

RE-ENERGIZED



Vision

To be a catalyst
in creating an
economically
progressive society,
living in dignity

Mission

To foster sustainable
development through
the provision of ethical
financial services and
fulfil expectations of all
stakeholders

Values

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

RE-ENERGISED

This has been an exciting year for Sarvodaya. Fresh winds blew across every aspect of enterprise re-energising us as we set course towards our ultimate goal of establishing ourselves as a development bank of true worth in Sri Lanka.

Contents

004

About the Company

005

Sarvodaya, the Premier Social Development Organisation in Sri Lanka

006

Uplifting the Society

018

Stewardship

Board of Directors	018
Corporate Management	023
Senior Management	027
Regional Managers	029
Branch and Customer Service Centre (CSC) Managers	030
Corporate Governance	032
Report of the Integrated Risk Management Committee (IRMC)	064
Report of the Board Audit Committee	065
Report of the Board Remuneration Committee	067
Risk Management	068

077

Management Discussion and Analysis

Operating Environment	077
Operations Review	082
Financial Review	092
Events Held During the Year	098
Awards and Accolades	099

101

Financial Reports

Report of the Board of Directors on the Affairs of the Company	102
Directors' Responsibility for Financial Reporting	108
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	109
Directors' Statement on Internal Control Over Financial Reporting	110
Independent Assurance Report to the Board of Directors on Internal Control	111
Independent Auditors' Report	112
Statement of Profit or Loss and Other Comprehensive Income/(Expenses)	113
Statement of Financial Position	114
Statement of Changes in Equity	115
Statement of Cash Flow	116
Notes to the Financial Statements	117

010

Highlights

012

Letter from the Chairman

015

Chief Executive Officer's Review

183

Annexes

Value Added Statement	183
Sources and Utilisation of Income	184
Capital Adequacy	185
Five Year Summary	187
Branch and Customer Service Centre Network	190
Glossary	193
Arthadharma Geethaya	197
Notice of Annual General Meeting	198
Form of Proxy	Enclosed
Corporate Information	Inner Back Cover

About the Company

The Sarvodaya Development Finance Limited (SDF) evolved from deep rooted commitment to nation building and development along the 'grass roots upwards' model of its parent, the Sarvodaya Movement. Guided by the social philosophy of Mahatma Gandhi and the spiritual teachings of Buddhism, Sarvodaya founded by Dr. A T Ariyaratne, is today the oldest non-governmental organisation in Sri Lanka.

SDF was born out of a natural process of evolution in which Sarvodaya realised the need for an 'economic arm' that could support its aims of reducing poverty by empowering rural folk and creating sustainable livelihoods for all. This realisation led to the formation of SDF's predecessor SEEDS (Gte) Limited, where the growing economic emancipation of the rural population required a dedicated institution that could take such emancipation forward via the providing of capital, training, information, advice and product marketing support. The proliferation and success of rural empowerment of this nature soon meant that SEEDS had reached its limits in terms of catering to the future without restructure or the floating of a new entity.

Thus in 2010, the Deshodaya Development Finance Company Limited (DDFC) was incorporated as a fully licensed finance company. It was re-branded subsequently as SDF in August 2015 to further exemplify its deep connection to Sarvodaya Movement.

Sarvodaya, the Premier Social Development Organisation in Sri Lanka

Sarvodaya, is an indigenous non-governmental organisation committed to raise the living standards of the poorest and marginalised communities in Sri Lanka through a practical model of self-help and giving back to the society with greater participation.

From its humble beginnings in 1958, Sarvodaya has become the largest and most broadly embedded community based organisation network in the nation. The effort to create a unique people's movement to attain an inclusive sustainable development resulted in the Sarvodaya Shramadana Movement of Sri Lanka. Through this movement, the untapped social capital of the post-independent rural Sri Lanka was transformed into a volunteer force of inclusive development, benefiting all. Inspired by the Gandhian ideals of truth, non-violence, self-denial and service for all, Sarvodaya seeks a no-poverty and no-affluence society in Sri Lanka, achieved through a shift in consciousness, economic and political spheres of individuals, families, villages and the nation.

Throughout the years, Sarvodaya has been widely acclaimed for its exceptional accomplishments across many sectors of spiritual awakening and development. These include youth and women empowerment, community building, community health and nutrition, microfinance, welfare activities and many more. The formidable outreach encompass over 15,000 communities across the regions and political divides and 5,600 legally independent community based 'Sarvodaya Shramadana Societies' under the patronage of Sarvodaya.

Incorporated by the Act of Parliament No. 16 of 1972, Sarvodaya has an active presence throughout the nation with its 26 district offices, and more than 350 national and district staff. The greatest asset of Sarvodaya is the hundreds and thousands of volunteers associated

with its youth wing Sarvodaya Shanthi Sena and the Sarvodaya Shramadana Societies. Its physical asset base is strengthened by the 10 Sarvodaya Institute of Higher Learning campuses, three organic farms with an extent of hundreds of acres, vocational training centres and many others.

In addition, Sarvodaya has under its wings, the Sarvodaya SuwasethaSewa Society, Sarvodaya Women's Movement, Sarvodaya Legal Services Movement, Sarvodaya Shanthisena the youth peace brigades, Sarvodaya Vishva Nikethan and Sarvodaya Sustainable Economic Enterprise Development Services catering to the needs and development of a wider cross sections of societies.

Most recently, Sarvodaya has established Sarvodaya Institute of Higher Learning focused on alternative education and sustainable development and Deshodaya focused on development through its district and divisional Deshodaya People's Forums.

The three founding objectives of Sarvodaya – **Consciousness**, **Economic** and **Power** are geared to create the socioeconomic and political order that serves justice and awakening to all.

Uplifting the Society

Sarvodaya Development Finance Limited is a part of the Sarvodaya Shramadana Movement of Sri Lanka. The main entity is the Lanka Jathika Sarvodaya Shramadana Sangamaya (LJSSS). Other legally independent units carry-out a legacy of development activities catering to specific fields from village level upwards. These are geared to empower, uplift and enhance the society as a whole.

