

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March	2022 LKR	2021 LKR
<b>Income</b>	<b>1,930,409,278</b>	<b>1,743,539,205</b>
Interest Income	1,822,315,188	1,584,744,640
Interest Expenses	(562,116,108)	(623,347,022)
<b>Net Interest Income</b>	<b>1,260,199,080</b>	<b>961,397,618</b>
Net Fee and Commission Income	63,587,270	35,856,002
Other Operating Income	44,506,819	122,938,563
<b>Total Operating Income</b>	<b>1,368,293,170</b>	<b>1,120,192,183</b>
Impairment Charges for Loans and Other Losses	(192,618,588)	(60,091,862)
<b>Net Operating Income</b>	<b>1,175,674,582</b>	<b>1,060,100,321</b>
<b>Operating Expenses</b>		
Personnel Expenses	(440,417,817)	(374,095,908)
Depreciation of Property, Plant and Equipment	(33,428,444)	(37,102,566)
Amortisation of Right of Use Assets	(64,393,112)	(62,944,563)
Amortisation of Intangible Assets	(2,947,501)	(10,055,835)
Other Operating Expenses	(259,224,168)	(219,704,378)
<b>Operating Profit before Tax on Financial Services</b>	<b>375,263,540</b>	<b>356,197,071</b>
Tax on Financial Services	(106,552,907)	(89,362,305)
<b>Profit before Taxation</b>	<b>268,710,633</b>	<b>266,834,766</b>
Income Tax Expenses	(53,244,387)	(83,478,023)
<b>Profit for the Year</b>	<b>215,466,246</b>	<b>183,356,743</b>
<b>Other Comprehensive Income</b>		
Actuarial Gains/(Losses) on Defined Benefit Plans	3,420,601	(13,647,141)
Gain/(Loss) due to changes in Assumptions	32,703,154	(6,755,239)
Deferred Tax (Charge)/Reversal on above items	(4,334,851)	4,896,571
<b>Net Other Comprehensive Income not to be Reclassified to Profit or Loss</b>	<b>31,788,904</b>	<b>(15,505,809)</b>
Surplus from Revaluation of Property, Plant & Equipment	-	18,050,000
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment	-	(4,332,000)
<b>Net Other Comprehensive Income not to be Reclassified to Profit or Loss</b>	<b>-</b>	<b>13,718,000</b>
<b>Other Comprehensive Income for the Year, Net of Tax</b>	<b>31,788,904</b>	<b>(1,787,809)</b>
<b>Total Comprehensive Income for the Year</b>	<b>247,255,150</b>	<b>181,568,935</b>
Basic / Diluted Earning per Share *	1.86	2.55
Dividend per Share **	1.00	-

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

\*\* Dividend per share is calculated based on the interim dividend paid and the proposed final dividend which is to be approved at the Annual General Meeting.

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 31.03.2022 (Audited)		As at 31.03.2021 (Audited)	
	Actual	Required	Actual	Required
<b>Regulatory Capital Adequacy</b>				
Tier 1 Capital Adequacy Ratio	28.55	7.00	21.58	6.50
Total Capital Adequacy Ratio	29.80	11.00	21.80	10.50
Capital Fund to Deposit Liabilities Ratio	67.45	10.00	45.64	10.00
<b>Quality of Loan Portfolio (%)</b>				
Gross Non-Performing Loan Ratio		8.93		9.98
Net Non-Performing Loan Ratio		3.31		4.21
Net Non-Performing Loan to Core Capital Ratio		9.65		11.70
Provision Cover Ratio		54.40		56.58
<b>Profitability %</b>				
Net Interest Margin		12.67		11.44
Return on Assets		2.13		2.13
Return on Equity		7.85		10.86
Cost to Income Ratio		66.28		70.82
<b>Liquidity (%)</b>				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)		207.1		132.7
Liquidity Assets to External Funds		11.2		12.3
<b>Memorandum information</b>				
Number of Branches		51		51
External Credit Rating		B+(lka);Outlook Stable		B+(lka);Outlook Stable
<b>Regulatory Deposit Restrictions</b>				
Cap on total Deposits (Rs, Mn)		NA		5,500

