INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SARVODAYA DEVELOPMENT FINANCE PLC

Building a better working world

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

PNS/WDPL/MSK/AD

INDEPENDENT ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF SARVODAYA DEVELOPMENT FINANCE PLC

Report on the Statement on Internal Control Over Financial Reporting included in the Director's Statement on Internal Control

We were engaged by the Board of Directors of Sarvodaya Development Finance PLC (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Director Statement on Internal Control for the year ended 31 March 2023 (the "Statement") included in the annual report.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 16 (1) (ix) of the Finance Companies Corporate Governance Direction no. 05 of 2021, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.

Ernst & Young

29 May 2023
Colombo

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

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

DIRECTORS' STATEMENT ON INTERNAL CONTROL

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

REPORTING RESPONSIBILITY

The Board of Directors ("the Board") of Sarvodaya Development Finance PLC (the Company) presents this report on internal control over Financial Reporting, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the system of Internal Control in place at Sarvodaya Development Finance PLC. ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting which is regularly reviewed and enhanced by the Board taking into account the changes in business environment and regulatory guidelines.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to risks and controls over Financial Reporting by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls to mitigate and control these risks.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING.

The key mechanisms that have been established to review the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- The Board has appointed various sub-committees to assist in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well as the policies and the business directions approved by the Board.
- Key functional areas of the Company are governed by policies/charters that are approved by the Board. The board appointed committees review and recommend such policies/charters before seeking the approval of the board. Such policies/charters are regularly reviewed, updated and approved by the board.
- The company's Internal Audit Department checks compliance with policies and procedures and the effectiveness of the internal control systems/information system controls on an ongoing basis using samples and rotational procedures. This helps to highlight significant findings of non- compliance. Audits are carried out according to the annual audit plan which is reviewed and approved by the Board Audit Committee. The type and frequency of audits of business units/processes are determined by the level of risk assessed, in order to provide an independent and objective report. All significant findings identified by the Internal Audit Department are submitted to the Board Audit Committee.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and the Management. The BAC also evaluates the effectiveness of the internal audit function with particular emphasis on the scope, independence of internal audit and resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the "Board Audit Committee Report".
- In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of the design, implementation and effectiveness, on an on-going basis.

The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKASs and progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will continue in its financial reporting and management information.

The Board has given due consideration for requirements of SLFRS 9 "Financial Instruments". The required modules have been implemented and progressive improvements on processes and controls are being made to strengthen the processes and controls around the management information systems and reports required for model validation and compliance in line with SLFRS 9.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The External Auditor has reviewed the above Directors' Statement on Internal Control Over Financial Reporting for the year ended 31 March 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the system of Internal Control of the Company.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no material non-compliance to prudential requirements regulations, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

Mr. Ramesh Schaffter
Chairman – Board Audit Committee

29 May 2023

INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORTING

Building a better working world

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

Independent Assurance Report to the Board of Directors of Sarvodaya Development Finance PLC

Scope

We have been engaged by Sarvodaya Development Finance PLC ("the Entity") to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report (the "Subject Matter") as of 31st March 2023.

Criteria applied by Sarvodaya Development Finance PLC

In preparing the Subject Matter, Sarvodaya Development Finance PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.

Such Criteria were specifically designed for purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report FY 2022/23 is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Sarvodaya Development Finance PLC's responsibilities

Sarvodaya Development Finance PLC's management is responsible for selecting the Criteria, and for presenting the EESG indicators contained in the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)*, and the terms of reference for this engagement as agreed with the Sarvodaya Development Finance PLC on 02 May 2023.Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

EY
Building a better working world

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.

Ernst & Young

29 May 2023
Colombo

GRI CONTENT INDEX WITH REFERENCE

Statement of use	Sarvodaya Development Finance PLC has reported for the period April 1, 2022 to March 31 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location (Chapter and page number)
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	About us page 7
	2-2 Entities included in the organization's Sustainability reporting	About this report page 5
	2-3 Reporting period, frequency and contact point	About this report page 5
	2-4 Restatements of information	About this report page 5
	2-5 External assurance	About this report page 5
	2-6 Activities, value chain and other Business relationships	About us : Value creation Model from pages 7 to 8
	2-7 Employees	Human Capital page 79
	2-8 Workers who are not employees	Human Capital page 80
	2-9 Governance structure and composition	Governance and compliance from pages 101 to 105
	2-10 Nomination and selection of the highest governance body	Governance and compliance page 103
	2-11 Chair of the highest governance body	Governance and compliance page 103
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance and compliance page 106
	2-13 Delegation of responsibility for managing impacts	Governance and compliance page 107
	2-14 Role of the highest governance body in sustainability reporting	Governance and compliance page 105
	2-15 Conflicts of interest	Governance and compliance page 106
	2-16 Communication of critical concerns	Governance and compliance page 103, 107
	2-17 Collective knowledge of the highest governance body	Governance and compliance page 103, 107
	2-18 Evaluation of the performance of the highest governance body	Governance and compliance page 104
	2-19 Remuneration policies	Governance and compliance page 104 Remuneration Committee Report page 104
	2-20 Process to determine remuneration	Governance and compliance page 104
	2-21 Annual total compensation ratio	Human Capital page 80,107
	2-22 Statement on sustainable development strategy	Chairman's Message page 17 to 18, 36 Our strategies policies and practices page 36
	2-23 Policy commitments	Our strategies policies and practices page 38 - 39
	2-24 Embedding policy commitments	Our strategies policies and practices page 39
	2-25 Processes to remediate negative impacts	Our strategies policies and practices page 39
	2-26 Mechanisms for seeking advice and raising concerns	Our strategies policies and practices page 39
	2-27 Compliance with laws and regulations	Our strategies policies and practices page 39
	2-28 Membership associations	Our strategies policies and practices page 39
	2-29 Approach to stakeholder engagement	Social Capital: Engaging with our stakeholders page 87
	2-30 Collective bargaining agreements	Social Capital: Engaging with our stakeholders page 89

GRI Standard	Disclosure	Location (Chapter and page number)
GRI 3: Material Topics 2021		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality assessment and material topics page 40
	3-2 List of material topics	Materiality assessment and material topics from pages 41 to 45
	3-3 Management of material topics	Materiality assessment and material topics from pages 41 to 45
GRI 201: Economic Performance 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 41
Disclosure Title	201-1 Direct economic value generated and distributed	Economic Impacts pages 60 to 61
GRI 203: Indirect Economic Impacts 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 41
Disclosure Title	203-2 Significant indirect economic impacts	Economic Impacts page 62
GRI 207 Tax 2019		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 41
Disclosure Title	207-1 Approach to tax	Economic Impacts page 63
GRI 302: Energy 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics from pages 42 to 43
Disclosure Title	302-1 Energy consumption within the organization	Natural Capital page 98
	302-4 Reduction of energy consumption	Natural Capital page 98
GRI 303: Water and Effluents 2018		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics from pages 42 to 43
Disclosure Title	303-5 Water consumption	Natural Capital page 99
GRI 306: Waste 2020		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics from pages 42 to 43
Disclosure Title	306-3 Waste generated	Natural Capital page 99
GRI 401: Employment 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 44
Disclosure Title	401-1 New employee hires and employee turnover	Human Capital pages 80 to 81
GRI 404: Training and Education 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 44
Disclosure Title	404-1 Average hours of training per year per employee	Human Capital page 80 to 81
GRI 405: Diversity and Equal Opportunity 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 44
Disclosure Title	405-1 Diversity of governance bodies and employees	Human Capital page 82

GRI Content Index with Reference

GRI Standard	Disclosure	Location (Chapter and page number)
GRI 406: Non-discrimination 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 44
Disclosure Title	406-1 Incidents of discrimination and corrective actions taken	Human Capital page 82
GRI 411: Rights of Indigenous Peoples 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 45
Disclosure Title	411-1 Incidents of violations involving rights of indigenous peoples	Social Capital page 94
GRI 413: Local Communities 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 45
Disclosure Title	Disclosure 413-1 Operations with local community engagement, impact assessments, and development programs	Social Capital page 94
GRI 417: Marketing and Labeling 2016		
Disclosure Title	3-3 Management of material topics	Materiality assessment and material topics page 45
Disclosure Title	417-2 Incidents of non-compliance concerning product and service information and labeling	Social Capital page 94

FINANCIAL CALENDAR

		2022/23	2023/24
Interim Financial Statements publication	Q1 ended 30 June	12 August 2022	Before 15 August 2023
	Q2 ended/ending 30September	10 November 2022	Before 15 November 2023
	Q3 ended/ending 31 December	14 February 2023	Before 15 February 2024
	Q4 ended/ending 31 March	30 May 2023	Before 30 May 2024
Financial statements publication	Six months ended 30 September 2022	22 November 2022	
	Year ended 31 March 2023	29 June 2023	
	Six months ending 30 September 2023		Before 31 December 2023
	Year ending 31 March 2024		Before 30 June 2024
Annual Report Publication	Annual Report and Accounts signed/to be signed	On 29 May 2023	In May 2024
	Publication of Annual Report	June 2023	In June 2024
Annual General Meeting	Annual General Meeting	13th Annual General Meeting on 26 June 2023	14th Annual General Meeting on or before 30 June 2024
Dividend Payment	Interim Dividend for the financial year		In the 4th Quarter of 2024

INDEPENDENT AUDITORS' REPORT

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

Building a better working world

PNS/WDPL/MSK/AD

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SARVODAYA DEVELOPMENT FINANCE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sarvodaya Development Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Allowances for impairment charges on financial assets at amortised cost - loans and receivables and lease rentals receivables: As at 31 March 2023, allowances for impairment charges on financial assets at amortised cost - loans and receivables and lease rentals receivables net of allowances for impairment amounted to LKR 9,780 Mn and is disclosed in notes 20 & 21 to the financial statements.	In addressing the adequacy of the allowances for impairment charges on financial assets at amortised cost - loans and receivables and lease rentals receivables, our audit procedures included the following key procedures; ⇨ We assessed the alignment of the Company's impairment allowance computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report.

EY
Building a better working world

Key audit matter	How our audit addressed the key audit matter
This was a key audit matter due to the materiality of the reported allowances for impairment charges which involved complex calculations; degree of significant judgements and assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets. Key areas of significant judgments, estimates and assumptions used by management in the assessment of the allowances for impairment charges included the following; ⇨ Management overlays to incorporate the current economic contraction ⇨ The Incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.	⇨ We evaluated the Internal controls over estimation of allowances for impairment charges, which included assessing the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management ⇨ We checked the completeness, accuracy and classification of the underlying data used in the computation of impairment allowances by agreeing details to relevant source documents and accounting records of the Company ⇨ In addition to the above, following procedures were performed. **For financial assets at amortised cost - loans and receivables and lease rentals receivables assessed on a collective basis for Impairment:** ⇨ We tested key inputs as disclosed in Note 22, and the calculations used in the impairment allowances. ⇨ We assessed whether judgements used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation, elevated risk industries, evaluating the reasonableness of forward-looking information, different economic scenarios and probability weighting assigned to each scenario. We assessed the adequacy of the related financial statement disclosures set out in notes 20 & 21 of the financial statements.

Key audit matter	How our audit addressed the key audit matter
Information Technology (IT) system and internal controls over financial reporting Company's financial reporting process is significantly reliant on IT system with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT system, that are compiled and formulated with the use of spreadsheets. Accordingly, IT system and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following; ⇨ We obtained an understanding of the Internal control environment of the processes and checked relevant controls relating to financial reporting and related disclosures. ⇨ We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT system and relevant controls, including those related to user access and change management. ⇨ We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the company and the actions taken to address these risks. ⇨ We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of general ledger reconciliations

Other information included in the 2023 Annual Report

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with

Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2965.

Ernst & Young

29 May 2023
Colombo

FINANCIAL REPORTING

	Note	Page
Section 01- Primary Financial Statements		
Statement of Profit or Loss and other Comprehensive Income		194
Statement of Financial Position		195
Statement of Changes in Equity		196
Statement of Cash Flows		197
Section 02- Corporate Information		
Corporate Information	1.	198
Section 03- General Accounting Policies and Notes		
Basis of Preparation of Financial Statements	2.	198
General Accounting Policies	3.	200
Standards Issued But Not Yet Effective	4.	203
Section 04-Specific Accounting Policies and Notes		
Income	5.	205
Net Interest Income	6.	205
Net Fees and Commission Income	7.	206
Other Operating Income	8.	206
Impairment Charges /(Reversal) for Loans /lease and Other Receivables	9.	207
Personnel Expenses	10.	208
Other Operating Expenses	11.	209
Tax on Financial Services	12.	209
Income Tax Expenses	13.	210
Earnings Per Share (EPS)	14.	211
Dividend Paid and Proposed	15.	212
Analysis of Financial Instruments by Measurement Basis	16.	213
Cash and Cash Equivalents	17.	213
Financial Investments	18.	214
Other Financial Assets	19.	214
Financial Assets at Amortised Cost - Loans and Receivables	20.	215
Financial Assets at Amortised Cost - Lease Rentals Receivables	21.	217
Allowance for Impairment Charges	22.	220
Other Non Financial Assets	23.	223
Investment Property	24.	224
Property, Plant & Equipment	25.	226
Right-of-Use Assets	26.	229
Intangible Assets	27.	230
Due to Banks & Other Institutions	28.	231
Financial Liability at Amortised Cost - Due to Customers	29.	234
Lease Liability	30.	235
Other Non Financial Liabilities	31.	236
Current Tax Liabilities	32.	236
Post-Employement Benefit Obligations	33.	237
Deferred Taxation	34.	239
Stated Capital	35.	240
Reserves	36.	241
Retained Earnings	37.	
Commitments and Contingencies	38.	242
Net Assets Value Per Share	39.	
Assets Pledge	40.	243
Comparative Information	41.	243
Current and Non Current Analysis of Assets and Liabilities	42.	244
Related Party Transactions	43.	245
Events Occurring After the Reporting Date	44.	247
Capital	45.	247
Fair Value of Financial Instruments	46.	248
Section 05- Risk Management Disclosures		
Risk Management	47.	252

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Page	2023 LKR	2022 LKR
Income	5	205	2,597,491,955	1,930,409,278
Interest Income			2,461,331,443	1,822,315,188
Interest Expenses			(1,221,614,731)	(562,116,108)
Net Interest Income	6	205	1,239,716,712	1,260,199,080
Net Fee and Commission Income	7	206	114,185,258	63,587,270
Other Operating Income	8	206	21,975,253	44,506,819
Total Operating Income			1,375,877,224	1,368,293,170
Impairment Charges for Loans and Other Losses	9	207	(63,092,109)	(192,618,588)
Net Operating Income			1,312,785,115	1,175,674,582
Operating Expenses				
Personnel Expenses	10	208	(464,026,483)	(440,417,817)
Depreciation of Property, Plant and Equipment			(29,034,587)	(33,428,444)
Amortisation of Right of Use Assets			(70,140,299)	(64,393,112)
Amortisation of Intangible Assets			(1,164,233)	(2,947,501)
Other Operating Expenses	11	209	(302,342,543)	(259,224,168)
Operating Profit before Tax on Financial Services			446,076,970	375,263,540
Tax on Financial Services	12	209	(145,945,075)	(106,552,907)
Profit before Taxation			300,131,895	268,710,633
Income Tax Expenses	13	210	(78,482,446)	(53,244,387)
Profit for the Year			221,649,449	215,466,246
Other Comprehensive Income				
Actuarial Gains/(Losses) on Defined Benefit Plans	33	237	(2,939,318)	3,420,601
Gain/(Loss) due to changes in Assumptions	33	237	(144,710)	32,703,154
Deferred Tax (Charge)/Reversal on above items			925,208	(4,334,851)
Net Other Comprehensive Income/(Expenses) not to be Reclassified to Profit or Loss			(2,158,820)	31,788,904
Surplus from Revaluation of Property, Plant & Equipment			-	-
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment			-	-
Net Other Comprehensive Income not to be Reclassified to Profit or Loss			-	-
Other Comprehensive Income/(Expenses) for the Year, Net of Tax			(2,158,820)	31,788,904
Total Comprehensive Income/(Expenses) for the Year			219,490,629	247,255,150
Earning per Share - Basic /Diluted * (LKR)	14	211	1.48	1.86
Dividend per Share (LKR)	15	212	-	1.00