Early Childhood Development Unit (ECDU)

Emphasising the need for quality early learning experience for children under the age of 5 years, the ECDU gives children an opportunity to gain a standard primary education. As a part of its endeavours, ECDU conducts teacher training programmes in rural areas on proper methods of primary education. In addition, both the parents and teachers are educated on providing proper nutrition for preschool children. These efforts are supported by the District and Divisional Offices of the LJSSS. ECDU also has donor-funded projects for children affected by the civil war to facilitate a safe environment for learning.

Community Health Unit

The Community Health Unit is engaged in a range of areas, including, nutrition and child health, adolescent and reproductive health, mental health and suicide prevention and GFATM – HIV AIDS and Malaria prevention.

Disaster Management Centre (DMC)

Established as a support unit in the event of disasters such as tsunamis, floods, landslides and disease outbreaks, the DMC is equipped with state-of-the-art emergency equipment to face any situation. Relief items such as food parcels, dry rations, water and mobile medical camps are provided apart from facilities for communal cooking in such an event. Past programmes include an integrated disaster response to IDPs, including provision of psycho social support. Current programmes include water rescue, fire safety and first aid training. The Disaster Management Centre operates on the basis of a '5R' strategy: Relief, Rehabilitation, Reconstruction, Reconciliation and Reawakening leading to Recovery and Development.

Sarvodaya Suwasetha Sewa Society

This society was established in 1975 as a Government approved charity and operates as a separate division under LJSSS. The main objectives of the society are to protect and empower children, adolescents, the differently abled and the elders. Some of the main services provided by the society include, provision of proper nutrition and residential care for children suffering from malnutrition, secure care for orphans and abandoned children, maintaining and providing safe residential facilities for teenage victims of sexual abuse, conducting vocational training for young females with disabilities and conducting community-based rehabilitation programmes for persons with disabilities and street children from all over the island. Currently there are nine Child Development Centres which includes the Masevana Home for teenage mothers, five preschools, three elders' homes and five centres which provide care and protection for differently abled people in the society.

Sarvodaya Shanthi Sena Sansadaya

Sarvodaya Shanthi Sena means peace brigades. This is the youth wing of the Sarvodaya Shramadana Movement. Founded in 1978, the main objective of Sarvodaya Shanthi Sena is to develop youth leadership to help and encourage a disciplined society free of violence and suffering. The three decades long experience of Shanthi Sena includes taking initiatives in peace building, promoting democracy and governance by conducting peace dialogues, inter-religious dialogues, youth exchange programs, youth camps and leadership training programmes, sports for peace programmes and pen pal programmes in order to build bridges among the different ethnic and religious communities in Sri Lanka. The Sarvodaya Shanthi Sena is an island-wide youth force covering all 25 Administrative Districts of Sri Lanka. It has over 120,000 youth volunteers dedicated to peace building and community development through 9,800 youth circles around the nation. They are actively involved in emergency relief, peace education, environmental conservation and providing community-based health facilities in the rural Sri Lankan villages.

Sarvodaya Women's Movement (SWM)

SWM commenced in 1987 as an offshoot of the LJSSS. This is an independent organisation of the Sarvodaya Movement focused on issues that affect the girl, child and the women in society.

The vision of SWM is to provide women with opportunities and direction to assume their rightful place in society and realise their

aspirations, hopes and strengths. We hope to empower women by generating awareness of women's rights and women's issues, and to build the capabilities of women through assisting them to acquire knowledge and skills in a holistic manner facilitating greater self-reliance and responsibility. The movement is funded by the UNICEF, Family Planning Association, Migration and Development Civil Society Network (MADE) and Sarvodaya Germany.

Vishva Nikethan Peace Centre

Vishva Nikethan is a place for all to pursue the ideals of inner and outer peace. By creating an atmosphere of tranquillity and serenity close to nature, Vishva Nikethan aims to awaken people to their inner spirituality, so that they may return to the world beyond to create constructive change. Unlike many other places of worship and mind-training, Vishva Nikethan is focused on the external as well as the internal. It is a holistic approach to healing the mind, society and the environment reflecting on its unique peace message to society. Conducting counselling and meditation for prisoners, pregnant mothers, children and corporate management, the Centre incorporates the essence of the spiritual aspects to serve the society. Youth as well as victims of sexual abuse are given counselling and guidance through this Centre.

Sarvodaya Rural Technical Services

Sarvodaya Rural Technical Services (SRTS) is the technological empowerment arm of the Sarvodaya Shramadana Movement. SRTS was formed in 1978 after an agreement between Sarvodaya and Helvetas – Swiss – Association for International Co-operation for the implementation of infrastructural development activities in the villages. SRTS functions to service a quarter of Sri Lanka's population that lack access to clean water and basic infrastructure. This organisation provides aid to villages by mobilising the community to implement the much needed housing schemes, water and sanitation projects that include construction of wells and rain water harvesting tanks, enhancing sanitary facilities in rural areas and introducing alternative energy options such as designing and constructing micro hydropower schemes. By encouraging the use of sustainable technology, the SRTS helps communities to achieve sustainable development.

Uplifting the Society





Highlights

	Company			Group		
	2015/16	2014/15	Change (%)	2015/16	2014/15	Change (%)
Profitability (Rs. '000)						
Income	1,014,754	752,993	34.8	1,311,666	899,210	45.9
Operating Income	758,839	542,189	40.0	929,862	625,792	48.6
Operating Profit/(Loss)	125,783	1,777	6,978.7	174,053	(11,478)	1,616.4
Profit/(loss) before Taxation	76,511	(20,469)	473.8	114,933	(33,724)	440.8
Income Tax Expenses	30,369	(8,675)	450.1	33,825	(36,820)	191.9
Profit/(Loss) for the year	46,142	(11,794)	491.2	81,108	3,096	2,519.9
Profit/(Loss) for the year after OCI	48,040	(9,996)	580.6	83,447	4,649	1,694.9
Assets & Liabilities (Rs. '000)						
Loans and Receivables	2,766,806	2,779,010	-0.4	3,803,905	3,439,354	10.6
Customer Deposits	3,070,417	2,776,239	10.6	4,176,075	3,811,217	9.6
Shareholders' Funds	1,085,539	1,037,499	4.6	1,255,852	1,172,405	7.1
Total Assets	4,320,029	3,932,432	9.9	5,650,665	5,141,566	9.9
Investor Information (Rs.)						
Net Assets per Share	16.08	15.37	4.6	16.84	15.73	7.0
Earnings per Share – Basic	0.68	(0.17)	491.2	2.24	(2.16)	203.4
Dividend per Share	0.25	NIL				
Financial Indicators (%)						
Return on Assets (ROA)	1.1	(0.1)		0.4	0.1	
Return on Equity (ROE)	4.3	(2.3)		6.7	0.3	
Growth in profit	491.2	(216.5)		2,519.9	N/A	
Growth in total assets	9.9	27.7		1,694.9	N/A	
Capital Adequacy Ratios (%)						
Tier I ratio	32.0	30.7				
Tier I & II ratio	20.3	18.9				

Total Deposit
Customers

134,086



Females 55% and
Males 45%.

Total
Borrowers

52,133

Females 70% and Males 30%.

Staff
Strength

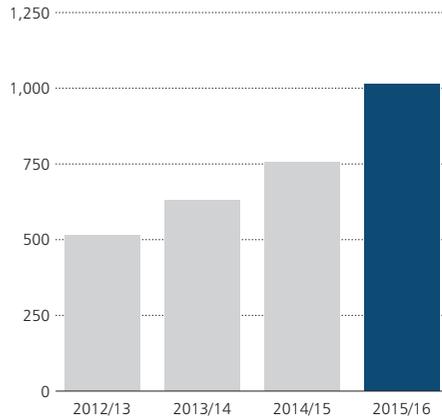
603



Males 57% and Female 43%.

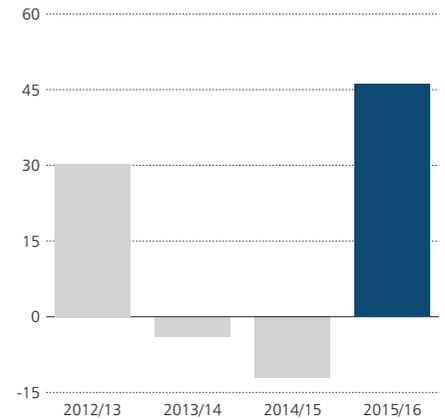
Gross Income

Rs. Million



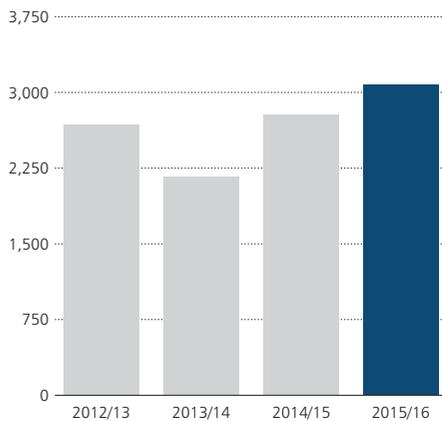
Profit/(Loss) for the Year

Rs. Million



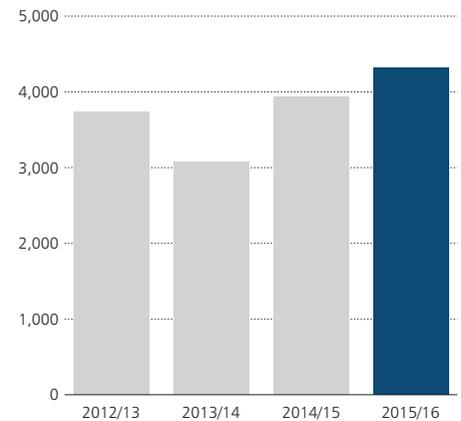
Customer Deposits

Rs. Million



Total Assets

Rs. Million



Training Programmes

41



Training Programmes were conducted for the employees on various subjects during the year.

An eFinance System



A new centralised online real time IT system was implemented in order to improve on efficiency.

The introduction of Solar Energy



The introduction of Solar Energy to the Head office helped reduce the electricity bill by 60%.

Letter from the Chairman



The reality is Sarvodaya Development Finance Limited is a much stronger and more agile company than before; a company well positioned to effectively raise the quality of life and transform into a Development Bank.

Dear Shareholders,

It is my pleasure to present to you the Annual Report of Sarvodaya Development Finance Limited for the financial year ended 31st March 2016.

During the year, the Board embarked on a restructuring programme focused on enhancing the operational efficiency, governance and strengthening the financial position of your Company to deliver sustainable results over the long-term. The success of this ongoing programme is reflected in the turnaround in profitability from a loss of Rs. 11.8 Million for the financial year 2014/15 to a net profit of Rs. 46.1 Million in the year under review.

Volatile Operating Environment

It is imperative to take a step back and view the year, in context of the operating environment in which these results were achieved.

The global economic activity remained subdued with the rise in global financial market volatility against the backdrop of slowing activity in large emerging economies, diverging monetary policies of major central banks, continued declines in commodity prices and fragile liquidity conditions.

Mirroring the effects of the global economy in 2015, Sri Lanka recorded a real economic growth of 4.8%, a marginal decline from the 4.9% growth recorded in 2014. (Source: CBSL Annual Report 2015) The sluggish demand in Sri Lanka's traditional export markets and the strengthening US economy that prompted short-term capital outflows had serious repercussions on Sri Lanka's GDP growth. These impacts however, were mitigated to some extent by lower international commodity prices.