## STATEMENT OF FINANCIAL POSITION

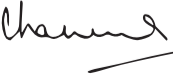
As at 31 March	2022 LKR	2021 LKR
<b>Assets</b>		
Cash and Cash Equivalents	92,132,395	130,870,989
Financial Investments	532,667,038	374,591,188
Other Financial Assets	814,391	779,506
Financial Assets at Amortised Cost - Loans and Receivables	5,110,595,093	4,954,331,169
Financial Assets at Amortised Cost - Lease Rentals Receivables	4,768,166,996	2,952,368,025
Other Non Financial Assets	162,122,503	99,226,178
Investment Property	234,257,500	215,678,750
Property, Plant and Equipment	139,267,592	160,884,369
Right-of-use Lease Assets	129,533,191	142,812,343
Intangible Assets	4,927,786	5,055,287
<b>Total Assets</b>	<b>11,174,484,484</b>	<b>9,036,597,804</b>
<b>Liabilities</b>		
Due to Banks and Other Institutions	2,320,184,829	1,729,624,110
Financial Assets at Amortised Cost - Due to Customers	4,729,097,119	4,551,945,183
Lease Liability	149,951,692	161,198,954
Other Non Financial Liabilities	596,809,388	282,552,100
Current Tax Liabilities	21,170,445	53,665,325
Post Employment Benefit Liability	32,066,158	55,828,613
Deferred Tax Liabilities	20,409,737	20,398,293
<b>Total Liabilities</b>	<b>7,869,689,368</b>	<b>6,855,212,578</b>
<b>Shareholders' Funds</b>		
Stated Capital	2,696,113,032	1,696,113,020
Retained Earnings	437,316,534	324,679,970
Reserves	171,365,549	160,592,236
<b>Total Shareholders' Funds</b>	<b>3,304,795,115</b>	<b>2,181,385,226</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>11,174,484,484</b>	<b>9,036,597,804</b>
Commitments and Contingencies	4,290,100	7,689,916
Net Assets Value per Share	22.09	20.95

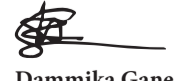
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

  
**Asanka Nawarathna**  
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

25th May 2022  
Colombo



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

Tel : + 94 11 2463500  
FaxGen : + 94 11 2697369  
Tax : + 94 11 5578180  
eysl@lk.ey.com  
ey.com

### INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SARVODAYA DEVELOPMENT FINANCE PLC

Report on the audit of the financial statements

### OPINION

We have audited the financial statements of Sarvodaya Development Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2022, 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 2022, 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
<b>Impairment allowances on loan and Lease receivables to customers:</b> As at 31 March 2022, Loan and Lease receivables to customers, net of impairment allowances amounted to LKR 9,879 Mn and is disclosed in notes 20 & 21. These collectively contributed to 88% of the Company's total assets. Impairment allowances on Loan and Lease receivables is a key audit matter due to: • Materiality of the reported provision for credit impairment which involved complex calculations; and • Significant judgements used in assumptions and estimates made by the management as reflected in note 2.9, which in the current year was influenced by the need to assess the change in current economic conditions on forward looking information and the continuing impact of Covid-19 debt moratorium relief measures.	Our audit procedures included amongst others the following: • We assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. • We evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls. • 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. <b>For Loan and Lease receivables assessed on a collective basis for Impairment:</b> • We tested key calculations used in the impairment allowances. • We assessed whether significant judgements used in assumptions estimates used by the management in the underlying methodology and management overlays were reasonable. We also evaluated the reasonableness of forward looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Our procedures were based on the best available information up to the date of our report.
<b>Financial reporting related IT based Internal controls</b> A significant part of the Company's financial reporting process is primarily reliant on IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spread sheets. Accordingly, financial reporting related IT based Internal controls is considered a key audit matter	Our audit procedures included the following: • We obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures. • We identified and test checked relevant controls of key IT systems related to the Company's Financial reporting process. • We evaluated the design and operating effectiveness of IT controls, including those related to user access and change management. • We checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations.

### OTHER INFORMATION INCLUDED IN THE 2022 ANNUAL REPORT

Other information consists of the information included in the Company's 2022 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

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

### 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 if 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 the financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with 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.

(Sgd.)  
31 May 2022  
Colombo

Partners: H M A Jayasinghe 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 S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunatilleke FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited