලුම්කරු (ඉල්ලුම්කරුවන්) වන මම/අපි මෙයින් ප්‍රකාශ කර සිටිමි/සිටිමු. එය සනාථ කිරීම සඳහා බැංකුවේ තහවුරුවක්/පිටසකක් මෙම අයදුම් පත්‍රයට අමුණා ඉදිරිපත් කරනු ලැබේ.

අයදුම්කරුගේ/කරුවන්ගේ අත්සන/අත්සන්	තනි අයදුම්කරු	බද්ධ අයදුම්කරු (1)	බද්ධ අයදුම්කරු (2)

* ගමන් බලපත්‍රය හිකුත් කළ රට:..... ** ගමන් බලපත්‍රය හිකුත් කළ රට :.....

උපදෙස්

- අයදුම් පත්‍රය පැහැදිලි අකුරෙන් සම්පූර්ණයෙන්ම පිරවිය යුතුය.
- මෙම ලියවිල්ලේ භාවිත කරන සියළුම අර්ථ නිරූපණ සහ පාඨ 2020 අතෝස්තු 24 වන දිනැති සංස්ථා ප්‍රකාශයේ දැක්වෙන අර්ථ නිරූපණ පරිදි වේ.
- වැඩි විස්තර සඳහා සංස්ථා ප්‍රකාශය බලන්න. අසම්පූර්ණ අයදුම් පත්‍ර සහ/හෝ සංස්ථා ප්‍රකාශයේ සහ මේ ලියවිල්ලේ දක්වා ඇති උපදෙස්වලට අනුකූල නොවන අයදුම් පත්‍ර සර්වෝදය ඩිවලොප්මන්ට් ෆයිනෑන්ස් සමාගමේ අධ්‍යක්ෂ මණ්ඩලයේ අභිමතය පරිදි ප්‍රතික්ෂේප කරනු ලැබේ.