Even as all three sectors of the economy contributed towards economic growth during the year, inflation declined further as a result of the downward price revisions in key consumer items, including energy, improved domestic supply conditions and low commodity prices in the global market.

The overall performance of the external sector displayed a mixed performance with a widened trade deficit and enhanced inflows from workers' remittances and earnings from tourism. The anticipated hike in US interest rates, prompted foreign investors to move funds out of the domestic Government Securities market and the higher demand for imports, placed undue pressure on the rupee, warranting the intervention of the Central Bank. The Rupee depreciated faster against the US Dollar after Central Bank allowed greater flexibility in the determination of the exchange rate, based on demand and supply conditions of the market.

The financial sector demonstrated its resilience to volatile market conditions stemming from domestic and global uncertainties. The expansion of business operations of the banking sector was supported by increased credit demand against the backdrop of the low interest rate regime. Also, the increased profits and internal capital generation augmented the cushion available in the sector for absorbing risks arising from any adverse shocks.

Building a Stronger Company

Last year, I mentioned in my review that our aim is to transform Sarvodaya Development Finance Limited to a professional organisation, through the implementation of a well focused strategic business plan, corporate governance policies, complying with all CBSL regulatory requirements and adhering to the Sarvodaya Principles.

I am happy to state that we have made a sizable progress with the restructuring programme of your Company. There was credible commitment to the process shown by all employees and senior management team led by the CEO. The lines of communications with the employees were kept open and I together with CEO closely engaged with the staff members regularly to obtain their unwavering commitment and ensure the morale of staff at all levels were maintained at the optimum. The Board's objective of entering into this restructuring programme was to strengthen the senior management team, to manage cost effectively with minimum waste and to improve our service quality levels and delivery of standards of our products and services to our valued customers. The effective implementation of this programme enabled your Company to achieve the transformation and the turnaround in the results in the current year. Accordingly, a five-year business plan was formulated with time bound action plan for effective follow-up. The professionalism and the quality of the staff were enhanced by recruiting individuals with the required experience and knowledge. A strict disciplined cost allocation framework was implemented with increased investments in technology, to transform and simplify the customer experience and enhance the service delivery. In addition, the entire branch network was connected to an online system.

We have continued to strengthen risk management oversight with a focus on internal controls, policies and procedures. We believe that strong governance is an important foundation of your Company's performance. With the implementation of improved HR policies and a well-documented disciplinary code, we were able to maintain fairly high disciplinary standards among the staff.

Letter from the Chairman

Through relocations and refurbishments, branches were given a facelift to create a customer friendly ambiance and better working conditions for employees. The brand image of your Company was taken to a higher level with launch of the new logo, themes and the effective marketing campaigns conducted throughout the year.

The restructuring programme that is currently underway will further improve your Company's resilience in the face of continuing volatility and uncertainty. Even as progress has already been made in the improvement of efficiency and resilience, increasing profitability, reducing non-performing loans and increasing the asset base substantially were areas which gained significance.

As a strategy to improve our business, we launched into leasing for SME and micro customers during the year as well.

We strongly believe business has a responsibility to operate ethically and with integrity for the benefit of all stakeholders. Therefore, we continued to support the initiatives of Sarvodaya Movement that address the needs of local communities at a grass roots level. It is also satisfying that a sizeable portion of the profits generated by your Company is ploughed back to the community, uplifting activities through our Parent Company – SEEDS. Furthermore, emulating Sarvodaya principles, we follow all ethical practices in selecting projects for funding.

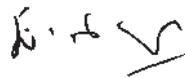
A look to the Future

Sarvodaya Development Finance Limited has a proud history of extending financial services to the nation first under SEEDS and subsequently as Deshodaya Development Finance Company (DDFC). With its roots deeply entrenched in the Sarvodaya Shramadana Movement, we remain committed to accelerating financial inclusion by reaching out to the non-banked in Sri Lanka and generating sustainable and fair economic expansion.

The reality is Sarvodaya Development Finance Limited is a much stronger and more agile Company than before; a Company well positioned to effectively raise the quality of life of the disadvantaged sections of the society and transform into a Development Bank in the long-term.

Appreciation

As I conclude, I extend my appreciation to my colleagues on the Board for their unwavering support and continued guidance. A deep appreciation goes out to our former Chairman Dr. Vinya Ariyaratne for his visionary leadership and invaluable contribution during the formation period of the Company. I wish to thank Mr. Ravindra Ranjith our CEO for his exemplary leadership and contribution to the growth and development of the Company. My appreciation is extended to the management team and the staff members of Sarvodaya Development Finance Limited for their commitment, enthusiasm and dedication. I deeply acknowledge the founder of the Sarvodaya Movement Dr. A T Ariyaratne and General Secretary of Sarvodaya Dr. Vinya Ariyaratne, Sarvodaya Shramadana Societies and their members and SEEDS, for their continued guidance and confidence in us. My appreciation is also extended to Gentosha Inc. for their continued support. A special acknowledgement goes out to the Governor, Deputy Governor, Assistant Governors, Director Non-Bank Supervision and his staff for their valuable guidance.



Mr. Eastman Narangoda
Chairman

27th May 2016

Chief Executive Officer's Review



The turnaround in profits we earned in 2015/16, is a clear indicator that our restructuring process is effective and achieving the objectives of the organisation.

Chief Executive Officer's Review

The financial year 2015/16 has been an eventful year for Sarvodaya Development Finance Limited. The profitability improved to a satisfactory level and the restructuring process continued with full steam, laying a strong foundation to build a stronger, sustainable and profitable organisation. I am pleased to share some of the significant progress we've made during the year in review.

The restructuring process culminated in a strategic road map and a new organisational structure, whilst continuing to embrace Sarvodaya values. The change in organisational structure and roles and responsibilities were communicated to staff members. A new company logo was launched and the brand image of the Company was boosted significantly.

The staff members were encouraged to embrace the change and work towards building a Sarvodaya Development Finance legacy they could be proud of. The formal relaunch of our Company was done in August 2015.