* Calculated based on profit/(loss) for the year
Accounting Policies and Notes from pages 198 to 263 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Page	2023 LKR	2022 LKR
Assets				
Cash and Cash Equivalents	17	213	664,043,703	92,132,395
Financial Investments	18	214	576,027,374	532,667,038
Other Financial Assets	19	214	874,494	814,391
Financial Assets at Amortised Cost - Loans and Receivables	20	215	5,105,311,168	5,110,595,093
Financial Assets at Amortised Cost - Lease Rentals Receivables	21	217	4,674,862,363	4,768,166,996
Other Non Financial Assets	23	223	155,939,726	162,122,503
Investment Property	24	224	234,257,500	234,257,500
Property, Plant and Equipment	25	226	147,095,459	139,267,592
Right-of-use Lease Assets	26	229	105,241,220	129,533,191
Intangible Assets	27	230	4,686,053	4,927,786
Deferred Tax Assets	34	239	1,954,498	-
Total Assets			11,670,293,558	11,174,484,484
Liabilities				
Due to Banks and Other Institutions	28	231	1,508,114,678	2,320,184,829
Financial Liability at Amortised Cost - Due to Customers	29	234	6,193,431,026	4,729,097,119
Lease Liability	30	235	119,947,887	149,951,692
Other Non Financial Liabilities	31	236	291,925,223	596,809,388
Current Tax Liabilities	32	236	71,709,569	21,170,445
Post Employment Benefit Liability	33	237	35,677,457	32,066,158
Deferred Tax Liabilities	34	239	-	20,409,737
Total Liabilities			8,220,805,840	7,869,689,368
Shareholders' Funds				
Stated Capital	35	240	2,696,113,032	2,696,113,032
Reserves	36	241	182,448,021	171,365,549
Retained Earnings	37	241	570,926,665	437,316,534
Total Shareholders' Funds			3,449,487,718	3,304,795,115
Total Liabilities and Shareholders' Funds			11,670,293,558	11,174,484,484
Commitments and Contingencies	38	242	7,433,330	4,290,100
Net Assets Value per Share	39	243	23.06	22.09

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

Kalani Dharmadasa
Head of Finance

Nilantha Jayanetti
Chief Executive Officer

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

Channa de Silva
Chairman

Dammika Ganegama
Senior Director

Accounting Policies and Notes from pages 198 to 263 form an integral part of these Financial Statements.

29 May 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

	Stated Capital LKR	Statutory Reserves LKR	Revaluation Reserves LKR	Retained Earnings LKR	Total Equity LKR
Balances as at 1 April 2021	1,696,113,020	104,077,475	56,514,761	324,679,970	2,181,385,226
Comprehensive Income for the year					
Profit for the Year	-	-	-	215,466,246	215,466,246
Other Comprehensive Income	-	-	-	31,788,904	31,788,904
Total Comprehensive Income for the year	-	-	-	247,255,150	247,255,150
Transactions with Equity Holders, Recognised Directly in Equity					
Transfer to Statutory Reserves Fund	-	10,773,312	-	(10,773,312)	-
Share Issue	1,000,000,012	-	-	-	1,000,000,012
Expenses related to the Share Issue	-	-	-	(49,047,249)	(49,047,249)
Interim Dividend	-	-	-	(74,798,026)	(74,798,026)
Total transaction with equity holders	1,000,000,012	10,773,312	-	(134,618,587)	876,154,737
Balances as at 31 March 2022	2,696,113,032	114,850,787	56,514,761	437,316,534	3,304,795,115
Balances as at 1 April 2022	2,696,113,032	114,850,787	56,514,761	437,316,534	3,304,795,115
Comprehensive Income for the year					
Profit for the Year	-	-	-	221,649,449	221,649,449
Other Comprehensive Income	-	-	-	(2,158,820)	(2,158,820)
Total Comprehensive Income for the year	-	-	-	219,490,629	219,490,629
Transactions with Equity Holders, Recognised Directly in Equity					
Transfer to Statutory Reserves Fund	-	11,082,472	-	(11,082,472)	-
Final Dividend	-	-	-	(74,798,026)	(74,798,026)
Total transaction with equity holders	-	11,082,472	-	(85,880,498)	(74,798,026)
Balances as at 31 March 2023	2,696,113,032	125,933,259	56,514,761	570,926,665	3,449,487,718

Accounting Policies and Notes from pages 198 to 263 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Page	2023 LKR	2022 LKR
Cash Flows From / (Used in) Operating Activities				
Profit before Income Tax Expense			300,131,895	268,710,633
Adjustments for				
Impairment Charges for Loans and Other Losses	9.	207	63,092,109	192,618,588
Changing Fair Value of Investment Property			-	(18,578,750)
Loss/(Profit) on Disposal of Property, Plant and Equipment			3,601,501	1,744,069
Profit/(Loss) on ROU assets			31,067	(672,002)
Provision for Defined Benefit Plans	10.	237	10,021,516	20,456,300
Depreciation of Property, Plant and Equipment	25.1	227	29,034,587	33,428,444
Amortisation of Intangible Assets			1,164,233	2,947,501
Amortisation of Right-to-Use Assets			70,140,299	64,393,112
Interest Expenses on Lease Creditor			17,758,693	18,005,565
Operating Profit before Working Capital Changes			494,975,900	583,053,459
(Increase)/Decrease in Loans and Receivables	20.	215	125,563,957	(173,355,281)
(Increase)/Decrease in Lease Rentals Receivables	21.	217	(92,482,507)	(1,983,759,093)
(Increase)/Decrease in Other Financial Assets			(60,103)	(34,885)
(Increase)/Decrease in Other Non Financial Assets			8,597,776	(70,463,433)
Increase/(Decrease) in Amounts Due to Customers	29.	234	1,464,333,905	177,151,935
Increase/(Decrease) in Other Non Financial Liabilities			(230,546,093)	239,354,827
Cash Generated from Operations			1,770,382,834	(1,228,052,469)
Retirement Benefit Liabilities Paid			(9,494,245)	(8,095,000)
Net Collection of LRAB Fund			123,525	104,435
Income Tax Paid	32.	236	(49,382,348)	(90,062,673)
Repayment of Lease Liability			(93,525,230)	(79,694,785)
Net Cash From/(Used in) Operating Activities			1,618,104,536	(1,405,800,491)
Cash Flows from / (Used in) Investing Activities				
Sales of Property, Plant and Equipment			402,068	274,301
Acquisition of Property, Plant and Equipment	25.1	227	(40,865,923)	(13,830,036)
Acquisition of Intangible Assets	27.2	231	(922,500)	(2,820,000)
Financial Investment			(43,360,336)	(158,075,850)
Net Cash Flows from/(Used in) Investing Activities			(84,746,691)	(174,451,586)
Cash Flows from / (Used in) Financing Activities				
Funds received from bank and other institutional borrowings	28.2	232	512,961,416	1,560,350,000
Repayment of bank and other institutional borrowings	28.2	232	(1,076,151,729)	(1,075,832,549)
Funds Received from Share Issue			-	1,000,000,012
Dividend Payment			(149,376,386)	-
Expenses related to the Share Issue			-	(49,047,249)
Net Cash Flows from/(Used in) Financing Activities			(712,566,699)	1,435,470,215
Net Increase in Cash and Cash Equivalents			820,791,146	(144,781,862)
Cash and Cash Equivalents at the beginning of the year			(241,120,008)	(96,338,146)
Cash and Cash Equivalents at the end of the year	A		579,671,138	(241,120,008)
A . Cash and Cash Equivalents at the end of the year				
Favorable Cash & Cash Equivalents			664,043,703	92,132,395
Unfavorable Cash & Cash Equivalents			(84,372,565)	(333,252,403)
Total Cash and Cash Equivalents at the end of the year	17.1	213	579,671,138	(241,120,008)

Accounting Policies and Notes from pages 198 to 263 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENT

1. CORPORATE INFORMATION

1.1 General

Sarvodaya Development Finance PLC (The 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and is a Licensed Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The shares of the Company have a primary listing on the Colombo Stock Exchange (CSE).

The registered office of the Company is located at No 155/A, Dr. Danister De Silva Mawatha, Colombo 08 and the principal place of business is situated at the same place.

1.2 Principal Activities of the Company

The principal activities of the Company consist of Acceptance of Deposits, Granting Micro Finance Loans, SME Loans, Leasing, Housing Loans, Business Loans, Pawning and other credit facilities and related services.

1.3 Approval of the Financial Statements

The Financial Statements of the Company for the year ended 31 March 2023 (including comparatives) have been approved and authorized for issue by the Board of Directors on 29 May 2023.

1.4 Number of Employees

The staff strength of the Company as at 31 March 2023 and 31 March 2022 is 453 and 508 respectively.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Statement of Compliance

The Financial Statements of the Company which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and 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 and the listing rules of the Colombo Stock Exchange. The presentation of Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at 'www.casrilanka.com / www.slaasc.lk'.

2.2. Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company, in compliance with the provisions of the Companies Act No. 07 of 2007 and SLFRSs/LKASs.

The Board of Directors acknowledges their responsibility as set out in the 'Report of the Board of Directors on the Affairs of the Company', 'Directors' Responsibility for Financial Reporting' and 'Directors' Statement on Internal Control over Financial Reporting' and the certification given on the 'Statement of Financial Position' of the Annual Report

These Financial Statements include the following components;

- A Statement of Profit or Loss and Other Comprehensive Income provides the information on the performance for the year under review (Refer page 194).
- A Statement of Financial Position provides the information on the financial position of the Company as at the year end (Refer page 195).
- A Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company (Refer page 196).
- A Statement of Cash Flows provides the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs for entities to utilize those cash flows (Refer page 197) and
- Notes to the Financial Statements, which comprises of the Accounting Policies and other explanatory notes and information (Refer pages 198 to 263).

2.3. Preparation of Financial Statements

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position:

Name	Basis of Measurement	Note Number/s	Page Number/s
Land & Buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	Note 25	Page 226
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 33	Page 237
Investment Properties	Measured at fair value at the time of transferred from Property, plant & Equipment. Subsequently valued at fair value.	Note 24	Page 224

2.4. Presentation of Financial Statements
The Company present its Statement of Financial Position broadly by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery and settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 42 to these Financial Statements. No adjustments have been made for inflationary factors affecting the Financial Statements.

2.5. Use of Materiality, Aggregation, Offsetting and Rounding

Materiality and Aggregation
In compliance with Sri Lanka Accounting Standards – LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or loss unless required or permitted by an Accounting Standard or interpretation, and specifically disclosed in the accounting policies of the Company.

Rounding
The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements).

2.6. Functional and presentation currency
The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency, unless indicate otherwise.

2.7. Going Concern
The Board of Directors of the Company has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The Company has raised LKR 1 Bn new share capital through an IPO to comply with the CBSL minimum core capital requirement of LKR 2.5 Bn. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8. Comparative Information
Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.9. Significant Accounting Judgments, Estimates and Assumptions
In the process of applying the accounting policies of the Company, management is required to make judgments, which may have significant effects on the amounts recognized in the Financial Statements. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation of uncertainty at the date of the Statement of the Financial Position that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

Classification of financial assets and liabilities
As per SLFRS 9, the Significant Accounting Policies of the Company provides scope for Financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the Financial assets as set out in Note 3.2.2 on page 201.
- The contractual cash Flow characteristics of the Financial assets as set out in Note 3.2.2 on page 202.

Impairment losses on financial Assets
The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash Flows and collateral values when determining impairment losses.

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired.

Impairment losses on loans and lease receivables
The Company use number of estimates and assumptions for the calculation of impairment losses on loans and lease receivables. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the 'impairment losses on loans and receivables' are given in Note 22 on page 220 to the financial statements.

Notes to the Financial Statement

Impairment charges on financial investments
Financial investments are categorised under amortised cost subject to Impairment in accordance with SLFRS 9 -Financial Investment. The Company does not have historical loss experience on debt instruments at amortised cost. The Company does not have financial investments that required impairment charges.

Useful life time of Property, Plant and Equipment
The Company reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Details of the 'useful life-time of the Property, Plant and Equipment' are given in Note 25 on page 226 to the financial statements.

Useful life time of the Intangible Assets
Details of the 'useful life-time of the intangible assets' are given in Note 27 on page 230 to the financial statements.

Deferred tax
Details of the 'deferred tax' are given in Note 34 on page 239 to the financial statements.

Post-Employment Benefit obligation
Details of the 'Post-Employment benefit obligation' are given in Note 33 on page 237 to the financial statements.

Related Party Transactions
Details of the 'Related Party Transactions' are given in Note 43 on page 245 to the financial statements.

3. GENERAL ACCOUNTING POLICIES

3.1 Changes In Accounting Standards

In these financial statements, the Company has applied Sri Lanka Accounting Standard - Amendments to SLFRS 16: Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 and Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2 which became effective for the annual reporting periods beginning on or after 1 January 2021, for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

Amendments to SLFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1
In 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

Highly Probable Requirement: when determining whether a forecast transaction is highly probable to be designated as a hedged item, an entity shall assume that the interest rate benchmark on which the hedged cashflows are based is not altered as a result of the reform

Prospective assessments: when performing prospective assessments to evaluate whether a hedging relationship qualifies for hedge accounting, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform

LKAS 39 retrospective assesment: an entity is not required to undertake the 'LKAS 39 retrospective assesment' for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assesment

Separately identifiable risk components: For hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement of risk component (or a portion) to be seperately identifiable to be eligible for hedge accounting, only at the inception of such hedging relationships

IBOR reform Phase 2
In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context

3.2 Financial Instruments – initial recognitions and subsequent measurement

3.2.1 Date of recognition

All financial assets and liabilities except 'regular way trades' are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. 'Regular way trades' means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

3.2.2 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by- instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

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

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Company holds a portfolio of long-term fixed rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the Statement of Financial Position.

Financial assets measured at amorised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets measured at amortised cost are given in Note 16 on page 213.

Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. The Company do not have financial assets measured at FVOCI as at 31 March 2023.

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. The Company do not have financial assets measured at FVTPL as at 31 March 2023.

3.2.3 Derecognition of financial assets and financial liabilities

Financial Assets

Financial Assets A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- The rights to receive cash flows from the asset which have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Statement of Profit or Loss.

3.2.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.2.5 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 46 on page 248.

3.3 Impairment of non-financial assets
The carrying amounts of the Company's non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use.

Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

3.4 Provisions
Provisions are recognised in the Statement of Financial Position when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.5 Borrowing cost
As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

3.6 Income tax
Details of the 'income tax expense' are given in Note 13 on page 210 to the financial statements.

3.7 Deferred tax
Details of the 'deferred tax' are given in Note 34 on page 239 to the financial statements.

3.8 Crop Insurance Levy
As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.9 Tax on financial services
Details of the 'VAT, Social Security Contribution Levy on financial services are given in Note 12 on page 209 to the financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE
The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2023. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2023. Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

SLFRS 17 Insurance Contracts
SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local

accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
  Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non--current. The amendments clarify -

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

5. INCOME

Accounting Policy

Gross income (Revenue) is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

Year ended 31 March	Note	Page	2023 LKR	2022 LKR
Interest Income	6.1	205	2,461,331,443	1,822,315,188
Net Fee and Commission Income	7	206	114,185,258	63,587,270
Other Operating Income (net)	8	206	21,975,253	44,506,819
Total Income			2,597,491,955	1,930,409,278

Recognition of interest income for credit facilities under moratoriums

The adjusted Effective Interest Rate (EIR) has been applied for the moratorium granted facilities to recognise interest income till the end of the lifetime of the instrument.

6. NET INTEREST INCOME

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Company use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 09. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the Financial Asset or Financial Liability

Once the recorded value of financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

Recognition of interest income for credit facilities under moratoriums

The adjusted EIR has been applied for the moratorium granted facilities to recognise interest income till the end of the lifetime of the instrument.

Year ended 31 March	2023 LKR	2022 LKR
6.1 Interest Income		
Financial Assets at Amortised Cost - Loans and Receivables	1,204,123,623	917,956,222
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,089,564,946	867,285,943
Financial Investments	117,769,541	29,888,102
Cash and cash equivalent - Savings Deposits	36,615,343	7,145,578
Other Financial Assets	13,257,990	39,343
Total Interest Income	2,461,331,443	1,822,315,188
6.2 Interest Expenses		
Due to Bank and Other Institution	431,967,924	219,495,225
Financial Liabilities at Amortised Cost - Due to Customers	771,888,114	324,615,318
Lease Liabilities	17,758,693	18,005,565
Total Interest Expenses	1,221,614,731	562,116,108
Net Interest Income	1,239,716,712	1,260,199,080

Notes to the Financial Statement

7. NET FEES 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 Fees 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 charges.

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.

7.1 Fee and Commission Income

For the Year ended 31 March	2023 LKR	2022 LKR
Credit Related Fees and Commissions	54,448,052	28,349,729
Documentation Charges	28,987,242	35,423,082
Service Charge	63,843,877	15,651,465
Total Fees and Commission Income	147,279,170	79,424,276

7.2 Fees and Commission Expenses

For the Year ended 31 March	2023 LKR	2022 LKR
Credit Related Fees and Commissions	21,720,448	8,226,185
Documentation Charges	2,658,352	575,857
Service Charge	8,715,112	7,034,965
Total Fees and Commission Expenses	33,093,912	15,837,006
Total Net Fees and Commission Income	114,185,258	63,587,270

8. OTHER OPERATING INCOME

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Company is recognised as other operating income on an accrual basis.

Other operating income includes recoveries of written-off loans and receivables, gains from property, plant & equipments and reversal of provision of Loan Risk Assurance Benefit Fund.

For the Year ended 31 March	Note	Page	2023 LKR	2022 LKR
Recoveries of Written-Off Loans & Receivables			12,488,335	11,691,105
Profit/(Loss) on Disposal of Property Plant & Equipment			(3,601,501)	(1,744,069)
Gain from Fair Value of Investment Property			-	18,578,750
Rent income from investment property			8,290,200	8,290,200
Other Sundry Income	8.1	206	4,798,219	7,690,833
Total Other Operating Income			21,975,253	44,506,819

8.1 Other Sundry Income included savings accounts threshold charges, income from solar project , stationery income and other.

9. ALLOWANCES FOR IMPAIRMENT CHARGES /(REVERSAL) FOR LOANS /LEASE AND OTHER RECEIVABLES

Accounting Policy

The Company recognises the changes in the impairment provisions for loans and lease receivables and other customers, which are assessed as per the LKAS 9: Financial Instruments. The methodology adopted by the Company is explained in Note 22 to these Financial Statements.

For the Year ended 31 March	2023 LKR	2022 LKR
Loans and Receivables	23,835,675	126,032,417
Lease Rental Receivables	41,671,434	59,019,063
Provision for Other Assets	(2,415,000)	7,567,108
Total Impairment Charges for Loans / Lease and Other Receivables	63,092,109	192,618,588

9.1 Impairment charge/(reversal) for Loans / Lease and Other Receivables (Detailed breakdown)

For the year ended 31 March	2023			
	Disposal loss/ Write-offs LKR	Charge LKR	(Reversal) LKR	Net Amount LKR
Loans and Receivables	(144,115,706)	246,982,727	(79,031,346)	23,835,675
Lease Rentals Receivables	-	102,440,483	(60,769,049)	41,671,434
Other receivables	-	-	(2,415,000)	(2,415,000)
Total	(144,115,706)	349,423,210	(142,215,395)	63,092,109

For the year ended 31 March	2022			
	Disposal loss/ Write-offs LKR	Charge LKR	(Reversal) LKR	Net Amount LKR
Loans and Receivables	(108,931,128)	414,635,895	(179,672,350)	126,032,417
Lease Rentals Receivables	-	106,333,876	(47,314,814)	59,019,062
Other receivables	-	7,567,108	-	7,567,108
Total	(108,931,128)	528,536,880	(226,987,164)	192,618,588

Notes to the Financial Statement

9. ALLOWANCES FOR IMPAIRMENT CHARGES /(REVERSAL) FOR LOANS /LEASE AND OTHER RECEIVABLES (CONTD.)

9.2 Impairment charges to the Statement of Profit or Loss- Stage wise analysis

For the year ended 31 March	2023			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	44,738,366	(9,949,960)	(10,952,732)	23,835,675
Lease Rentals Receivables	71,544,813	(13,140,449)	(16,732,930)	41,671,434
Other receivables	-	-	(2,415,000)	(2,415,000)
Total	116,283,179	(23,090,409)	(30,100,661)	63,092,109

For the year ended 31 March	2022			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	125,491,296	(7,053,832)	7,594,952	126,032,416
Lease Rentals Receivables	32,976,977	15,375,037	10,667,049	59,019,063
Other receivables	-	-	7,567,108	7,567,108
Total	158,468,273	8,321,204	25,829,110	192,618,588

10. PERSONNEL EXPENSES

Accounting Policy

Personnel costs includes salaries and bonus, other staff related expenses, terminal benefit charges and other related expenses. The provisions for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively.

Contributions to defined benefit plans are recognised in the Statement of Profit or Loss and Other Comprehensive Income based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19, Defined benefit Obligations.

For the Year ended 31 March	2023 LKR	2022 LKR
Salaries and Other Related Expenses	397,342,303	373,311,469
Employer's Contribution to Employees' Provident Fund	31,335,607	28,074,814
Employer's Contribution to Employees' Trust Fund	7,836,599	7,018,704
Gratuity Charge for the Year	10,141,516	19,897,300
Other Staff Related Expenses	17,370,458	12,115,531
Total Personnel Expenses	464,026,483	440,417,817

11. OTHER OPERATING EXPENSES

Accounting Policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

Crop Insurance Levy

As per provisions of the Section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 01 April 2013 and is payable to the National Insurance Trust Fund. Currently, the crop insurance levy is payable at 1 percent of profit after tax.

For the Year ended 31 March	2023 LKR	2022 LKR
Directors' Emoluments	7,940,000	9,924,000
Auditors Remuneration	3,939,887	2,559,978
Professional and Legal Expenses	3,972,321	5,290,133
Deposit Insurance Premium	7,563,729	6,019,843
General Insurance Expenses	5,862,074	3,510,287
Office Administration and Establishment Expenses	168,689,416	139,551,105
Travelling & Transport Expenses	52,617,575	45,545,293
Other Expenses	1,611,833	2,394,738
Marketing and Promotional Expenses	50,145,708	44,428,791
Total Other Operating Expenses	302,342,543	259,224,168

12. TAX ON FINANCIAL SERVICES

Accounting Policy

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT and Social Security Contribution Levy (SSCL) on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT on Financial Services is charged as 18% with effect from 01 January 2022

Social Security Contribution Levy (SSCL)

As per provisions of the Social Security Contribution Levy (SSCL) Act No 5 of 2022, SSCL on Financial Services was payable at 2.5% on Company's value additions attributable to financial services with effect from 1 October 2022. The value addition attributable to financial service is same as the value using to calculate VAT on Financial Services.

For the Year ended 31 March	2023 LKR	2022 LKR
Value Added Tax on Financial Services	136,773,929	106,552,907
Social Security Contribution Levy	9,171,146	-
Total Tax on Financial Services	145,945,075	106,552,907

Notes to the Financial Statement

13. INCOME TAX EXPENSES

Accounting Policy

As per the Sri Lanka Accounting Standard - LKAS 12 on Income Taxes, the tax expense/tax income is the aggregate amount included in determination of profits or loss for the period in respect of income tax and deferred tax. The tax expense/Income is recorded in the Statement of Profit or Loss expect 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in Note 13.1 to these Financial Statements.

Deferred Taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 34 to the Financial Statements.

The tax rates and laws utilized for computing the amount are based on those enacted or substantively enacted by the reporting date. According to the new budget proposal, the Company was eligible for a concessionary tax rate of 14% due to its listing on the Colombo Stock Exchange before December 31, 2021. However, it is important to note that the concessionary rate has been discontinued by the Inland Revenue Department (IRD) effective from October 1, 2022. As a result, the company is now liable for income tax at a rate of 30% from that date onwards.

The components of the income tax expense for the years ended 31 March 2023 and 2022 are:

For the Year ended 31 March	Note	Page	2023 LKR	2022 LKR
Income Taxation				
Taxation based on Profits for the Year	13.1	211	102,446,165	55,736,127
Under/(Over) Provision of Current Taxes in respect of Previous Years			(2,524,693)	1,831,667
Deferred Taxation				
Amount of Deferred Tax expense/ (Income)			(46,954,058)	(4,323,406)
Amount of Deferred Tax expense/ (Income) relating to changes in tax rates			25,515,032	-
Total Tax Expenses			78,482,446	53,244,387
Deferred tax charge/(reversal) for other comprehensive income			925,208	(4,334,851)
Income tax charge / (reversal) recognised in statement of comprehensive income			925,208	(4,334,851)

13.1 Reconciliation of Accounting Profit And Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the Years ended 31 March 2023 and 2022 are as follows.

For the Year ended 31 March	2023 LKR	2022 LKR
Profit Before Tax	300,131,895	268,710,633
Add : Disallowable Expenses	255,415,248	362,760,697
Taxable Loss on Leasing Business	19,328,496	20,744,674
Adjustment on SLFRS 16	(4,141,642)	2,551,873
Less: Tax Deductible Expenses	(108,671,111)	(172,112,105)
Disallowable Income	3,601,501	(18,188,051)
Adjusted Profit / (Loss) for Tax Purposes	465,664,388	464,467,722
Assessable Income	465,664,388	464,467,722
Less - Allowable Losses	-	-
Taxable Income	465,664,388	464,467,722
Income Tax @ 30%	69,849,658	-
Income Tax @ 14%	32,596,507	55,736,127
Income Tax on Current Year's Profit	102,446,165	55,736,127
Effective tax rate (excluding deferred tax) (%)	22.97%	14.85%
Effective tax rate (%)	17.59%	14.19%

13.2 Under/(Over) Provision of Current Taxes in respect of Previous Years

The Company recorded an income tax over provision Rs 2,524,693/- for Y/A 2021/22 based on the submitted annual income tax return.

13.3 Differed Tax on Concessionary Rate

Due to the change in the concessional tax rate from 12% to 30%, the Company has made adjustments to account for the deferred tax based on the new tax rate

14. EARNINGS PER SHARE (EPS)

Accounting Policy

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as required by the Sri Lanka Accounting Standard No. 33 (LKAS 33) on 'Earnings per Share'.Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor.

For the Year ended 31 March	2023 LKR	2022 LKR
Amount used as the numerator		
Profit attributed to ordinary shareholders (LKR)	221,649,449	215,466,246
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	149,596,052	116,096,674
Basic / Diluted Earnings per Share (LKR)	1.48	1.86

Notes to the Financial Statement

15. DIVIDEND PAID AND PROPOSED

Accounting Policy

Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividends payable is recognised when Board approves such dividends in accordance with the Companies Act No .07 of 2007 and guide lines of Central Bank of Sri Lanka.

For the Year ended 31 March	Note	Page	2023 LKR	2022 LKR
15.1 Dividend per Share				
Dividends for Ordinary Shares:				
Interim Dividend for the financial year 2021/22 (LKR 0.50 per share)	15.2.1	212	-	74,798,026
Final Dividends for the financial year 2021/22 (LKR 0.50 per share)	15.2.2	212	-	74,798,026
Total Dividends			-	149,596,052
No of Ordinary Shares at the End of the Year			-	149,596,052
Divided per Share (LKR)			-	1.0

15.2 Dividend for the year 2021/22

15.2.1 Interim dividend

The Company was paid an interim dividend of 50 cents per share in respect of the financial year 2021/22 on the then issued shares of 149,596,052 after obtaining the requisite approval of the Central Bank of Sri Lanka.

15.2.2 Final Dividend

The Company was paid an final dividend of 50 cents per share in respect of the financial year 2021/22 on the then issued shares of 149,596,052 after obtaining the requisite approval of the Central Bank of Sri Lanka.

16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Accounting Policy

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.

16.1 Analysis of Financial Instruments by Measurement Basis

As at 31 March	2023		2022	
	Amortised Cost LKR	Total LKR	Amortised Cost LKR	Total LKR
Financial Assets				
Cash and Cash Equivalents	664,043,703	664,043,703	92,132,395	92,132,395
Financial Investments	576,027,374	576,027,374	532,667,038	532,667,038
Other Financial Assets	874,494	874,494	814,391	814,391
Financial Assets at Amortised Cost - Loans and Receivables	5,105,311,168	5,105,311,168	5,110,595,093	5,110,595,093
Financial Assets at Amortised Cost - Lease Rentals Receivables	4,674,862,363	4,674,862,363	4,768,166,996	4,768,166,996
Total Financial Assets	11,021,119,101	11,021,119,101	10,504,375,912	10,504,375,912
Financial Liabilities				
Due to Banks and Other Institutions	1,508,114,678	1,508,114,678	2,320,184,829	2,320,184,829
Due to Customers	6,193,431,026	6,193,431,026	4,729,097,119	4,729,097,119
Lease Liabilities	119,947,887	119,947,887	149,951,692	149,951,692
Total Financial Liabilities	7,821,493,590	7,821,493,590	7,199,233,640	7,199,233,640

17. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents for the purpose of reporting in the Statement of Financial Position, comprise of cash in hand and balances with banks. The cash in hand comprises of local currency only.

As at 31 March	2023 LKR	2022 LKR
Cash in Hand	60,741,765	51,260,357
Balances with Banks	603,301,938	40,872,038
Total Cash and Cash Equivalents	664,043,703	92,132,395

17.1 Net cash and Cash Equivalents for the Purpose of the Cash Flow Statement

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

As at 31 March	Note	Page	2023 LKR	2022 LKR
Favorable Cash & Cash Equivalents	17	213	664,043,703	92,132,395
Unfavorable Cash & Cash Equivalents	28	232	(84,372,565)	(333,252,403)
Cash & Cash Equivalents for Cash Flow Purposes			579,671,138	(241,120,008)

18. FINANCIAL INVESTMENTS

Accounting Policy

Financial investments include Government Securities and securities purchased under resale agreements. After initial measurement, these are subsequently measured at amortized cost using the EIR. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

As at 31 March	2023 LKR	2022 LKR
Sri Lanka Government Securities - REPO	576,027,374	532,667,038
Total Financial Investments	576,027,374	532,667,038

19. OTHER FINANCIAL ASSETS

Accounting Policy

Financial investments include Fixed Deposit. After initial measurement, these are subsequently measured at amortized cost using the EIR. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

As at 31 March	2023 LKR	2022 LKR
Fixed Deposits	874,494	814,391
Total Other Financial Assets	874,494	814,391

19.1 Contractual Maturity Analysis of Other Financial Assets

As at 31 March 2023	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	874,494	-	-	874,494
Total Other Financial Assets	874,494	-	-	874,494

As at 31 March 2022	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	814,391	-	-	814,391
Total Other Financial Assets	814,391	-	-	814,391

20. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES

Accounting Policy

Loans and receivables include financial assets measured at amortized cost if both following conditions are met ;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the Statement of Comprehensive Income.

As at 31 March	Note	Page	2023 LKR	2022 LKR
SME Loans			1,153,495,295	1,534,108,034
Micro Loans			436,241,761	794,848,779
Housing Loans			795,299,071	1,086,822,278
Society Loans			360,287,974	488,031,599
Gold Loans			2,170,424,108	1,047,191,832
Loan on Deposits			422,151,402	512,461,047
Gross Loan and Receivables			5,337,899,612	5,463,463,569
Less : Allowance for Impairment Charges	22.1	222	(232,588,444)	(352,868,476)
Net Loans and Receivables			5,105,311,168	5,110,595,093

20.1 Analysis

20.1.1 Analysis by stage wise

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	3,247,103,302	876,803,346	1,213,992,964	5,337,899,612
Less : Allowance for Impairment Charges	(50,395,310)	(39,934,813)	(142,258,321)	(232,588,444)
Total	3,196,707,992	836,868,533	1,071,734,643	5,105,311,168

As at 31 March 2022	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	3,391,277,669	686,278,213	1,385,907,686	5,463,463,569
Less : Allowance for Impairment Charges	(64,973,956)	(31,216,052)	(256,678,469)	(352,868,476)
Total	3,326,303,714	655,062,162	1,129,229,217	5,110,595,092

Notes to the Financial Statement

20. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES (CONTD.)

20.1.2 Analysis by Currency

As at 31 March	2023 LKR	2022 LKR
Sri Lankan Rupee	5,337,899,612	5,463,463,569
Gross total	5,337,899,612	5,463,463,569

20.1.3 Analysis by Industry

Agriculture & Fishing	2,677,367,350	2,223,347,911
Manufacturing	717,159,072	322,348,247
Tourism	16,539,660	23,115,059
Transport	10,651,107	9,287,478
Constructions	882,012,455	879,941,218
Trades	230,183,797	243,311,618
New Economy	5,279,288	4,770,773
Financial and Business Services	15,422,172	7,359,446
Infrastructure	30,239,343	31,472,375
Other Services	753,045,368	1,718,509,443
Gross total	5,337,899,612	5,463,463,569

20.2 Movement in gross loan and receivables during the year (Under SLFRS 9)

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2022	3,391,277,669	686,278,213	1,385,907,686	5,463,463,569
New assets originated or purchased	6,235,735,659	-	-	6,235,735,659
Assets derecognised or repaid (excluding write offs)	(5,984,676,970)	(190,525,132)	(24,404,486)	(6,199,606,588)
Transfers to Stage 1	439,918,569	(309,818,595)	(130,099,974)	-
Transfers to Stage 2	(56,691,588)	182,631,763	(125,940,175)	-
Transfers to Stage 3	(34,586,023)	(42,937,420)	77,523,443	-
Amounts written off	-	-	(161,693,028)	(161,693,028)
Gross carrying amount as at 31 March 2023	3,990,977,317	325,628,828	1,021,293,466	5,337,899,612

20.3 Movement in gross loan and receivables during the year (Under SLFRS 9)

As at 31 March 2022	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2021	2,976,531,498	908,406,104	1,405,170,686	5,290,108,288
New assets originated or purchased	5,096,031,378	-	-	5,096,031,378
Assets derecognised or repaid (excluding write offs)	(3,072,058,840)	(987,126,076)	(754,550,122)	(4,813,735,039)
Transfers to Stage 1	207,674,487	(145,245,767)	(62,428,720)	-
Transfers to Stage 2	(1,298,692,760)	1,345,034,730	(46,341,970)	-
Transfers to Stage 3	(518,208,093)	(434,790,778)	952,998,871	-
Amounts written off	-	-	(108,941,059)	(108,941,059)
Gross carrying amount as at 31 March 2022	3,391,277,669	686,278,213	1,385,907,686	5,463,463,569

21. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES

Accounting Policy

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are recognised on the statement of financial position. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Lease rental receivable include financial assets measured at amortized cost if both following conditions are made ;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding

After initial measurement, lease rental receivable is subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The losses or profit arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of Profit or Loss.

As at 31 March	Note	Page	2023 LKR	2022 LKR
21.1 Lease Rentals Receivable				
Gross Lease Rentals Receivables			7,137,064,921	7,124,329,857
Less: Unearned Income			(2,222,883,954)	(2,158,515,690)
Total Lease Rentals Receivables			4,914,180,967	4,965,814,166
(Less): Allowance for Impairment Charges	22.1	222	(239,318,604)	(197,647,170)
Net Lease Rentals Receivables			4,674,862,363	4,768,166,996

21.1 Analysis

21.1.1 Analysis by stage wise

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	3,048,303,333	1,099,314,762	766,562,872	4,914,180,967
Less - Allowance for Impairment Charges	(67,376,847)	(55,668,654)	(116,273,103)	(239,318,604)
	2,980,926,486	1,043,646,108	650,289,769	4,674,862,363

As at 31 March 2022	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	3,584,322,392	896,035,111	485,456,663	4,965,814,166
Less - Allowance for Impairment Charges	(69,828,019)	(46,924,868)	(80,894,283)	(197,647,170)
	3,514,494,374	849,110,244	404,562,380	4,768,166,997

Notes to the Financial Statement

21. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES (CONTD.)

21.2.2 Analysis by Currency

As at 31 March	2023 LKR	2022 LKR
Sri Lankan Rupee	4,914,180,967	4,965,814,166
Gross total	4,914,180,967	4,965,814,166

21.2.3 Analysis by Industry

As at 31 March	2023 LKR	2022 LKR
Agriculture & Fishing	2,862,975,229	3,553,462,141
Manufacturing	468,670,165	326,592,322
Tourism	39,916	1,708,710
Transport	209,273,028	108,823,916
Construction	529,774,371	34,277,312
Trades	9,409,927	18,134,474
New Economy	335,084	1,601,784
Financial and Business Services	1,110,671	1,272,963
Infrastructure	214,446	731,825
Other Services	832,378,130	919,208,720
Gross total	4,914,180,967	4,965,814,166

21.4 Maturity of Lease Rentals Receivables

As at 31 March 2023	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Lease Rental Receivables	415,000,699	6,722,064,222	-	7,137,064,921
Less: Unearned Income	(67,574,250)	(2,155,309,704)	-	(2,222,883,954)
Total Lease Rental Receivables	347,426,450	4,566,754,517	-	4,914,180,967
(Less): Allowance for Impairment Charges (Note 19.6)	(65,470,581)	(173,848,023)	-	(239,318,604)
Net Lease Rentals Receivables	281,955,868	4,392,906,495	-	4,674,862,363

21.5 Maturity of Lease Rentals Receivables

As at 31 March 2023	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Lease Rental Receivables	2,638,938,949	4,485,390,908	-	7,124,329,857
Less: Unearned Income	(855,143,019)	(1,303,372,672)	-	(2,158,515,690)
Total Lease Rental Receivables	1,783,795,930	3,182,018,236	-	4,965,814,166
(Less): Allowance for Impairment Charges (Note 19.6)	(75,648,907)	(121,998,263)	-	(197,647,170)
Net Lease Rentals Receivables	1,708,147,023	3,060,019,973	-	4,768,166,996

21.6 Movement in gross lease rental receivables during the year (Under SLFRS 9)

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2022	3,584,322,392	896,035,111	485,456,663	4,965,814,166
New assets originated or purchased	1,836,882,781	1,836,882,781		
Assets derecognised or repaid (excluding write offs)	(1,446,411,252)	(193,273,398)	(248,831,330)	(1,888,515,980)
Transfers to Stage 1	211,667,878	(172,823,857)	(38,844,020)	-
Transfers to Stage 2	(733,956,453)	780,134,123	(46,177,670)	-
Transfers to Stage 3	(352,871,547)	(210,757,217)	563,628,764	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31 March 2023	3,048,303,333	1,099,314,762	766,562,872	4,914,180,967

21.7 Movement in gross lease rental receivables during the year (Under SLFRS 9)

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2021	2,208,157,150	598,838,282	284,000,701	3,090,996,132
New assets originated or purchased	2,977,549,093	-	-	2,977,549,093
Assets derecognised or repaid (excluding write offs)	(749,873,126)	(256,334,338)	(96,523,595)	(1,102,731,059)
Transfers to Stage 1	100,407,534	(77,493,254)	(22,914,280)	-
Transfers to Stage 2	(764,618,519)	783,097,443	(18,478,924)	-
Transfers to Stage 3	(187,299,740)	(152,073,021)	339,372,761	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31 March 2022	3,584,322,392	896,035,111	485,456,663	4,965,814,166

Notes to the Financial Statement

22. ALLOWANCE FOR IMPAIRMENT CHARGES

Accounting Policy

Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 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 as assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 01: When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02.

Stage 02: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage

Stage 03: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected draw downs on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method are summarised below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible with in 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.

Stage2: 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%.

Debt instruments measured at fair value through OCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Forward looking information
In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:
- GDP Growth (%)
- Inflation (YoY Average)
- Interest Rate (PLR)
- Unemployment (% of Labor Force)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Reversals of impairment
If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

Renegotiated Loans
The Company makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiation when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Renegotiated loans may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms. It is the Company's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

From 1 April 2019,when the loan has been renegotiated or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 45.2 The Company also considers whether the assets should be classified as Stage 3.

Write-off of Financial Assets at Amortised Cost
Financial assets and the related impairment allowance accounts are normally written-off when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

Collateral Valuation
Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for measurement of regulatory provisions for bad and doubtful debts as per Direction No 03 of 2006 and subsequent amendments thereto issued by CBSL.

Collateral Repossessed
The Company's accounting policy under SLFRS 9 remains same as it was under LKAS 39.The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

Non-Accrual Receivables
Cessation of Interest income recognition is triggered out when the receivables are more than six months in arrears, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

Notes to the Financial Statement

22. ALLOWANCE FOR IMPAIRMENT CHARGES (CONTD.)

22.1 Allowance for Impairment Charges for Loans and Receivables

	2023			2022		
	On Loan Receivable LKR	On Lease Rental Receivable LKR	Total LKR	On Loan Receivable LKR	On Lease Rental Receivable LKR	Total LKR
Balance as at Beginning of the Year	352,868,476	197,647,170	550,515,646	335,777,119	138,628,108	474,405,227
Charge for the Year	23,835,675	41,671,434	65,507,109	126,032,416	59,019,063	185,051,479
Amounts Written Off	(144,115,706)	-	(144,115,706)	(108,941,059)	(108,941,059)	
Balance as at End of the Year	232,588,444	239,318,604	471,907,048	352,868,476	197,647,170	550,515,647
Individual Impairment	-	-	-	-	-	-
Collective Impairment	232,588,444	239,318,604	471,907,048	352,868,476	197,647,170	550,515,647
Total	232,588,444	239,318,604	471,907,048	352,868,476	197,647,170	550,515,647

22.2 Movement in allowance for Expected Credit Losses

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 01st April 2022	134,801,974	78,140,919	337,572,753	550,515,646
Charge/(Reversal) to income statement	(17,029,817)	17,462,548	65,074,379	65,507,109
Write-off during the year	-	-	(144,115,706)	(144,115,706)
Balance as at 31 March 2023	117,772,157	95,603,467	258,531,425	471,907,049

As at 31 March 2022	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 01st April 2021	85,070,947	69,681,319	319,652,961	474,405,227
Charge/(Reversal) to income statement	49,731,028	8,459,600	126,860,852	185,051,479
Write-off during the year	-	-	(108,941,059)	(108,941,059)
Balance as at 31 March 2022	134,801,974	78,140,919	337,572,753	550,515,647

22.3 Stage Movement in Allowance for Impairment Losses

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL amount as at 1st April 2022	133,875,081	81,101,866	335,538,699	550,515,647
New assets originated or purchased	67,942,808	-	-	67,942,808
Assets derecognised or repaid (excluding write offs)	10,825,799	(13,356,140)	94,641	(2,435,700)
Transfers to Stage 1	7,868,583	(5,758,234)	(2,110,349)	-
Transfers to Stage 2	(60,660,409)	64,787,559	(4,127,150)	-
Transfers to Stage 3	(42,079,705)	(31,171,584)	73,251,289	-
Amounts written off	-	-	(144,115,706)	(144,115,706)
ECL amount as at 31 March 2023	117,772,157	95,603,467	258,531,425	471,907,049

22.4 Stage Movement in Allowance for Impairment Losses

As at 31 March 2022	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL amount as at 1st April 2021	85,070,947	69,681,319	319,652,960	474,405,227
New assets originated or purchased	143,285,218	-	-	143,285,218
Assets derecognised or repaid (excluding write offs)	(8,238,546)	(8,200,773)	58,205,581	41,766,261
Transfers to Stage 1	5,296,375	(3,537,070)	(1,759,305)	-
Transfers to Stage 2	(49,305,936)	53,178,885	(3,872,949)	-
Transfers to Stage 3	(41,306,084)	(32,981,442)	74,287,525	-
Amounts written off	-	-	(108,941,059)	(108,941,059)
Gross carrying amount as at 31 March 2022	134,801,974	78,140,919	337,572,753	550,515,647

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.

As at 31 March	2023 LKR	2022 LKR
Inventories	4,238,581	2,777,352
Rent Deposit	16,107,500	17,607,500
Other Receivable	135,593,645	141,737,651
Total Other Non Financial Assets	155,939,726	162,122,503

Other Receivable

The 'Other Receivable' category comprises two components: un-presented cheque collection amounting to Rs. 47,614,043/- and land stock with a value of Rs. 25,489,494/-. The land stock was acquired as a result of court orders issued against defaulters.

Notes to the Financial Statement

24. INVESTMENT PROPERTY

Accounting Policy

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Other Comprehensive Income in the year in which they arise.

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Fair value of investment property

Investment property of the Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of directoLKR The fair values are based on market values, being the value in use or estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

Owner occupied properties and investment property

In determining if a property qualifies as Investment Property the Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

Borrowing cost

There were no capitalised borrowing cost related to the acquisition of Investment properties during the year 2023 (2022 – Nil).

As at 31 March	2023 LKR	2022 LKR
Balance as at 1 April	234,257,500	215,678,750
Transfer from during the year	-	-
Gain from fair value adjustment	-	18,578,750
Balance as at 31 March	234,257,500	234,257,500

The Company has recorded rent income for year ended 31 March 2023 Rs 8,290,200/- (2022 - Rs 8,290,200/-) and not incurred any repair and maintenance expenses on behalf of the property.

24.1 Information on investment properties of the Company - Valuations

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Carrying value of the investment property before fair valuation	Fair value of the investment property	"Fair value gains/(losses) recognised in Income Statement"
No 45, Rawathwatta Road, Moratuwa	Market comparable method	31-Mar-23	Estimated price per perch LKR 2,000,000/- (Land Extent - 48.69 perches)	Positively correlated sensitivity	Land LKR 63,900,000 Building LKR 56,340,000	Land LKR 97,380,000 Building LKR 136,977,500	Nill

24.2 Information on investment properties of the Company - Extents and Locations

Property	Number of Building	Extent (Perches)	Building (Square feet)	"Fair value of the investment property - Land"	"Fair value of the investment property - Building"	"Carrying value of the investment property before fair valuation - Land"	"Carrying value of the investment property before fair valuation - Building"
No 45, Rawathwatta Road, Moratuwa	1	48.69	14,650	97,380,000	136,977,500	56,340,000	63,900,000

24.3 Valuation techniques and sensitivity of the fair value measurement of the Investment properties of the Group

Valuation Technique	Significant unobservable valuation inputs	Fair value of the investment property -Building
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	"Estimated fair value would increase/(decrease) if; Price per perch of land would increase/(decrease) Price per square foot for building would increase/(decrease) Depreciation rate for building would (decrease)/increase

24.4 Details about valuer

Market valuation of the above investment property was carried out as at 31 March 2023 by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company.

Notes to the Financial Statement

25. PROPERTY, PLANT & EQUIPMENT

Accounting Policy

Basis of Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and subsequent cost as explained below. The cost of self-constructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalized as part of computer equipment.

Cost Model

The Company applies the 'Cost Model' to all property, plant & equipment other than free hold land and building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Company applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the date reporting date, less any subsequent accumulated depreciation on land and buildings and any accumulated impairment losses charged subsequent to the date of the valuation.

Freehold land and buildings of the Company are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

The Company engages an Independent Valuer to determine the fair value of free hold land and buildings. In estimating the fair values, the Independent Valuer considers current market prices of similar assets.

During the current financial year, the Company revalued its freehold lands and buildings.

Subsequent Cost

These are costs that are recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

Repairs and Maintenance

Repairs and Maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

Derecognition

An item of property, plant & equipment is 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 uncertainty.

The estimated useful lives of the assets for the year ended 31 March 2023 and 2022, 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.