(1) අයදුම් පත්‍ර ඉදිරිපත් කිරීමේ කාර්ය පටිපාටිය

- (i) සංස්ථා ප්‍රකාශයේ 5.9 වගන්තියේ දී සුදුසුකම්ලත් අයදුම්කරුවන් (Eligible Applicants) යටතේ විස්තර කර ඇති පරිදි, සර්වෝදය ඩිවලොප්මන්ට් ෆයිනෑන්ස් ලිමිටඩ් හි අධ්‍යක්ෂ මණ්ඩලය විසින් හඳුනාගෙන ඇති පරිදි, යෝග්‍ය අයෝජකයාගෙන්/අයෝජකයන්ගෙන් (වනම්, හඳුනාගත් ආයෝජකයාගෙන්/ආයෝජකයන්ගෙන්) පමණක් අයදුම්පත් භාරගනු ලැබේ.
- (ii) අයදුම්කරුවන් විසින් කරන අවම සහභාගය කොටසක් රුපියල් විසිදෙකක් (රු.22/-) බැගින් කොටස් හතළිස් දහසක් (40,000) විය යුතුය, වනම්, රුපියල් අට ලක්ෂ අසූ දහසක් (රු. 880,000/-) වේ. ඉන් පසු අයදුම් කිරීම් කොටස් දසදහසේ (කොටස් 10,000) ගුණාකාරවලින් වේ, වනම්, රුපියල් දෙලක්ෂ විසිදහසක් (රු.220,000/-) වේ. කොටස් හතළිස් දහසකට (කොටස් 40,000) අඩු වන වනම්, රුපියල් අට ලක්ෂ අසූ දහසක් (රු.880,000/-) අඩු වන අයදුම් පත්‍ර ආරම්භයේ දී ම ප්‍රතික්ෂේප කරනු ලැබේ.
- (iii) බද්ද අයදුම්කරුවන් ලෙස අයදුම්කරන්නන් ශ්‍රී ලංකාවේ පදිංචිකරුවන් හෝ අනේවාසිකයන් හෝ විය යුතුය.
- (iv) සමාගම් සහ අනෙකුත් ආයතන විසින් (සර්වෝදය ව්‍යාපාරයේ සංගම් ඇතුළුව) සමාගම් ලියාපදිංචි කිරීමේ අංකය අයදුම් පත්‍රයේ ඉදිරිපත් කළයුතු අතර, අයදුම් පත්‍ර අදාල සමාගමේ සාංගමික ව්‍යවස්ථාවලිය මඟින් නියම කර ඇති පරිදි, සහතික කරන සාංගමික ව්‍යවස්ථාවලිය/සංස්ථාපිත ව්‍යවස්ථාවට අනුව ලියා අත්සන් කළ යුතුය. ශ්‍රී ලාංකික පුරවැසියන් විසින් සිය ජාතික හැඳුනුම්පත් අංකය අයදුම් පත්‍රයේ සඳහන් කළ යුතුය. ජාතික හැඳුනුම්පත් අංකයක් නොමැති වන අවස්ථාවක දී පමණක් ගමන් බලපත්‍රය භාරගනු ලැබේ. විදේශීය පුරවැසියන් වන විටක දී, අයදුම් පත්‍රයේ ඉඩ සපයා ඇති ස්ථානයේ ගමන් බලපත්‍රය සහ එය නිකුත් කරන ලද රට ඔවුන් විසින් සඳහන් කළ යුතුය. ජාතික හැඳුනුම්පත් අංකය, ගමන් බලපත්‍ර අංකය හෝ සමාගම් ලියාපදිංචි කිරීමේ අංකය සඳහන් කර නොමැති යම් කවරම් වූ අයදුම් පත්‍රයක් අවස්ථානෝචිත පරිදි ප්‍රතික්ෂේප කරනු ලැබේ.
- (v) අයදුම් පත්‍රයේ ඉඩ සපයා ඇති ස්ථානයේ සිය පදිංචි ස්ථානය සහ ජාතික සඳහන් කරන ලෙස සියළුම අයදුම්කරුවන්ගෙන් ඉල්ලා සිටිනු ලැබේ.
- (vi) ඇරෝනි බලපත්‍රයක් යටතේ අයදුම් පත්‍ර ඉදිරිපත් කරන විටක දී, එහි ඇරෝනි බලපත්‍රයේ මුල් පිටපතේම සත්‍ය පිටපතක් වන බවට ප්‍රසිද්ධ නොකාරිස්වරයෙකු විසින් සහතික කරන ඇරෝනි බලපත්‍රයේ පිටපතක් සමඟ සම්පූර්ණ කරන අයදුම් පත්‍රය, සමාගම් ලේකම්වරයන්/නිකුත්ව පිළිබඳ රෙජිස්ට්‍රාර්වරුන් වෙත ඉදිරිපත් කළ යුතුය. ඇරෝනි බලපත්‍රයේ මුල් පිටපත අමුණා ඉදිරිපත් නොකළ යුතුය.

(2) ගෙවීම් ක්‍රමවේදය

- (i) අයදුම් කරන කොටස්වල මුළු වටිනාකම (කොටස් සංඛ්‍යාව x රු.22/-) සඳහා "ආදායකයාගේ ගිණුමට පමණයි" යන නරස් සටහන යොදා, "සර්වෝදය ඩිවලොප්මන්ට් ෆයිනෑන්ස් ලිමිටඩ්" වෙත ගෙවිය යුතු වන ලෙස ශ්‍රී ලංකාවේ ක්‍රියාත්මක වන යම් කවරම් වාණිජ බැංකුවකට ලියන වෙක්පතක්/බැංකු අණකරයක් මඟින් ගෙවීම් කළ යුතුය.

අවම සහභාග වටිනාකම රුපියල් 880,000/- ක් වේ.