With commitment, perseverance and sound communication, the change was embraced, allowing time for staff to settle into their new roles within the structure. With the significant transformations effected, I am confident that our Company will continue to grow and have greater impact in fostering an inclusive economic development in our nation, uplifting the rural masses.

Sustainable Performance

The turnaround in profits we earned in 2015/16 is a clear indicator that our restructuring process is effective and achieving the objectives of the organisation. This result was attained in part by the progress we have made in the key growth areas of advances, deposits and expense management.

The gross loan portfolio stood at Rs. 2.914 Billion at end of March 2016. Although, we disbursed loans to the value of Rs. 2.5 Billion during the year under review, the portfolio did not grow much as the average payback period majority of the portfolio is 12 months. Also we slowed lending deliberately during the last quarter of the financial year in order to concentrate more on data migration to the new system and also to elevate the portfolio quality. The quality of the portfolio improved through efficient and stringent NPL management procedures. As a result, we succeeded in maintaining the gross NPL ratio at 4.2% on the loans granted subsequent to registration as a regulated finance company. The overall gross NPL stood at 8.03% due to the legacy portfolio inherited from the predecessor. However, overall Net NPL remained low at 3.13%.

The capital base increased by 4.63% to Rs. 1.086 Billion during the year.

Enhancing Customer Satisfaction

One of our main focus areas for the year was to improve our customer service experience and we have begun to make significant progress. The relocation and refurbishing of our branches and the introduction of new products and services are geared to augment customer satisfaction.

The digital transformation of our Company will further ensure a consistently excellent customer experience and highly efficient operations by linking all the branches to a centralised online system. This has helped to eliminate the operational risks to a great extent. Additionally, we strive to reach all demographics through adoption of technology and embracing innovation to deliver services to all marginalised communities. In conjunction, we continued to deliver programmes to educate people to make sound financial decisions while using these grass root interactions to gain insights into products and services that are relevant to them.

Strengthening Governance and Risk Management

We believe that strong governance is an integral foundation of our Company's performance. Therefore, several best industry practices were introduced during the year. Accordingly, a Management Committee was set up to review the progress of operations fortnightly and an Internal Credit Committee was established on lending approvals.

The composition of the ALCO Committee was changed to comprise the management team only. Stringent rules were brought in for maintaining staff accounts and limits were imposed for monthly staff deposits.

The internal audit function was revamped with the appointment of an AGM Audit and the introduction of spot audits in addition to full audits. Furthermore, an Executive Audit Checklist was introduced to carry out spot audits by the visiting senior management to branches.

Our Company's risk management was stepped up by setting up a Risk Management Unit and strengthening the Credit Administration Unit. Introduction of the policies such as the petty cash policy, investment policy and the contingent policy has helped to eliminate frauds and mitigate risks further.

Stepping up Our Human Resources

The human resource function was enhanced with the introduction of new HR policies and establishing best practices to streamline the HR functions. Accordingly, a staff transfer policy, a whistle-blower policy, a leave policy and a staff training policy was introduced during the year. Additionally, a performance appraisal system was implemented to increase staff productivity and nurture a performance oriented culture. To monitor attendance of staff members, a new HRIS system was implemented and Biometric Readers were installed in all units. Apart from streamlining all HR related payments, a disciplinary code and a code of conduct was introduced for efficient management of HR functions.

A team oriented culture was promoted in our organisation by conducting several team building and capacity building activities during the year.

Regulatory Impact

The Micro finance Bill which will be passed by the Parliament soon will facilitate the entry of more players in the microfinance sector.

The increase in the VAT rate has serious repercussions on small finance companies such as ours. At present we pay 63% of our operating profit as taxes. Personnel costs are added back to the financial VAT calculation; hence our financial VAT component has increased significantly due to the high personal costs on account of the large number of employees in our organisation.

Financing for motor vehicles was Limited to 70% of total value of vehicle with effect from December 2015. This slowed down the operations of the entire motor vehicle market which was reflected in the comparatively slow growth in our vehicle loan portfolio in the final quarter of the financial year.

Our deposit rates were increased in tandem with the general rise in market interest rates in the latter part of the year.

A Promising Future

These and the many other efforts we have taken will only accelerate in 2016/17 as we continue to serve our customers better and build a stable and strong financial institution.

In particular, we will give emphasis to introducing a mobile solution for efficient collection of cash by our field officers and introducing a Branchless Banking Solution for Sarvodaya Shramadana Societies (SSS) which is subject to approval by the CBSL. We will also introduce the Uni-Banking system so that our customers can perform

transaction at any branch irrespective of where the account is domiciled. We will also obtain a credit rating for our Company and introduce new commission streams in the upcoming year.

A cost control mechanism will be brought in and we will strengthen our Treasury Department as well. The recovery process will be further enhanced with the introduction of a centralised recovery operation. A Central Processing Unit and a Credit Factory will also be set up to minimise the operational and lending risks.

We have also received a leasing license and a leasing product has been introduced. Additionally, we will move into SME Financing without losing the focus on the Micro Sector which will continue to grow. These new products were introduced to grow the loan portfolio and assets in order to reach the long-term goal.

Thanks

As I conclude the review of a commendable year, I wish to extend my appreciation to the Chairman and the Board of Directors for their guidance and valuable insights. My appreciation is extended to the management team and all staff members for their dedication and contribution to our excellent business performance. I would also like to thank the Governor and the officials of the Central Bank of Sri Lanka, especially the staff of NBF1 for their valuable advice and trust placed in us. I appreciate the continued support extended to us by the Sarvodaya Movement. I am deeply grateful to our shareholders and customers for their continued trust and support.

Our Company has a great foundation to continue to build from. Guided by the unfaltering values of integrity, quality and commitment, we will make meaningful progress against our focused priorities and create greater value for all our stakeholders.