25.1 The Movement in Property, Plant & Equipment

As at 31 March 2023	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
Cost or Valuation							
Balance as at 1 April 2022	36,100,000	104,301,137	71,635,498	86,496,333	50,164,803	42,753,322	391,451,093
Additions during the year	-	7,155,912	9,991,981	3,276,230	641,800	19,800,000	40,865,923
Adjustments during the year	-	(15,790,227)	(11,390,148)	(22,566,711)	(1,469,888)	-	(51,216,974)
Disposal during the year	-	(421,791)	(524,944)	(1,165,846)	(461,224)	-	(2,573,805)
Balance as at 31 March 2023	36,100,000	95,245,031	69,712,387	66,040,006	48,875,491	62,553,322	378,526,237
(Less) : Accumulated depreciation	-						
Balance as at 1 April 2022	-	57,243,356	50,503,215	76,514,433	32,444,468	35,478,029	252,183,501
Charge during the year	-	8,883,938	7,320,924	3,697,156	5,144,362	3,988,207	29,034,587
Adjustments during the year	-	(10,928,449)	(10,722,531)	(24,284,470)	(657,394)	(917,703)	(47,510,547)
Disposal during the year	-	(326,434)	(413,078)	(1,108,389)	(428,862)	-	(2,276,762)
Balance as at 31 March 2023	-	54,872,411	46,688,531	54,818,675	36,502,629	38,548,532	231,430,778
Net book value at 31 March 2023	36,100,000	40,372,620	23,023,856	11,221,331	12,372,862	24,004,790	147,095,459

Notes to the Financial Statement

As at 31 March 2022	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
Cost or Valuation							
Balance as at 1 April 2021	36,100,000	111,403,920	81,398,442	78,983,017	48,848,170	42,753,322	399,486,871
Additions during the year	-	3,439,232	3,680,854	6,709,950	-	-	13,830,036
Adjustments on Revaluation	-	(10,338,888)	(12,974,993)	803,365	1,524,673	-	(20,985,843)
Disposal during the year	-	(203,127)	(468,805)	-	(208,040)	-	(879,971)
Balance as at 31 March 2022	36,100,000	104,301,137	71,635,498	86,496,333	50,164,803	42,753,322	391,451,093
(Less) : Accumulated depreciation							
Balance as at 1 April 2021	-	53,802,867	56,611,353	72,419,572	25,503,645	30,265,065	238,602,502
Charge during the year	-	10,933,037	7,713,139	3,821,630	5,747,674	5,212,963	33,428,444
Adjustments on Revaluation	-	(7,339,880)	(13,428,260)	273,231	1,356,190	-	(19,138,719)
Disposal during the year	-	(152,668)	(393,016)	-	(163,041)	-	(708,726)
Balance as at 31 March 2022	-	57,243,356	50,503,215	76,514,433	32,444,468	35,478,029	252,183,501
Net book value at 31 March 2022	36,100,000	47,057,781	21,132,283	9,981,900	17,720,335	7,275,294	139,267,592

25.1.4 Property, Plant & Equipments Acquired During the Financial Year

During the financial year, the Company acquired property, plant & equipments to the aggregate value of LKR 40,865,923/- (2022 - LKR 13,830,036/-) Cash payment amounting to LKR 40,865,923/- (2021 - Rs. 13,830,036/-) was paid during the year for purchase of property, plant & equipment.

25.1.5 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 LKR 128,950,030/-. (2022 - LKR 133,799,961/-)

25.2 Fair value related disclosures of Freehold land

Property	Date of valuation	Method of valuation and Significant unobservable inputs	Land extent (perches)	Number of Building	Cost 2023	Cost 2022	Fair value 2023 LKR	Fair value 2022 LKR
No 45, Rawathwatta Road, Moratuwa	31/03/2023	" Market Comparable Method Estimated price per perch LKR 2,000,000/-"	18.05	-	LKR 10,830,000	LKR 10,830,000	Land LKR 36,100,000	Land LKR 36,100,000

Market valuation of the above Land & Buildings was carried out by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company. Investment method, Contractor's Test method and Comparison method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

25.3 Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of Property, Plant and Equipment as at 31 March 2023 and 31 March 2022.

25.4 Compensation from Third Parties for items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of Property, Plant and Equipment that were impaired, lost or given up. (2022: Nil)

25.5 Temporarily Idle of Property, Plant and Equipment

There were no Property, Plant and Equipment idle as at 31 March 2023 and 31 March 2022.

25.6 Property, Plant and Equipment Retired from Active Use

There were no Property, Plant and Equipment retired from active use as at 31 March 2023 and 31 March 2022.

26. RIGHT-OF-USE ASSETS

Accounting Policy

Measurement Basis

Right-of-use assets are recognised at the commencement of the lease at the present value of the lease payment plus any prepaid lease rental.

Amortisation

The Company amortised right-of-use assets, using the straight line method over their estimated useful lives.

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

Determination of the lease term for the lease contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts for branches/head office that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

As at 31 March	2023 LKR	2022 LKR
Cost		
Balance as at 1 April	321,448,151	270,687,415
Additions during the year	45,741,938	59,438,409
Less - Adjustment on Subsequent changers in initial agreement	106,390	(7,076,263)
Less - Disposal during the year	(3,924,554)	(1,601,410)
Balance as at March	363,371,925	321,448,151
Accumulated Depreciation		
Balance as at 1 April	191,914,960	127,875,071
Charges for the year	70,140,299	64,217,824
Less - Disposal during the year	(3,924,554)	(177,934)
Balance as at March	258,130,705	191,914,960
Carrying Amount as at 31 March	105,241,220	129,533,191

Notes to the Financial Statement

27. INTANGIBLE ASSETS

Accounting Policy

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the supply of services, for rental to others or for administrative purposes.

Basis of recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortization and impairment

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

27.1 Software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the 'Statement of Financial Position' under the category 'intangible assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the year ended 31 March 2023 and 2022 is given below.

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

Derecognition

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.

27.2 Computer Software

As at 31 March	2023 LKR	2022 LKR
Cost		
Balance as at 1 April	62,218,736	59,398,736
Additions during the year	922,500	2,820,000
Disposal during the year	-	-
Balance as at 31 March	63,141,236	62,218,736
Amortisation & Impairment		
Balance as at 1 April	57,290,949	54,343,448
Charge for the year	1,164,233	2,947,501
Disposal during the year	-	-
Balance as at 31 March	58,455,183	57,290,949
Net book value as at end of the year	4,686,053	4,927,786

Intangible assets include fully amortised software amounting to LKR 55.43 million as at 31 March 2023 (LKR 45.98 million as at 31 March 2022), which are still in use as at the reporting date.

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. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on these dues are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

As at 31 March	Note	Page	2023 LKR	2022 LKR
Bank Overdrafts	28.1	232	84,372,565	333,252,403
Loans and Other Bank Facilities	28.2	232	1,425,337,725	1,963,941,475
Interest Payable on Bank Facilities			(1,595,613)	22,990,951
Total Due to Banks & Other Institution			1,508,114,678	2,320,184,829

Notes to the Financial Statement

28. DUE TO BANKS & OTHER INSTITUTIONS (CONTD.)

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 LKR 214,997,806 /- as at 31 March 2023 (2022 - Fully utilised).

28.2 Loans and Other Bank Facilities

As at 31 March 2023	As at 01.04.2022 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2023 LKR
NDB Term Loan	524,233,333	-	(234,233,333)	290,000,000
HNB Term Loan	386,800,000	-	(175,800,000)	211,000,000
Sampath Bank Term Loan	-	500,000,000	(168,000,000)	332,000,000
Sampath Bank Solar Loan	5,003,260	-	(786,105)	4,217,155
Cargills Bank Term Loan	287,504,000	-	(183,328,000)	104,176,000
Seylan Bank	200,000,000	-	(50,400,000)	149,600,000
Securitisation Loan	530,400,000	-	(228,400,000)	302,000,000
Rotary Loan	23,938,931	12,961,416	(10,617,727)	26,282,620
Other Borrowings	6,061,950	-	-	6,061,950
Total Loans and Other Bank Facilities	1,963,941,475	512,961,416	(1,051,565,166)	1,425,337,725

As at 31 March 2022	As at 01.04.2021 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2022 LKR
Loans and Other Bank Facilities				
NDB Term Loan	716,800,000	250,000,000	(442,566,667)	524,233,333
HNB Term Loan	274,800,000	250,000,000	(138,000,000)	386,800,000
SDB Term Loan	205,688,930	-	(205,688,930)	-
Sampath Bank Term Loan	5,782,348	-	(779,088)	5,003,260
Cargills Bank Term Loan	-	350,000,000	(62,496,000)	287,504,000
Seylan Bank	-	200,000,000	-	200,000,000
Securitisation Loan	248,500,000	500,000,000	(218,100,000)	530,400,000
Rotary Loan	23,554,754	10,350,000	(9,965,823)	23,938,931
Other Borrowings	6,061,950	-	-	6,061,950
Total Loans and Other Bank Facilities	1,481,187,982	1,560,350,000	(1,077,596,507)	1,963,941,475

28.3 Contractual Maturity Analysis of Due to Bank & Other Institution

As at 31 March 2023	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
NDB Term Loan	150,000,000	140,000,000	-	290,000,000
HNB Term Loan	74,400,000	136,600,000	-	211,000,000
Sampath Bank Term Loan	168,000,000	164,000,000	-	332,000,000
Sampath Bank Solar Loan	876,328	3,340,827	-	4,217,155
Cargills Bank Term Loan	83,328,000	20,848,000	-	104,176,000
Seylan Bank	50,400,000	99,200,000	-	149,600,000
Securitisation Loan	227,000,000	75,000,000	-	302,000,000
Rotary Loan	9,745,442	16,537,178	-	26,282,620
Other Borrowings	-	-	6,061,950	6,061,950
Bank Overdrafts	84,372,565	-	-	84,372,565
Interest Payable on Bank Facilities	(1,595,613)	-	-	(1,595,613)
Total Due to Customers	846,526,722	655,526,005	6,061,950	1,508,114,678

As at 31 March 2022	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
NDB Term Loan	234,233,333	290,000,000	-	524,233,333
HNB Term Loan	175,800,000	211,000,000	-	386,800,000
Sampath Bank Term Loan	786,141	4,217,120	-	5,003,260
Cargills Bank Term Loan	228,400,000	59,104,000	-	287,504,000
Seylan Bank	14,826,549	185,173,451	-	200,000,000
Securitisation Loan	-	524,338,050	6,061,950	530,400,000
Rotary Loan	21,226,993	2,711,938	-	23,938,931
Other Borrowings	-	-	6,061,950	6,061,950
Bank Overdrafts	83,252,403	250,000,000	-	333,252,403
Interest Payable on Bank Facilities	22,990,951	-	-	22,990,951
Total Due to Customers	781,516,371	1,526,544,558	12,123,900	2,320,184,829

Granted Date	Granted Date	Facility Amount	Period	Interest rate	Security status
NDB Term Loan	26/09/2017-28/04/2021	900,000,000	5 Years	Variable	Lease & SME portfolio
HNB Term Loan	27/09/2018-21/12/2021	700,000,000	3-5 Years	Variable	Business Loans, Micro
Loans,Lease & SME Loans					
Sampath Bank Term Loan	06/04/2022	500,000,000	3 Years	Variable	Lease & SME portfolio
Sampath Bank Solar Loan	12/06/2020-09/09/2020	6,308,000	7 Years	Fixed	Solar Panals
Cargills Bank Term Loan	30/06/2021-10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisation Loan	17-06-2021	500,000,000	3 Years	Variable	Lease receivables
Rotary Loan	30/04/2019-13/03/2023	41,985,000	3 Years	Variable	NA

Notes to the Financial Statement

29. FINANCIAL LIABILITY AT AMORTISED COST - DUE TO CUSTOMERS

Accounting Policy

Due to other customers include non-interest bearing deposits, savings deposits, term deposits and other deposits. Subsequent to initial recognition, deposits are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on deposits are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

Sri Lanka Deposit Insurance And Liquidity Support Scheme

Under the 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 LKR 1,000,000/- for each depositor. The Company has paid LKR 8,014,043/- as the premium of the said Insurance scheme during the financial year under review (2022 - LKR 6,019,843/-).

As at 31 March	2023 LKR	2022 LKR
Fixed Deposits	5,128,916,597	3,428,284,134
Savings Deposits	1,064,514,428	1,300,812,985
Total Due to Customers	6,193,431,026	4,729,097,119

29.1 Contractual Maturity Analysis Of Customer Deposits

As at 31 March 2023	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	4,418,555,686	710,360,911	-	5,128,916,597
Savings Deposits	909,039,418	96,539,866	58,935,144	1,064,514,428
Total Due to Customers	5,327,595,104	806,900,778	58,935,144	6,193,431,026

As at 31 March 2022	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	2,794,427,704	633,856,430	-	3,428,284,134
Savings Deposits	1,123,179,418	110,828,711	66,804,856	1,300,812,985
Total Due to Customers	3,917,607,122	744,685,141	66,804,856	4,729,097,119

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. LEASE LIABILITY

Accounting Policy

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

As at 31 March	2023 LKR	2022 LKR
Balance as at 1 April	149,951,692	161,198,954
Less-Adjustment on COVID 19 Concession	-	(7,347,681)
Additions	42,275,301	59,438,409
Interest Expenses	17,401,252	17,805,589
Payments	(92,446,658)	(79,694,785)
Early termination of lease	2,766,300	(1,448,794)
Balance as at 31 March	119,947,887	149,951,692

30.1 Contractual Maturity Analysis of undiscounted lease payment

As at 31 March 2023	Within One Year LKR	1 - 5 Years LKR	Total LKR
Lease Liability	52,246,739	92,000,134	144,246,874
Total Lease Liability	52,246,739	92,000,134	144,246,874

As at 31 March 2022	Within One Year LKR	1 - 5 Years LKR	Total LKR
Lease Liability	73,286,204	96,795,155	170,081,359
Total Lease Liability	73,286,204	96,795,155	170,081,359

Notes to the Financial Statement

31. 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'.

As at 31 March	Note	Page	2023 LKR	2022 LKR
Accrued Expenses			53,301,240	51,201,312
Loan and Lease Creditor			220,570,460	402,935,510
Others	31.1	236	15,701,726	65,982,697
Loan Risk Assurance Fund			2,015,369	1,891,844
Dividend Payable			336,429	74,798,026
			291,925,223	596,809,388

31.1 This balance included bonus provision, unidentified direct deposit balance and the other sundry payable items.

32. CURRENT TAX LIABILITIES

Accounting Policy

The Company is subject to income taxes and other taxes including VAT and Social Security Contribution Levy (SSCL) on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

As at 31 March	2023 LKR	2022 LKR
Balance as at 1 April	21,170,445	53,665,325
Provision for the year	99,921,472	57,567,793
Less: Tax paid	(49,382,348)	(90,062,673)
Balance as at 31 March	71,709,569	21,170,445

33. POST-EMPLOYEMENT BENEFIT OBLIGATIONS

Accounting Policy
Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity
The Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 - 'Employee Benefits'

Basis of Measurement
The cost of the defined benefit plans (gratuity) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. The assumptions used to arrive in defined benefit obligation is given below: In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and the Company's policy on salary revisions.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefit'. However, under the Payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The plan was amended to comply with the new statutory retirement for the private sector employees by changing the Normal Retirement Age from age 55 to age 60. The change in the PVDBO is recognized immediately in the P&L.

Recognition of Actuarial Gains and Losses
The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occurs

As at 31 March	2023 LKR	2022 LKR
33.1 Provision for Retirement Gratuity		
Balance at the beginning of the year	32,066,158	55,828,613
Amount Charge for the Year	10,021,516	20,456,300
Actuarial (Gains)/Losses	2,939,318	(3,420,601)
(Gain)/Loss Due to Changes in Assumptions	144,710	(32,703,154)
Payments Made During the Year	(9,494,245)	(8,095,000)
Balance at the End of the Year	35,677,457	32,066,158

Notes to the Financial Statement

33. POST-EMPLOYEMENT BENEFIT OBLIGATIONS (CONTD.)

As at 31 March	Note	Page	2023 LKR	2022 LKR
33.2 Expenses on Defined Benefit Plan				
Amount recognised in the Statement of Profit or Loss				
Current Service Cost for the Year			5,147,460	12,639,398
Interest Cost for the Year			4,874,056	4,577,946
Amendmends on Retirement Age	33.3	238	-	3,238,956
Total Amount recognised in the Statement of Profit or Loss			10,021,516	20,456,300
Amount recognised in the Statement of other Comprehensive income				
Actuarial (Gains)/ Losses	33.6	238	2,939,318	(3,420,601)
(Gains)/ Losses Due to Changes in Assumptions			144,710	(32,703,154)
Total Amount recognised in the Statement of other Comprehensive income			3,084,028	(36,123,755)
Total Expenses on Defined Benefit Plan			13,105,544	(15,667,455)

33.3 Retirement Age

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021. The change in the PVDBO is recognized immediately in the P&L.

33.4 Assumptions and the sensitivity of the assumptions used for the provision of retirement gratuity

An actuarial valuation of the retirement gratuity liability was carried out as at 31 March 2023 and 2022 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'.

33.5 Actuarial Assumptions

As at 31 March	2023	2022
Discount Rate	17.7%	15.2%
Salary scale	12.5%	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	12.2 Yeats	12.2 Yeats
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Disability	Long Term 1987 Soc. Sec. Table	Long Term 1987 Soc. Sec. Table
Retirement age	Retirement age of 60 Years	Retirement age of 60 Years

33.6 Actuarial Gains and Losses

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

33.7 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 2023.

	Increase/(decrease) in	Sensitivity Effect on Statement of Comprehensive Income Increase/ (decrease) in Results for the year LKR	Sensitivity Effect on Pension Fund Surplus Increase / (decrease) LKR
Discount Rate	+1%	2,439,345	2,439,345
	(-1%)	(2,752,552)	(2,752,552)
Salary Increment Rate	+1%	(2,848,884)	(2,848,884)
	(-1%)	2,555,979	2,555,979

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 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 par t 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.

Year ended 31 March 2023	Deferred Tax Assets LKR	Deferred Tax Liabilities LKR	Statement of Profit or Loss LKR	Statement of comprehensive income LKR	Statement of changes in equity LKR
Accelerated depreciation for tax purposes	-	8,600,590	(4,539,851)	-	-
Finance leases	-	5,677,513	(564,381)	-	-
Right-of-Use Assets	-	2,877,696	(2,918,133)	-	-
Revaluation Reserve	-	55,695,884	(11,139,177)	-	-
Defined benefit plans - Profit or loss	10,703,237	-	5,288,767	925,208	925,208
Impairment Provision	64,102,944	-	35,311,801	-	-
	74,806,181	72,851,683	21,439,026	925,208	925,208
Deferred tax effect on profit or loss and other coprehensive income	-	-	21,439,026	925,208	-
Recognised under equity	-	-	-	-	-
Net Deferred tax assets	1,954,498	-	-	-	-

Notes to the Financial Statement

34. DEFERRED TAXATION (CONTD.)

Year ended 31 March 2022	Deferred Tax Assets LKR	Deferred Tax Liabilities LKR	Statement of Profit or Loss LKR	Statement of comprehensive income LKR	Statement of changes in equity LKR
Accelerated depreciation for tax purposes	-	4,060,739	6,382,141	-	-
Finance leases	-	5,113,132	9,766,291	-	-
Right-of Use Assets	-	(40,437)	(4,372,350)	-	-
Revaluation Reserve	-	44,556,707	(4,458,900)	-	-
Defined benefit plans - Profit or loss	4,489,262	-	(4,574,754)	(4,334,851)	(4,334,851)
Impairment Provision	28,791,143	-	1,580,979	-	-
	33,280,405	53,690,141	4,323,406	(4,334,851)	(4,334,851)
Deferred tax effect on profit or loss and other coprehensive income	-	-	4,326,406	(4,334,851)	-
Recognised under equity	-	-	-	-	(4,334,851)
Net Deferred tax liability	-	20,409,737	-	-	-

35. STATED CAPITAL

Issued and Fully Paid-Ordinary shares

As at 31 March	Number of Shares	2023 LKR	Number of Shares	2022 LKR
At the beginning of the year	149,596,052	2,696,113,032	104,141,506	1,696,113,020
Issued during the year	-	-	45,454,546	1,000,000,012
At the end of the year	149,596,052	2,696,113,032	149,596,052	2,696,113,032

35.1 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

36. RESERVES

36.1 Statutory Reserve Fund

The statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b) of Central Bank Direction No. 1 of 2003. Accordingly, Company has transferred 5% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to less than 25% and not less than 10%.

36.2 Revaluation Reserve Fund

The Revaluation Reserve Fund is a capital reserve which contains the revaluation surplus resulted from revaluing the Company's Property, Plant & Equipment with net of differed tax on revaluation.

Company	Statutory Reserve LKR	Revaluation Reserve LKR	Total LKR
As at 01 April 2021	104,077,474	56,514,761	160,592,235
Transfers to/(from) during the year	10,773,312	-	10,773,312
Revaluation of Land & Building	-	-	-
As at 31 March 2022	114,850,786	56,514,761	171,365,549
As at 1 April 2022	114,850,786	56,514,761	171,365,549
Transfers to/(from) during the year	11,082,472	-	11,082,472
Revaluation of Land & Building	-	-	-
As at 31 March 2023	125,933,258	56,514,761	182,448,020

37. RETAINED EARNINGS

As at 31 March	2023 LKR	2022 LKR
Balance as at 1 April	437,316,534	324,679,970
Profit for the Year	221,649,449	215,466,246
Other Comprehensive Income	(2,158,820)	31,788,904
Transfer to Statutory Reserves Fund	(11,082,472)	(10,773,312)
Expenses related to the Share Issue	-	(49,047,249)
Dividend Paid	(74,798,026)	(74,798,026)
Balance as at 31 March	570,926,665	437,316,534

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.

Notes to the Financial Statement

38. COMMITMENTS AND CONTINGENCIES

Accounting Policy

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured as defined in the Sri Lanka Accounting Standard - LKAS 37 "Provisions Contingent Liabilities and Contingent Assets". Contingent Liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

As at 31 March			2023 LKR	2022 LKR
Contingent Liabilities	38.1	242	7,433,330	4,290,100
Commitments	38.2	242	-	-
			7,433,330	4,290,100

38.1 Contingent Liabilities

In the normal course of business, the Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Company. However no material losses are anticipated as a result of these transactions.

As at 31 March	2023 LKR	2022 LKR
Guarantees issues to other institution	1,700,000	2,250,000
Cases pending against the Company	5,733,330	2,040,100
Total contingent Liabilities	7,433,330	4,290,100

38.2 Commitments

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

39. NET ASSETS VALUE PER SHARE

As at 31 March	2023 LKR	2022 LKR
Amounts Used as the Numerators:		
Total Equity Attributable to Equity Holders	3,449,487,718	3,304,795,115
Number of Ordinary Shares Used as Denominators:		
Total Number of Ordinary Shares in Issue	149,596,052	149,596,052
Net Assets Value per Share (LKR)	23.06	22.09

40. ASSETS PLEDGE

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2023 LKR	2022 LKR	Included Under
Rental receivable on Micro Business and Personal Loan	Bank Overdraft	297,088,521	212,405,639	Loans and Receivables
Rental receivable on SME Loan	Term Loan	41,880,986	534,539,745	Loans and Receivables
Rental receivable on Lease	Term Loan	1,272,349,870	2,180,465,181	Lease Rental Receivable
Rental receivable on Micro Business	Term Loan	-	11,127,524	Loans and Receivables
Rental receivable on Lease	Securitization	344,268,710	575,549,517	Lease Rental Receivable
		1,955,588,087	3,514,087,605	

41. COMPARATIVE INFORMATION

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

Income Statement

There were no reclassification during the financial year.

Statement of Financial Position.

There were no reclassification during the financial year.

Notes to the Financial Statement

42. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

As at 31 March 2023	Within 12 Months LKR	After 12 Months LKR	Total LKR
Assets			
Cash and Cash Equivalents	664,043,703	-	664,043,703
Financial Investments	576,027,374	-	576,027,374
Other Financial Assets	874,494	-	874,494
Financial Assets at Amortised Cost - Loans and Receivables	3,293,551,470	1,811,759,698	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	832,636,778	3,842,225,585	4,674,862,363
Other Non Financial Assets	142,279,693	13,660,033	155,939,726
Investment Property	-	234,257,500	234,257,500
Property, Plant and Equipment	-	147,095,459	147,095,459
Right-of-use Lease Assets	-	105,241,220	105,241,220
Intangible Assets	-	4,686,053	4,686,053
Deferred Tax Liabilities	-	1,954,498	1,954,498
Total Assets	5,009,413,511	6,660,880,047	11,670,293,558
Liabilities			
Due to Banks and Other Institutions	846,526,722	661,587,956	1,508,114,678
Financial Liability at Amortised Cost - Due to Customers	5,249,015,566	944,415,459	6,193,431,026
Other Non Financial Liabilities	289,123,156	2,802,067	291,925,223
Current Tax Liabilities	71,709,569	-	71,709,569
Lease Liability	-	119,947,887	119,947,887
Post Employment Benefit Liability	-	35,677,457	35,677,457
Deferred Tax Liabilities	-	-	-
Total Liabilities	6,456,375,014	1,764,430,826	8,220,805,840
Net Assets/(Liability)	(1,446,961,502)	4,896,449,221	3,449,487,719

As at 31 March 2022	Within 12 Months LKR	After 12 Months LKR	Total LKR
Assets			
Cash and Cash Equivalents	92,132,395	-	92,132,395
Financial Investments	532,667,038	-	532,667,038
Other Financial Assets	814,391	-	814,391
Financial Assets at Amortised Cost - Loans and Receivables	3,360,588,881	1,750,006,212	5,110,595,093
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,586,148,460	3,182,018,536	4,768,166,996
Other Non Financial Assets	147,056,219	15,066,283	162,122,503
Investment Property	-	234,257,500	234,257,500
Property, Plant and Equipment	-	139,267,592	139,267,592
Right-of-use Lease Assets	-	129,533,191	129,533,191
Intangible Assets	-	4,927,786	4,927,786
Total Assets	5,719,407,384	5,455,077,100	11,174,484,484
Liabilities			
Due to Banks and Other Institutions	1,244,017,378	1,076,167,451	2,320,184,829
Financial Liability at Amortised Cost - Due to Customers	3,769,807,649	959,289,470	4,729,097,119
Other Non Financial Liabilities	594,917,272	1,892,117	596,809,388
Current Tax Liabilities	21,170,445	-	21,170,445
Lease Liability	-	149,951,692	149,951,692
Post Employment Benefit Liability	-	32,066,158	32,066,158
Deferred Tax Liabilities	-	20,409,737	20,409,737
Total Liabilities	5,629,912,744	2,239,776,625	7,869,689,368
Net Assets/(Liability)	89,494,640	3,215,300,475	3,304,795,115

43. RELATED PARTY TRANSACTIONS

The Company carried out transactions with parties in the ordinary course of its business who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', on an arms length basis at commercial rate.

Details of related party transactions which the company had during the year are as follows,

43.1 Transactions with Key Managerial Personnel (KMPs) and their family members

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company. Accordingly, the board of directors of the Company (inclusive of executive and non executive directors), the immediate parent company, and Chief Executive Officer who directly report to Board of Directors have been classified as KMPs of the Company.

43.1.1 Key Management Personnel Compensation

Year ended 31 March	2023 LKR	2022 LKR
Short Term Employment Benefits	10,199,400	9,453,000
Directors Fees & Expenses	7,940,000	9,924,000
Total Key Management Personnel Compensation	18,139,400	18,324,000

In addition to above, the Company has also provided non-cash benefits such as company maintained vehicles to KMPs in line the approved employment terms of the Company.

43.1.2 Transactions, Arrangements and Agreements involving KMPs, and their Close Members of the Family (CFMs)

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates, except the loans given to staff under the Company's staff loan scheme uniformly applicable to all the staff of the Company.

43.1.2.1 Transaction with KMPs, and their Close Members of the Family

As at 31 March	2023 LKR	2022 LKR
Items in Statement of Financial Position		
Deposit balance as of reporting date	12,204,809	2,209,441
	12,204,809	2,209,441
Items in Statement of Profit or Loss		
Interest accrued during the period	1,994,993	32,985
	1,994,993	32,985

Notes to the Financial Statement

43. RELATED PARTY TRANSACTIONS (CONTD.)

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

As at 31 March	2023 LKR	2022 LKR
Deposit balance held with related companies	83,403,989	-
Dividend Paid during the year	33,362,794	-
Expenses made during the year	5,833,568	-
	122,600,351	-

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

43.1.4 Transactions with Group Entities

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

43.1.4.1 Transactions with Sarvodaya Economic Enterprises Development (Gte) Ltd (SEEDS)

SEEDS has 36.1% ownership of the Company and identified as related part company with more than 10% ownership of the SDF.

As at 31 March	2023 LKR	2022 LKR
Items in Statement of Financial Position		
Interest payable on Deposits	-	-
Deposit balance as at reporting date	40,120,000	11,320,000
	40,120,000	11,320,000
Items in Statement of Profit or Loss		
Interest Accrued During the Period	5,389,980	-
	5,389,980	-

43.1.4.2 Transactions with Gentosa Total Assets Inc.

No transactions were conducted with Gentosa Total Assets Inc. during the reporting period, except for the final dividend payment pertaining to the financial year 2021/22. Additionally, due to a new share issue through the initial public offering (IPO), the ownership of Gentosa Total Assets Inc. has been reduced to 9.02%. Consequently, it is no longer considered a related party company

43.1.4.3 Transactions with Janashakthi Capital Limited

Janashakthi Capital Limited recently conducted share transactions that led to an increase in their ownership, reaching 10.76% as of October 19, 2022. It is important to clarify that no transactions were carried out with Janashakthi Capital Limited during the reporting period from October 19, 2022 except for the final dividend payment pertaining to the financial year 2021/22

43.1.4.4 Transactions with Senthilverl Holdings (Pvt) Ltd

Senthilverl Holdings (Pvt) Ltd recently conducted share purchase transactions that led to an increase in their ownership, reaching 10.39% as of October 19, 2022. It is important to clarify that no transactions were carried out with Senthilverl Holdings (Pvt) Ltd during the reporting period from October 19, 2022 except for the final dividend payment pertaining to the financial year 2021/22

44. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no events occurring after the reporting date which require adjustments to or disclosure in the financial statements.

45. CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

45.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Company has issued Rs 804 Mn shares during the financial year 2020/21 through a private placement. This private placement includes Rs 420 Mn shares issued to inactive Sarvodaya Shramadana Societies by converting their deposits. With reference to the Central Bank letter dated 9th July 2021, the action plan has been requested from the Company in relation to the above Rs 420 Mn shares. Therefore, the said Rs 420Mn shares have not been considered the Company's core capital as at 31 March 2023.

However, the Company has raised LKR 950 Mn (Net of Direct Expenses) new capital during the financial year 2021/22 through a Initial Public Offer (IPO) and the meat the CBSL minimum core capital requirement of LKR 2.5 Bn as of 31 December 2022.