- (ii) යම් අයදුම් පත්‍ර බැංකු අණකර හෝ වෙක්පත් කිහිපයක් මඟින් ගෙවීම් තහවුරු කරන්නේ නම්, බැංකු අණකර/වෙක්පත් වල වටිනාකම, බැංකුවේ නම, බැංකු ශාඛාවේ නම, බැංකු අණකර/වෙක්පත් වල අංක වැනි ගෙවීමේ විස්තර ඉදිරිපත් කරමින් ලැයිස්තුවක් අයදුම් පත්‍රය සමඟ අමුණා ඉදිරිපත් කරන ලෙස එවැනි අයදුම්කරුවන්ට දන්වා සිටියි.
- (iii) අනේවාසික අයදුම්කරුවන් විසින් කරන ගෙවීම් වල දී එවැනි අයදුම්කරුවන් අභ්‍යන්තර ආයෝජන ගිණුම (Inward Investment Account) මත ඉහත දක්වා ඇති පරිදි බැංකු අණකරයක්/ අණකර මඟින් කළ යුතුය.

මේ සම්බන්ධ වැඩිදුර පැහැදිලිකිරීම් සඳහා, දුරකථන අංක +94 11 2 421878-79-70 ඔස්සේ කොටස් නිකුත්ව පිළිබඳ රෙජිස්ට්‍රාර්වරුන්, බීබීඒ සෙක්රටරීස් (පුයිවච්) ලිමිටඩ් (BDO Secretaries (Pvt) Limited) ඇමතිගේ හැකිය.

(3) සම්පූර්ණ කරන ලද අයදුම් පත්‍ර ඉදිරිපත් කිරීම

පැහැදිලි අකුරෙන් සම්පූර්ණ කරන ලද අයදුම් පත්‍ර, සංස්ථා ප්‍රකාශයේ 5.8 වගන්තියේ සවිස්තරව දක්වා ඇති පරිදි, සහභාග ලැයිස්තුව අවසන් කරන දින ප.ව.4.30 ට පෙර පැමිණ හෝ කුරියර් සේවය මඟින් හෝ තැපෑලෙන් කොළඹ 08, වෛද්‍ය ඩැනිස්ටර් ද සිල්වා මාවත, අංක 155/ඒ දුරක ස්ථානයේ පිහිටි සර්වෝදය ඩිවලොප්මන්ට් ෆයිනෑන්ස් ලිමිටඩ් සමාගමේ ප්‍රධාන කාර්යාලයට ලැබීමට සැලැස්විය යුතුය.

(4) විභජනය

අර්පණය කරන කොටස් විභජනය, සංස්ථා ප්‍රකාශයේ 5.16 වන වගන්තියේ සවිස්තරව දක්වා ඇති පරිදි, අධ්‍යක්ෂ මණ්ඩලයේ අභිමතය පරිදි තීරණය කරනු ලැබේ. කොටස් නිකුත්ව සම්බන්ධයෙන් වන යම් කවර ම වූ අයදුම් පත්‍රයක් සම්පූර්ණයෙන් ම හෝ කොටසක් පිළිගැනීමේ හෝ ප්‍රතික්ෂේප කිරීමේ අයිතිය අධ්‍යක්ෂ මණ්ඩලය සතු වේ.

මූලික කොටස් නිකුතුවේ අධිසහභාගයක් පවතින අවස්ථාවක දී අර්පණය කරන කොටස් විභජනය හඳුනාගත් ආයෝජකයින්ට අධ්‍යක්ෂ මණ්ඩලයේ පූර්ණ අභිමතය පරිදි තීරණය කරනු ලැබේ.

(5) අයදුම් පත්‍ර මුදල් ආපසු ගෙවීම

අයදුම් පත්‍ර සම්බන්ධ යම් කවර ම වූ මුදල් ආපසු ගෙවීමක්, යම් කවර ම විටක දී වුවහොත්, කොටස් විභජනයේ දින සිට වෙළඳ පොළ ක්‍රියාත්මක වන දින දහයක් (10) ඇතුළත හැකි පමණට කඩිනමින් සිදු කරනු ලැබේ.

මුදල් ආපසු ගෙවීම වෙක්පත් මඟින් පමණක් සිදු කරනු ලැබේ.

(6) කොටස් සහතික පත්‍ර

කොටස් සහතිකපත්‍ර, අර්පණ කොටස් විභජනය කිරීමේ දින සිට දින විස්සක් (20) තුළ දී, සාර්ථක අයදුම්කරුවන් සඳහා නිකුත් කරනු ලැබේ.



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