Mr. Ravindra Ranjith
Chief Executive Officer

27th May 2016

Board of Directors



Mr. Eastman Narangoda
Chairman/Independent, Non-Executive Director

BA (Econ), FIB, FIMS (UK), FITD (SL), Diploma in Advanced Bank Mgt. (Stockholm)

Appointed to the Sarvodaya Development Finance Limited Board on 13th December 2013 and assumed duties as Chairman on 6th October 2014.

Mr. Narangoda, counts over 40 years of experience in the state as well as private sector banking industry. He is the former Chairman of George Steuart Finance PLC., Director of Asset Trust Management (Pvt) Limited and Easwaran Brothers.

Having commenced his career at the National Savings Bank (NSB) in 1975, Mr. Narangoda spearheaded the Bank as its General Manager/CEO from 2001-2006. During his tenure, NSB was awarded AAA rating by Fitch Ratings for five consecutive years. Apart from being a Past President of the Association of Professional Bankers of Sri Lanka, and a Fellow of the Institute of Bankers of Sri Lanka, the Institute of Management Specialists in the UK and the Sri Lanka Institute of Training and Development, Mr. Narangoda was also the Founding Vice-Chairman of the Office of the Financial Ombudsman (Sri Lanka) in 2005. Mr. Narangoda was appointed as a member of the Presidential Commission on Failed Finance Companies in 2007. He held directorships at NSB Fund Management Co., Asha Central Hospitals Limited, Mercantile Leasing Limited and the Institute of Bankers. He was the Past President of the Institute of Training and Development. In January 2009, as its newly appointed Executive Chairman, Mr. Narangoda undertook the monumental task of restoring financial stability and soundness to Seylan Bank, wherein over the next few years, he helped the Bank to win national and international awards and accolades for the excellence of financial reporting and good corporate governance practices. In May 2010,

he was named the Most Outstanding Sri Lankan by the International Lions Association in the Business Management Category.

Mr. Narangoda is the author of the Sri Lanka chapter on 'Postal Savings in Sri Lanka' in the book titled, 'Small Savings Mobilisation and Asian Economic Development' – published in 2004, jointly sponsored by Keio University (Japan) and the United Nations.

He has represented Nalanda College, Colombo in First XI and also captained the athletics team. He also represented University of Ceylon and Combined Universities in cricket and represented University of Ceylon and Saracens Cricket Club in Sara Trophy 1st Class Cricket.

Mr. Narangoda obtained a Bachelor of Arts Degree in Economics specialising in Banking and Currency from the University of Ceylon, Peradeniya. He is also a Diploma Holder of Advanced Bank Management from SIDA Stockholm – Sweden, and a Diploma Holder of Institute of Management Specialists – United Kingdom.



Mr. Channa de Silva
Deputy Chairman/Independent, Non-Executive Director

Appointed to the SDF Board in April 2011, Mr. de Silva is the Chairman of the SDF Board Audit Committee. He was designated Senior Director on 2nd October 2013 and was appointed as Deputy Chairman in November 2014. He is the current Managing Director of Summit Finance PLC (formally GSF). Mr. de Silva was also the Group Managing Director of Delmege Limited. Also served for more than five years as the Director General of the Securities and Exchange Commission (SEC) of Sri Lanka. Previously he served as the Executive Director of the Board of Investment (BOI) Sri Lanka.

Mr. de Silva has represented the Government on various Boards and Commissions such as the Insurance Board of Sri Lanka (IBSL), the Public Enterprise Reform Commission (PERC), the Construction Guarantee Fund, the National Payment Gateway of the Central Bank of Sri Lanka and the National Council for Economic Development. He has also been a member of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB).

Mr. de Silva holds a Bachelor's Degree from the University of Colombo and Master's Degrees from Harvard University (USA) and from Melbourne University (Australia). He is also an Edward Mason Fellow of Harvard University and served as a Teaching Fellow at the Harvard Kennedy School. He is a Fellow of the Chartered Institute of Management Accountants (FCMA – UK) and Fellow of the Chartered Certified Accountants (FCCA – UK). He also serves the Sri Lankan Council of the Association of Chartered Certified Accountants (ACCA) in Sri Lanka and Chartered Institute of Securities and Investment (CISI) as well as the Alumni Association of the Colombo University.

He also serves as Chairman of Capital Media Publishers of Echelon Business Magazine, Cosmopolitan Sri Lanka and Economynext.com Business News Portal.



Dr. Vinya Shanthidas Ariyaratne
Non-Executive Director

Dr. Vinya Ariyaratne assumed office as Chairman of DDFC Board of Directors in January 2010 and also of Sarvodaya Development Finance Limited till September 2014. He is also the Chairman of the Board Remuneration Committee. He is the General Secretary of the Lanka Jathika Sarvodaya Shramadana Sangamaya, prior to which, he served as its Executive Director for a period of 10 years. Dr. Ariyaratne is also a Non-Executive Director of the Parent Company, SEEDS (Gte) Limited. Dr. Ariyaratne is a Medical Doctor specialised in Community Medicine and was a Lecturer at the Faculty of Medical Sciences of the University of Sri Jayewardanepura. He was also a Visiting Senior Lecturer and Feldman Engaged Scholar at the Heller School for Social Policy and Management of the Brandeis University, USA.

Dr. Ariyaratne holds a Doctorate in Medicine (MD) from the De La Salle University of the Philippines and a Doctorate in Community Medicine (MD Com. Med.) from the Postgraduate Institute of Medicine of the University of Colombo. His academic qualifications also includes a Master's in Community Medicine (MSc) from the University of Colombo and a Master's in Public Health (MPH) from the Johns Hopkins University of USA. Dr. Ariyaratne's fields of expertise include community development, primary healthcare, refugee healthcare, nutrition, disaster management, environmental health, reproductive health, HIV and AIDS as well as strategic planning and management. In addition to the many awards, he has received for his contributions towards the social upliftment of under served communities, Dr. Ariyaratne was conferred the Degree of Doctor of Civil Law (DCL) honoris causa, in February 2007, by the University of Durham, UK, in recognition of his dedication to humanitarian causes and peace initiatives.