Notes to the Financial Statement

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting Policy

The fair value of the financial instruments that are recorded at the fair values are determined using valuation techniques which incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Valuation model

For all Financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the Financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

46.1 Assets & 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.

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy

As at 31 March 2023	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Non financial assets - Investment property					
Land and building	31/03/2023	-	-	234,257,500	234,257,500
		-	-	234,257,500	234,257,500
Non financial assets - Property, Plant and Equipment					
Land	31/03/2023	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

As at 31 March 2022	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Non financial assets - Investment property					
Land and building	31/03/2022	-	-	234,257,500	234,257,500
		-	-	234,257,500	234,257,500
Non financial assets - Property, Plant and Equipment					
Land	31/03/2022	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

Non Financial Assets measured at fair value

Level 3 Fair Value Measurement

	2023		2022	
	Investment Property LKR	Freehold Land LKR	Investment Property LKR	Freehold Land LKR
Balance as at 1 April	234,257,500	36,100,000	215,678,750	36,100,000
Revaluation reserve credit to revaluation reserve	-	-		
Total gain/(loss) recognised in profit or loss:		-	18,578,750	
Balance at 31 March	234,257,500	36,100,000	234,257,500	36,100,000

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2023 and 31 March 2022 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

Notes to the Financial Statement

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

Type of instrument	Date of valuation	Fair value	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobervable unputs	Fair value measurement sensitivity to unobservable inputs
As at 31 March 2023		LKR				
Property, Plant and Equipment						
Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Investment Property						
Land	31/03/2023	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Building	31/03/2023	136,877,500	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	*

Type of instrument	Date of valuation	Fair value	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobervable unputs	Fair value measurement sensitivity to unobservable inputs
As at 31 March 2022		LKR				
Property, Plant and Equipment						
Land	31/03/2022	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Investment Property						
Land	31/03/2022	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Building	31/03/2022	136,877,500	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,000	*

*Significant increase/(decrease) in any of these inputs in isolation would result in a significantly higher/(lower) fair value

46.2 Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets of which Fair Value Approximates Carrying Value

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity.

Variable Rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

As at 31 March 2023	Fair Value				Carrying Value
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	LKR
Financial Assets					
Cash and Cash Equivalents	664,043,703	-	-	664,043,703	664,043,703
Financial Investments	-	576,027,374	-	576,027,374	576,027,374
Other Financial Assets	-	874,494	-	874,494	874,494
Financial Assets at Amortised Cost - Loans and Receivables	-	5,109,755,721	-	5,109,755,721	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	-	4,677,040,887	-	4,677,040,887	4,674,862,363
	664,043,703	10,363,698,476	-	11,027,742,178	11,021,119,101
Financial Liabilities					
Due to Banks and Other Institutions	-	1,508,114,678	-	1,508,114,678	1,508,114,678
Due to Customers	-	6,193,431,024	-	6,193,431,024	6,193,431,026
Lease Liabilities	-	119,947,887	-	119,947,887	119,947,887
	-	7,701,545,701	-	7,701,545,701	7,701,545,703

As at 31 March 2022	Fair Value				Carrying Value
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	LKR
Financial Assets					
Cash and Cash Equivalents	92,132,395	-	-	92,132,395	92,132,395
Financial Investments	-	532,667,038	-	532,667,038	532,667,038
Other Financial Assets	-	814,391	-	814,391	814,391
Financial Assets at Amortised Cost - Loans and Receivables	-	5,402,718,385	-	5,402,718,385	5,110,595,093
Financial Assets at Amortised Cost - Lease Rentals Receivables	-	5,360,739,718	-	5,360,739,718	4,768,166,996
	92,132,395	11,296,939,532	-	11,389,071,927	10,504,375,912
Financial Liabilities					
Due to Banks and Other Institutions	-	2,320,184,829	-	2,320,184,829	2,320,184,829
Financial Liability at Amortised Cost - Due to Customers	-	4,729,097,119	-	4,729,097,119	4,729,097,119
Lease Liabilities	-	149,951,692	-	149,951,692	149,951,692
	-	7,199,233,640	-	7,199,233,640	7,199,233,640

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.

Notes to the Financial Statement

47. RISK MANAGEMENT

47.1 Introduction

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring through established risk limits and controls. This process of risk man-agement is critical to the Company's continuing profitability and each individual within the Company is accountable for prudently managing the risk exposures relating to his or her responsibilities. Company's risk strategy focuses on managing principal risks faced by the Company while striking a fair balance between the risk return trade-off. Based on the unprecedented impact on economy and financial ser-vices sector due to the uncertainty prevailed in the macro- business environment, a robust approach in risk management is considered as of paramount importance by the Company.

In the course of its business activities, Sarvodaya Development Finance PLC is constantly exposed to risks that include but are not limited to following risk types;

- Credit Risk
- Liquidity Risk
- Market Risk
- Capital Management and
- Operational Risk.

	Page No.
Risk Governance Structure	252
- Board Integrated Risk Management Committee (BIRMC)	252
- Asset- Liability Committee (ALCO)	253
- Credit Committee	253
- Management Committee (MANCOM)	253
- Product Development Committee (PDC)	253
- Information Technology Steering Committee (ITSC)	253
- Risk Management Department (RMD)	253
Credit Risk	253-259
Liquidity Risk and Funding Management	259-260
Operational Risk	260-261
Market Risk	262-263
- Interest Rate Risk	263

Risk Governance Structure

At Sarvodaya Development Finance PLC, the management of risks, plays an integral part in all its busi-ness activities. The identification, evaluation, measurement, mitigation, decision making and control implementation, monitoring and reporting of risks associated with products, processes, systems and services of Sarvodaya Development Finance PLC is vital to the scope of risk management when fulfilling requirements of its customers and other stakeholders.

Board Integrated Risk Management Committee (BIRMC)

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed a subcommittee, Board Integrated Risk Management Committee (BIRMC) and has delegated its authority to the BIRMC for the overall Risk Management approach and for approving the risk management strategies and principles. BIRMC reviews and assesses the Company's overall risks and focuses on policy recommendations and strate-gies and the Board of Directors is duly updated of its activities.

Sarvodaya Development Finance PLC is aware of a wide spectrum of risks that it is exposed to, and provides attention to each and every risk factor that could hinder the achievement of the company's overall objectives. The Company has put in place structures and processes to address these risks which are vested to functional departments. Additionally, the BIRMC carries out independent risk evaluations (both qualitative and quantitative) and the results are shared with the Management team of the Company as well as the Board of Directors.

The following Management Committees, each with a defined responsibility, support the BIRMC by executing their respective management mandates.

Asset - Liability Committee (ALCO)
The ALCO comprises of senior management personnel who are in charge of Treasury, Finance, Risk,Compliance, Credit, Fund Mobilisation, Operations, Recoveries and Marketing. ALCO is headed by the CEO and responsible for identifying, managing and controlling risks in executing the business strategy of the Company and mainly focuses on Interest rate risk and liquidity risk while maintaining profitability.

Credit Committee
There are two Credit Committees, namely Board Credit Committee (BCC) and Management Credit Committee (MCC).
BCC is comprised of three Non-Executive Directors from which the Chairman to the Committee is a Non-Executive, Independent Director. The key management personnel attend the meetings upon invitation. BCC oversees the management of credit quality of the lending portfolio and recovery actions.

MCC is comprised of Senior Management Personnel and headed by the CEO. MCC approves credit facilities within its delegated authority and reviews the methodologies for assessing credit risk and monitors concentration risk.

Management Committee (MANCOM)
ManCom is comprised of senior management personnel and headed by the CEO. This Committee oversees the overall strategy and the new developments in the risk environment to take timely precautions and corrective measures

Product Development Committee (PDC)
The Committee is comprised of Senior Management personnel , internal stakeholders from business units and other `ad hoc' members with expertise in applicable functions such as credit, operations, legal, information technology, information security, audit, risk management, and compliance. The Committee covers all the new developments as well as significant changes to existing products, processes and systems of SDF.

Information Technology Steering Committee (ITSC)
The committee is chaired by the CEO and will be facilitated by the Head of IT and / or Senior Manager IT who will serve as the Committee Secretary. Permanent Invitees to the Committee will be the Chief Operating Officer (COO), the Head of Risk Management, the Compliance Officer and the Head of Operations & Administration. The primary role of the ITSC is to exercise oversight and governance over SDF's IT function. The Committee is authorized to take decisions to improve and secure Information Resources, within the context of the Delegation of Authority assigned by the Board of Directors to the Chair.

The Company's Board has established the 'three lines of defence' mechanism to provide the foundation for the cohesive governance of risk at all levels of the business.

Risk Management Department (RMD)
The business units (i.e. Credit Department, Operations Department and Branches etc.) have the primary responsibility for identifying risks as the first line of defence. The Risk Management Department, which provides an independent oversight function, acts as the 2nd line of defense. The RMD is headed by the Head of Risk Management who directly reports to the Chair of the BIRMC and also has an administrative reporting to the CEO. The RMD accompanies with other control functions (most notably Internal Audit, Compliance and Finance) of the Company that might uncover risk management issues. Each of the control functions has a different focus and potential overlap between them is kept to a minimum, while ensuring that the approaches taken are complementary and lead to consistent, effective and timely escalation of risks.

47.2 Credit Risk

Overview
Credit risk is the risk of financial loss to the company, if a customer or counterparty to a financial in-strument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. The exposure to the credit risk is mainly derived from financial sector companies as the sector engages primarily in providing financing facilities to its customers. Credit risk constitutes the Company's largest risk exposure category which is managed by evaluating the credit worthiness of the clients and by periodic reviews on the credit granted.

Notes to the Financial Statement

Credit Risk Management

The Board of Directors of the Company has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The Credit Department and Recoveries Department are responsible for managing the Company's credit risk, including formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting documentary and legal procedures, and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are allocated to respective officers with the delegated authority (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 SME Loans and Leasing. For accounting purposes, the Company uses a collective model for recognition of losses on impaired financial Assets.

Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the company act as a possible secondary recourse. Collaterals generally include cash, marketable securities, properties, stocks, trade debtors, other receivables, machineries and equipment and other physical or financial assets are assessed at the inception, in accordance with the guidelines issued by the Central Bank of Sri Lanka.

Clear guidelines are in place to determine the suitability of collaterals as a tool of mitigating credit risk based on their different characteristics and valuations, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. The Company has a panel of appointed professional valuers in order to obtain valuations for the properties, machineries and vehicles which are obtained as collaterals.

Periodic estimation of 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 creditworthy bodies as collaterals for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

Impact Assessment of COVID-19 and Economic Crisis

The year under review was a turbulent year, during which the complexity of the risk landscape intensified as the operating environment of the Company became more vulnerable, complex, unpredictable and uncertain. During the year, the nation faced its worst economic crisis. Macro-economic developments such as fuel and gas shortages, long hour power cuts and restrictions on imports, all due to inadequate foreign currency reserves which had heightened social unrest, finally led to political unrest. The ban on importing chemical fertilizers and pesticides also caused difficulties for the Company's agro-based customers. Due to the COVID-19 impact, there was a significant drop of the earnings from tourism and workers' remittances resulted in shortages in foreign currency and the foreign reserves to a critical level. The sharp depreciation of the Sri Lankan Rupee, unsustainable public debt, domestic and forex market liquidity pressures, high inflation, scarcity of essential items, fall in tax revenue, and increase in market interest rates resulted in a credit downgrading of the sovereign debt, which constrained access to foreign financing as a nation. These developments affected the Sri Lankan economy adversely and caused an overall contraction of economic activities and ultimately affected the operat-ing environment, creating unprecedented implications.

During the year, NPL classification of the credit facilities has been changed to '120 days and above' from the previous classification of '180 days and above'. Amidst these challenges, at the year end, the Company was able to maintain its gross NPL ratio at 14.40% which is below the industry average of 16.01% reflecting the effectiveness of strengthened credit processes and the conservative risk profile. As per the Finance Business Act Directions No.01 of 2020 on Classification and Measurement of Credit Facilities, with effective from 1st of April 2023, NPL classification will be changed to '90 days and above' which will have a heightened impact on Credit Default Risk.

The Company's risk management ensures and continuously monitors the portfolio delinquency levels and sector exposures to keep them at a minimum level of risk while ensuring the return objectives of the company are achieved.

Credit risk - impairment provision as per ECL for financial assets

Expected Credit Loss at 31 March 2023 was estimated based on a range of forecast economic conditions prevailing as at that date. As the situation continues to evolve and timelines for a normalization of economic activity remains yet an unknown, the impact to our core markets and the Company's financial results cannot be reasonably estimated or reliably measured based on reasonable and supportable information that is available at the current stage.

Impairment Assessment

For accounting purposes, the Company uses a collective model for the recognition of losses on im-paired financial assets.

Collectively assessed allowance

Allowances are assessed collectively for losses on leases and loans. Detailed Note on impairment method has disclosed in note 22 on page 218.

47.2.1 Maximum Exposure to Credit Risk

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

As at 31 March	2023				
	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	Total LKR
Assets					
Cash and Cash Equivalents	664,043,703	-	-	-	664,043,703
Loans and Receivable (Gross)	422,151,402	-	-	4,915,748,210	5,337,899,612
Lease Rentals Receivables (Gross)	-	-	-	4,914,180,967	4,914,180,967
Financial Investments	576,027,374	-	-	-	576,027,374
Other Financial Assets	874,494	-	-	-	874,494
Total Financial Assets	1,663,096,972	-	-	9,829,929,178	11,493,026,150

As at 31 March	2022				
	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	Total LKR
Assets					
Cash and Cash Equivalents	92,132,395	-	-	-	92,132,395
Loans and Receivable (Gross)	512,461,047	-	-	4,951,002,521	5,463,463,569
Lease Rentals Receivables (Gross)	-	-	-	4,965,814,166	4,965,814,166
Financial Investments	532,667,038	-	-	-	532,667,038
Other Financial Assets	779,506	-	-	-	779,506
Total Financial Assets	1,138,039,986	-	-	9,916,816,688	11,054,856,674

Notes to the Financial Statement

47. RISK MANAGEMENT (CONTD.)

47.2.2 Analysis of Risk Concentration

47.2.2.1 Industry Analysis

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

As at 31 March	2023					
Sector wise Breakdown	Cash and Cash Equivalents LKR	Loans and Receivable LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture & Fishing	-	2,677,367,350	2,862,975,229	-	-	5,540,342,578
Manufacturing	-	717,159,072	468,670,165	-	-	1,185,829,237
Tourism	-	16,539,660	39,916	-	-	16,579,576
Transport	-	10,651,107	209,273,028	-	-	219,924,136
Constructions	-	882,012,455	529,774,371	-	-	1,411,786,826
Trades	-	230,183,797	9,409,927	-	-	239,593,724
New Economy	-	5,279,288	335,084	-	-	5,614,372
Financial and Business Services	664,043,703	15,422,172	1,110,671	-	874,494	681,451,039
Infrastructure	-	30,239,343	214,446	-	-	30,453,789
Government	-	-	-	576,027,374	-	576,027,374
Other Services	-	753,045,368	832,378,130	-	-	1,585,423,498
Total	664,043,703	5,337,899,612	4,914,180,967	576,027,374	874,494	11,493,026,150

As at 31 March	2022					
Sector wise Breakdown	Cash and Cash Equivalents LKR	Loans and Receivable LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture & Fishing	-	2,223,347,911	3,553,462,141	-	-	5,776,810,052
Manufacturing	-	675,216,723	524,239,493	-	-	1,199,456,216
Tourism	-	23,115,059	1,708,710	-	-	24,823,770
Transport	-	9,287,478	108,823,916	-	-	118,111,394
Constructions	-	879,941,218	34,277,312	-	-	914,218,530
Trades	-	243,311,618	18,134,474	-	-	261,446,092
New Economy	-	4,770,773	1,601,784	-	-	6,372,556
Financial and Business Services	92,132,395	7,359,446	1,272,963	-	779,506	101,544,310
Infrastructure	-	31,472,375	731,825	-	-	32,204,200
Government	-	-	-	532,667,038	-	532,667,038
Other Services	-	1,365,640,967	721,561,550	-	-	2,087,202,517
Total	92,132,395	5,463,463,569	4,965,814,166	532,667,038	779,506	11,054,856,674

47.2.2.2 Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

	Term Loan and receivables Past Due But Not Impaired LKR	Lease receivable Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR
As at 31 March 2023			
Central	522,321,041	419,520,648	941,841,689
Eastern	616,152,583	703,029,313	1,319,181,895
North Central	417,035,649	1,310,271,656	1,727,307,305
Northern	613,653,506	533,741,812	1,147,395,318
North Western	176,043,627	71,353,891	247,397,518
Sabaragamuwa	561,479,819	262,799,363	824,279,182
Southern	651,290,766	377,297,090	1,028,587,856
Uva	620,968,437	528,345,440	1,149,313,877
Western	1,158,954,183	707,821,755	1,866,775,938
Total	5,337,899,612	4,914,180,967	10,252,080,579
As at 31 March 2022			
Central	523,152,931	539,828,434	1,062,981,365
Eastern	576,772,425	578,229,047	1,155,001,472
North Central	422,267,689	1,023,412,127	1,445,679,816
Northern	657,167,431	488,973,408	1,146,140,838
North Western	189,083,108	82,949,765	272,032,873
Sabaragamuwa	541,763,951	334,449,570	876,213,521
Southern	729,470,827	443,147,528	1,172,618,355
Uva	514,349,446	581,902,941	1,096,252,387
Western	1,309,435,762	892,921,346	2,202,357,108
Total	5,463,463,569	4,965,814,166	10,429,277,735

47.2.3 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavors to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral val-ues.