Board of Directors



Mr. Shakila Wijewardena
Non-Executive Director

Appointed to the Board of SDF on 1st January 2010, Mr. Wijewardena assumed office as MD/CEO SDF on January 2011 and was an Executive Director of the Board. He relinquished his post in July 2013 and was redesignated as a Non-Executive Director. He is also a member of all three Board designated Subcommittees, viz. the Integrated Risk Management Committee, the Board Audit Committee and the Board Remuneration Committee.

Prior to his tenure at the SDF, Mr. Wijewardena was the CEO/MD of the SDF's Parent Company, SEEDS (Gte) Limited, having joined the organisation in 2002. He was thereafter appointed a Board Director of SEEDS (ex-officio). Mr. Wijewardena has held senior positions in the corporate sector in the areas of marketing and management and has served Oxfam GB, United Kingdom, assisting Oxfam's Trading Division in East London.

Mr. Wijewardena holds a Bachelor of Science (BSc) Degree from the University of Colombo and a Postgraduate Diploma in Management Studies from the Anglia University, UK. Additionally, he is a member of the Chartered Management Institute, UK.



Mr. K L Gunawardana
Non-Executive Director

Having appointed to the Board of Directors of Deshodaya Development Finance Company (DDFC) in February 2010, Mr. K L Gunawardana presently serves the Board of Directors of SDF as a Member of the Remuneration Committee. He is also a Vice-President of Lanka Jathika Sarvodaya Shramadana Sangamaya (Inc.) and a Non-Executive Director of the Board of Directors of Sarvodaya Economic Enterprise Development Services(Guarantee) Limited (SEEDS).

Mr. Gunawardana retired from active service of Lanka Jathika Sarvodaya Shramadana Sangamaya (Inc.) as the Deputy Executive Director of Personality Awakening (Human Resource Development and Management) and Development Education in 2014. By then, he counted over 30 years of experience in planning and managing community development programmes over many sectors. Starting his career as a Field Worker in 1976, Mr. Gunawardana has held the positions of Senior Executive Assistant, Assistant Director and Director of the Development Education Institute in Bandaragama, a fully-fledged Development Education Institute. He also served Sarvodaya Shramadana Movement at national level as the Field Director, Executive Assistant (Monitoring and Evaluation) and Operational Executive during his tenure.

Mr. Gunawardana holds BA and MA Degrees in Sociology from the Universities of Peradeniya and Kelaniya, respectively. He also holds a Masters in Development Management (MDM) Degree from the Asian Institute of Management in the Philippines.



Mr. Shevon C P Gooneratne
Independent Non-Executive Director

Appointed to the Board in April 2011, Mr. Gooneratne is a member of the Board Audit Committee. He became an Attorney-at-Law of the Supreme Court of Sri Lanka in 1993 and holds the Post Attorney Diploma in Intellectual Property from Sri Lanka Law College. He also holds a Master's degree in Human Rights and Democratisation. He has been in active civil practice for the last 23 years and has also specialised in corporate investment and intellectual property matters. He has many years of experience in working with non-profit organisations and has been a member of many national committees on legal and justice reform projects. He is a Trustee of the Sarvodaya Trust Fund and the Honorary Legal Adviser of Sarvodaya since 2004. Mr. Gooneratne was also the former Head of the Sarvodaya Legal Services Movement (SLSM) and also served as a Non-Executive Director of the Parent Company, SEEDS (Gte) Limited. He is a Consultant at Law and Society Trust as well. In the Corporate sector, Mr. Gooneratne is a Director of Frontier Capital Partners Limited and a Senior Partner of Frontier Law Associates. He is also a Non-Executive Director of Summit Finance PLC. Mr. Gooneratne was the former Chairman of the Alumni Association of International Development Law Organisation (AAIDLO) Sri Lanka Branch and a Director since 2008. He is a Life Member of the Bar Association of Sri Lanka, a Fellow Rotarian and the former President of Rotary Club of Moratuwa.



Dr. Richard W A Vokes
Independent Non-Executive Director

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

Board of Directors



Mr. Masayoshi Yamashita
Non-Executive Director

Appointed to the SDF Board on 27th August 2014, Mr. Yamashita is the President and CEO of Gentosha Total Asset Consulting Inc. He began his career at Sanwa Bank (now the Bank of Tokyo – Mitsubishi UFJ), as a coverage banker for corporate clients at the Bank's Iidabashi Branch, Hibiya Branch and Corporate Banking Division of Tokyo Headquarters. There, he gained experience in areas such as corporate funding, overseas expansion and management finance strategies and settlement solutions. At the Sanwa Bank Headquarters, Mr. Yamashita gained experience as a credit inspector and President's Secretary where he developed expertise in crisis management support. After joining Gentosha Inc. (a Japanese publishing firm) in 2006, Mr. Yamashita served as a business management specialist in the Business Management Department. In 2012, Mr. Yamashita was involved in founding Gentosha Total Asset Consulting Inc., where he holds several concurrent positions, including Manager of the Business Management of Gentosha Inc.

Mr. Yamashita holds a degree from the Department of Political Science at Hosei University (Japan).



Dr. Janaki Kuruppu
Independent Non-Executive Director

Dr. Janaki Kuruppu was appointed to the Director Board of SDF on 22nd December 2015. Dr. Kuruppu brings with her 27 years of professional experience to enhance the operations of the SDF family. Her experience in development banking as the first Chairperson of the Regional Development Bank, which she set up by merging six provincial level banks to become the development bank with Sri Lanka's largest network, experience in retail and corporate banking and finance companies adds value to SDF.