The main types of collateral obtained are, as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles.
- For retail lending, mortgages over residential properties and transfer of ownership over the vehicles.

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their credit worthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customers. For impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

Notes to the Financial Statement

47. RISK MANAGEMENT (CONTD.)

The following table shows the fair value of collateral and credit enhancements held by the Company.

Company	31 March 2023 Maximum exposure to credit risk LKR	31 March 2023 Net exposure LKR	31 March 2022 Maximum exposure to credit risk LKR	31 March 2022 Net exposure LKR
Cash and cash equivalents (excluding cash in hand)	603,301,938	-	40,872,038	-
Financial Investments	576,027,374	-	532,667,038	-
Other Financial Assets	874,494	874,494	814,391	814,391
Loans and Receivables	5,337,899,612	-	5,463,463,569	-
Lease Rental Receivable	4,914,180,967	-	4,965,814,166	-
	11,432,284,385	874,494	11,003,631,202	814,391

Sensitivity of impairment provision on loans and receivables

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income
	Stage 1 " Past Due But Not Impaired "	Stage 2 " Past Due But Not Impaired "	Stage 3 " Past Due But Not Impaired "	Total " Past Due But Not Impaired "	" Past Due But Not Impaired "
As at 31 March 2023					
PD 1% increase across all age buckets	7,713,435	2,043,273	-	9,756,708	9,756,708
PD 1% decrease across all age buckets	(7,713,435)	(2,043,273)	-	(9,756,708)	(9,756,708)
LGD 5% increase	72,450,170	43,437,724	80,598,462	196,486,356	196,486,356
LGD 5% decrease	(72,450,170)	(43,437,724)	(80,598,462)	(196,486,356)	(196,486,356)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	233,452	107,326	-	340,779	340,779
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(233,452)	(107,326)	-	(340,779)	(340,779)
As at 31 March 2022					
PD 1% increase across all age buckets	7,713,435	2,043,273	-	9,756,708	9,756,708
PD 1% decrease across all age buckets	(7,713,435)	(2,043,273)	-	(9,756,708)	(9,756,708)
LGD 5% increase	72,450,170	43,437,724	80,598,462	196,486,356	196,486,356
LGD 5% decrease	(72,450,170)	(43,437,724)	(80,598,462)	(196,486,356)	(196,486,356)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	233,452	107,326	-	340,779	340,779
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(233,452)	(107,326)	-	(340,779)	(340,779)

47.3 Liquidity Risk & 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. To limit this risk, the Company's management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing liquidity and funding to ensure future cash flows. The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Asset - Liability Committee (ALCO) analyses and monitors liquidity risk and maintains an adequate margin of safety in liquid assets.

ALCO meets at least monthly and 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.

During the Covid-19 pandemic the company implemented a comprehensive and proactive mechanism to ensure that liquid assets are well managed by the organization during periods of business disruptions and well addressed during the turbulent times. Management developed cash flows forecasts in order to monitor and absorb sudden liquidity shocks 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. ALCO closely overlooks the changes and development related to the developments in the macro-economic environment and in-corporated them when making management decisions.

Furthermore, the Company maintains the Statutory Liquid Assets Ratio (SLAR) at its required level as a method to measure and control daily liquidity risk.

47.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities.

As at 31 March 2023	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Cash Equivalents	664,043,703	-	-	-	-	664,043,703
Financial Investments	-	490,480,933	85,546,441	-	-	576,027,374
Other Financial Assets	-	322,486	552,008	-	-	874,494
Financial Assets at Amortised Cost - Loans and Receivables	811,775,483	1,839,707,978	642,068,009	1,811,759,698	-	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	331,059,698	223,106,768	278,470,312	3,842,225,585	-	4,674,862,363
Total Financial Assets	1,806,878,884	2,553,618,165	1,006,636,770	5,653,985,283	-	11,021,119,101
Financial Liabilities						
Due to Banks and Other Institutions	56,920,256	216,403,416	573,203,051	655,526,005	6,061,950	1,508,114,678
Due to Customers	1,499,690,298	1,634,549,197	2,193,355,613	806,900,775	58,935,144	6,193,431,026
Lease Liability	6,256,213	12,197,289	45,165,009	56,329,375	-	119,947,887
Total Financial Liabilities	1,562,866,767	1,863,149,902	2,811,723,673	1,518,756,156	64,997,094	7,821,493,590
Total Net Financial Assets/(Liabilities)	244,012,117	690,468,263	(1,805,086,903)	4,135,229,127	(64,997,094)	3,199,625,511

47. RISK MANAGEMENT (CONTD.)

As at 31 March 2022	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Cash Equivalents	92,132,395	-	-	-	-	92,132,395
Financial Investments	-	377,724,430	154,942,608	-	-	532,667,038
Other Financial Assets	-	391,331	423,060	-	-	814,391
Financial Assets at Amortised Cost - Loans and Receivables	1,013,272,177	447,091,523	1,314,576,694	3,621,707,553	-	6,396,647,946
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,798,825,766	697,175,460	1,762,871,472	2,756,716,744	-	7,015,589,442
Total Financial Assets	2,904,230,337	1,522,382,745	3,232,813,834	6,378,424,297	-	14,037,851,213
Financial Liabilities						
Due to Banks and Other Institutions	356,243,354	339,313,692	548,460,332	1,070,053,993	6,113,458	2,320,184,829
Financial Liability at Amortised Cost - Due to Customers	1,137,725,441	927,953,764	1,851,927,917	744,685,141	66,804,856	4,729,097,119
Lease Liability	-	67,899,858	68,113,951	13,937,883	-	149,951,692
Total Financial Liabilities	1,493,968,795	1,335,167,314	2,468,502,200	1,828,677,017	72,918,314	7,199,233,640
Total Net Financial Assets/(Liabilities)	1,410,261,542	187,215,431	764,311,634	4,549,747,280	(72,918,314)	6,838,617,573

47.3.2 Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

As at 31 March 2023	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	1,700,000	-	-	1,700,000
Cases pending against the company	-	-	-	5,733,330	-	5,733,330
Total Commitments and guarantees	-	-	1,700,000	5,733,330	-	7,433,330

As at 31 March 2022	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	2,250,000	-	-	2,250,000
Cases pending against the company	-	-	-	2,040,100	-	2,040,100
Total Commitments and guarantees	-	-	2,250,000	2,040,100	-	4,290,100

47.3.2 Contractual Maturities of Commitments & Contingencies

There are no significant contingencies and significant capital commitments as at 31 March 2022 and as at 31 March 2023 other than the disclosures made under the financial statements notes number 38 on page number 240.

47.3.2.1 Operational Risk

Overview

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

After reviewing the audit reports, the Board Audit Committee (BAC) has identified certain processes where internal controls can be further strengthened. Such risks are being critically reviewed regularly by the BAC where necessary actions will be recommended.

The Company 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.

Additionally, the Operational Risk Self-Assessment (ORSA) process which facilitates both the Management and the staff to assume responsibility for internal controls. It also acts as a bottom-up feedback mechanism which supports proactivity in risk management.

47.3.2.2 Market Risk

Overview

Market risk is the potential of an adverse impact on Company's earnings or capital due to changes in interest rates. During the normal course of its business, Company deals in financial products such as loans and deposits to facilitate both customer-driven and proprietary transactions which expose the Company to market risk in varying degrees.

Market Risk Management

Risk Management Framework ensures the appropriate management of the market risks within the overall risk appetite so that adverse changes in market risk parameters, do not materially impact Company's profitability, capital or the risk profile.

Upon recognizing various sources of risks, their characteristics and possible outcomes resulting from transactions undertaken by the Company, as risk mitigation tools, Company has formed a Liquidity Investment Policy and an Asset and Liability Management Policy. These policies define exposure limits and procedures within which such transactions are required to be undertaken. Market risk limits set out in the above policies are regularly reviewed by the Asset- Liability Committee (ALCO) and the Board Integrated Risk Management Committee (BIRMC).

ALCO is the core management level committee that regularly monitors market risk exposures and initiates appropriate action to optimize overall market risk exposures of the Company. In this regard, the major functions carried out by ALCO include:

- proactively managing of liquidity risk profile of the Company
- articulating interest rate review of the Company
- monitoring asset and liability gaps, and rate shock results on Net Interest Income (NII) to initiate ap-propriate measures such as changing interest rate structure.

47.5.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities, namely the granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; and basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin. The Company's exposure to interest rate risk is primarily associated with factors such as:

- ⇨ Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio;
- ⇨ Yield curve risk arising from unanticipated shifts of the market yield curve;

Interest rate risk is managed principally through minimizing interest rate sensitive asset/liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly. Regularly monitoring of net interest margin took place to be vigilant and proactive towards the relief measures introduced by the government pertaining to in-terest rates.

Notes to the Financial Statement

47. RISK MANAGEMENT (CONTD.)

During the under year review, the country had to face its worst economic crisis. Increase in the policy rates and subsequent increase in the Government Treasury- Bills rates heightened the market interest rates significantly. This development in the market had created a high pressure for all the financial in-stitutes as the NII and NIM have been narrowed as the demand for credit has dropped significantly with the high interest rates.

47.5.2 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 reprising or maturity dates.

As at 31 March 2023	Up to 03 Months LKR	03-12 Months LKR	01-03 Years LKR	03-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total as at 31.03.2023 LKR
Assets							
Cash and Cash Equivalents	603,301,938	-	-	-	-	60,741,765	664,043,703
Financial Investments	490,480,933	85,546,441	-	-	-	-	576,027,374
Other Financial Assets	322,486	552,008	-	-	-	-	874,494
Financial Assets at Amortised Cost - Loans and Receivables	2,651,483,461	642,068,009	1,215,031,933	596,727,765	-	-	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	554,166,466	278,470,312	2,485,410,499	1,356,815,086	-	-	4,674,862,363
Total Financial Assets	4,299,755,283	1,006,636,770	3,700,442,432	1,953,542,851	-	60,741,765	11,021,119,101
Financial Liabilities							
Due to Banks and Other Institutions	273,323,671	573,203,051	618,456,280	37,069,726	-	6,061,950	1,508,114,678
Financial Liability at Amortised Cost - Due to Customers	3,055,659,953	2,193,355,613	382,410,374	424,490,401	58,935,144	78,579,540	6,193,431,026
Lease Liability	18,453,503	45,165,009	45,561,268	10,768,107	-	-	119,947,887
Total Financial Liabilities	3,347,437,127	2,811,723,673	1,046,427,922	472,328,234	58,935,144	84,641,490	7,821,493,590
Interest Sensitivity Gap	952,318,159	(1,805,086,903)	2,654,014,510	1,481,214,617	(58,935,144)	(23,899,725)	3,199,625,511

As at 31 March 2022	Up to 03 Months LKR	03-12 Months LKR	01-03 Years LKR	03-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total as at 31.03.2022 LKR
Assets							
Cash and Cash Equivalents	40,872,038	-	-	-	-	51,260,357	92,132,395
Financial Investments	377,724,430	154,942,608	-	-	-	-	532,667,038
Other Financial Assets	391,331	423,060	-	-	-	-	814,391
Financial Assets at Amortised Cost - Loans and Receivables	2,047,763,612	1,312,825,269	1,419,131,496	330,874,716	-	-	5,110,595,093
Financial Assets at Amortised Cost - Lease Rentals Receivables	624,936,125	961,212,336	2,364,195,807	817,822,729	-	-	4,768,166,996
Total Financial Assets	3,091,687,536	2,429,403,273	3,783,327,303	1,148,697,445	-	51,260,357	10,504,375,912
Financial Liabilities							
Due to Banks and Other Institutions	695,557,046	548,460,332	912,743,973	157,310,021	51,508	6,061,950	2,320,184,829
Financial Liability at Amortised Cost - Due to Customers	1,917,879,732	1,851,927,917	613,423,272	131,261,869	66,804,856	147,799,473	4,729,097,119
Lease Liability	17,176,000	50,723,858	68,113,951	13,937,883	-	-	149,951,692
Total Financial Liabilities	2,630,612,778	2,451,112,107	1,594,281,195	302,509,773	66,856,364	153,861,423	7,199,233,640
Interest Sensitivity Gap	461,074,757	(21,708,834)	2,189,046,108	846,187,672	(66,856,364)	(102,601,066)	3,305,142,272

48. FINANCIAL REPORTING BY SEGMENT

For management purposes, the Company is organised into business units based on its products and services and has three reportable segments, as follows:

Lease

This segment includes Leasing products offered to the customers.

Loan

This segment includes SME, Micro, Personal and Gold loans offered to the customers

Other Business

This segment include all other business activities that Company engaged other than above segments

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Also, the Company's financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Lease		Loan		Other		Total	
	2023 LKR	2022 LKR	2023 LKR	2022 LKR	2023 LKR	2022 LKR	2023 LKR	2022 LKR
Interest income	1,089,564,946	867,285,943	1,204,123,623	917,956,222	167,642,874	37,073,023	2,461,331,443	1,822,315,188
Net fee and commission income	38,723,064	39,835,727	69,653,000	23,947,280	5,809,194	(195,737)	114,185,258	63,587,270
Other operating income	18,507,325	15,599,390	1,345,879	9,659,627	2,122,049	19,247,802	21,975,253	44,506,819
Gross income	1,146,795,335	922,721,061	1,275,122,503	951,563,129	175,574,117	56,125,088	2,597,491,955	1,930,409,278
Interest expenses	(543,775,815)	(250,214,030)	(598,270,346)	(275,289,246)	(79,568,570)	(36,612,832)	(1,221,614,731)	(562,116,108)
Total operating income	603,019,519	672,507,031	676,852,157	676,273,883	96,005,547	19,512,256	1,375,877,224	1,368,293,170
Credit loss expenses	(41,671,434)	(59,019,063)	(23,835,675)	(126,032,417)	2,415,000	(7,567,108)	(63,092,109)	(192,618,588)
Net Operating Income	561,348,085	613,487,969	653,016,482	550,241,466	98,420,547	11,945,148	1,312,785,115	1,175,674,582
Other Expenses	(341,132,872)	(311,430,749)	(375,319,526)	(342,640,803)	(49,916,628)	(45,570,433)	(766,369,026)	(699,641,985)
Depreciation and Amortization	(44,663,825)	(44,855,202)	(49,139,813)	(49,350,369)	(6,535,481)	(6,563,485)	(100,339,119)	(100,769,057)
Segment Result	175,551,388	257,202,017	228,557,144	158,250,293	41,968,438	(40,188,770)	446,076,970	375,263,540
Tax on financial services							(145,945,075)	(106,552,907)
Income tax expenses							(78,482,446)	(53,244,387)
Profit attributable to share holders	175,551,388	257,202,017	228,557,144	158,250,293	41,968,438	(40,188,770)	221,649,449	215,466,246
Segment assets	4,914,180,967	4,965,814,166	5,337,899,612	5,463,463,569	1,418,212,979	745,206,749	11,670,293,558	11,174,484,484
Total Assets	4,914,180,967	4,965,814,166	5,337,899,612	5,463,463,569	1,418,212,979	745,206,749	11,670,293,558	11,174,484,484
Segment labilities	3,528,605,014	3,710,813,892	3,658,300,236	3,658,456,408	1,033,900,590	500,419,068	8,220,805,840	7,869,689,368
Total labilities	3,528,605,014	3,710,813,892	3,658,300,236	3,658,456,408	1,033,900,590	500,419,068	8,220,805,840	7,869,689,368