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

In addition to over seven awards to her accolade, Dr. Kuruppu is also the only Asian to be appointed to the Steering Committee of AgriFin, a joint project of Bill and Melinda Gates Foundation and the World Bank for agriculture financing. Dr. Kuruppu holds a PhD from the University of Colombo, an MA in Statistics and a BSc in Mathematics from the University of Missouri, USA. At present, Dr. Kuruppu is the Chairperson of Mother Sri Lanka Trust, runs her own business ventures and also works as a freelance business strategy and Development Consultant, while serving as a member of many Corporate Boards.

Corporate Management



Mr. Ravindra Ranjith
Chief Executive Officer

Mr. Ranjith has over 39 years of experience in the Banking and Finance Sector. He assumed duties as Chief Executive Officer on 1st September 2014. Prior to joining SDF, Mr. Ranjith worked at Commercial Bank of Ceylon PLC (1977-1985), L B Finance Limited (1985-1989), Sampath Bank PLC (1989-1997) and National Development Bank/NDB Bank (1997-2008) in Sri Lanka and at Nationwide Microbank Limited in Papua New Guinea (2008-2013). He was the Chief Operating Officer and the Deputy Head of the Bank of Nationwide Microbank Limited, Papua New Guinea prior to joining SDF.

Mr. Ranjith is an Associate and Life member of the Institute of Bankers of Sri Lanka.



Mr. Deshantha De Alwis
Deputy General Manager – Finance and Planning

Mr. De Alwis joined SDF in May 2013. He assumed duties as the Deputy General Manager – Finance and Planning. He counts over 22 years of experience in the financial services sector specialising in Merchant Banking, Finance and Planning, Treasury Management, MIS and Administration. Prior to joining SDF, he held the positions of General Manager – Finance and Administration at Mercantile Merchant Bank Limited and Deputy Financial Controller at Alliance Finance Company PLC, where he gained an extensive experience at strategic level of operations in relation to all key business activities.

Mr. De Alwis is a Fellow of the Association of Chartered Certified Accountants, UK (FCCA), Institute of Management Accountants of Sri Lanka (FCMA) and also the Cambridge Association of Managers, UK (FCAM).



Mr. Rasika Epasinghe
Assistant General Manager – Branch Operations and Marketing

Mr. Epasinghe joined SDF in February 2013 as AGM – Marketing and Business Development. He counts over 22 years of experience in Banking, Marketing and Business Development. He was reassigned as AGM – Branch Operations and Marketing, with effect from March 2015. Mr. Epasinghe began his career as a Banker at Seylan Bank PLC, where he served for a period of six years. He has held senior positions as Manager – Operations at Micro Cars Limited, Marketing Manager at Diesel & Motor Engineering (DIMO) PLC and Brand Manager for Castrol Lubricants and Goodyear Tyres at Associated Motorways (AMW) PLC. He was also the Manager – Key Accounts, United Motors PLC and Manager – Hire Purchase and Business Development at Hunter and Company PLC.

Mr. Epasinghe holds a Bachelor's Degree in Business Administration with a dual major in Marketing and Management; a Postgraduate Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM) and a Diploma in Credit Management from the Institute of Bankers, Sri Lanka (IBSL). He is an Ordinary Member of the Sri Lanka Institute of Marketing (SLIM) and in addition, he is a member of the Chartered Management Institute (UK), the American Marketing Association, the Canadian Marketing Association and the Alumni Association of the Northwood University of USA. Mr. Epasinghe is an all island Justice of the Peace.



Mr. Janaka Dissanayake
AGM – Credit

Mr. Dissanayake assumed duties as AGM – Credit in January 2016. He counts over 16 years of experience in Banking and Finance. Prior to joining SDF, he was attached to Nations Trust Bank PLC as Manager - Corporate Banking. During his tenure in the Banking Sector, he has served at NDB, Royal Bank of Scotland (UK), DFCC, Sanasa Development Bank PLC and Nations Trust Bank PLC specialising in SME and Corporate Credit. He has also served at AMBA Research Lanka (Pvt) Limited as an Associate Vice-President.

Mr. Dissanayake is an Associate Member of the Chartered Institute of Management Accountants, UK and a Level 3 candidate of the CFA Programme.



Mr. Kenneth Mendis
Assistant General Manager – Internal Audit

Mr. Mendis joined SEEDS (Gte) Limited in 2011 as Chief of Audit and was attached to SDF as AGM Operations till February 2015. Thereafter, he was designated as AGM Internal Audit. From April 2016, he has been redesignated as AGM – Alternate Channels, as the Company embarks on branchless banking. Mr. Mendis commenced his career at HNB and then moved to Seylan Bank PLC, Pan Asia Bank and Sanasa Development Bank where he specialised in Operations, Credit International Trade and Risk Management.

Mr. Mendis is an Associate Member of the Institute of Bankers of Sri Lanka (IBSL).



Mr. Hareendra Jayasuriya
Assistant General Manager – Human Resources

Mr. Jayasuriya joined SDF in March 2015 and counts over 26 years experience in Human Resources Management in diverse sectors, including service, manufacturing, FMCG, automobile, healthcare, sales and distribution, printing and hospitality. Prior to joining SDF, he was the Head of HR and Admin at Everest Industries Lanka, a UAE based company in FTZ Sri Lanka for the last two years. He was at the Hettigoda Group (Siddhalepa) as Group HR Manager for 5 years, Zhida Group Chinese-based BOI Company as a Manager – HR and Finance for 4 years and Sampath Bank PLC, where he commenced his HR career of 14 years.

Mr. Jayasuriya is an Associate Member of the Institute of Personnel Management and Institute of Training and Development Sri Lanka.



Mrs. Dilushi Dabare
Assistant General Manager-Risk Management and Compliance

Mrs. Dabare joined SDF in September 2015. She counts over 24 years of experience in the Banking Sector. Having begun her career at Seylan Bank PLC where she served for 20 years, she managed several areas of bank operations, credit, trade, audit and risk. Prior to joining SDF, she was at the State Bank of India as Risk Manager for 3 years, where she was responsible for establishing the risk framework of the Bank.

She holds an ICA International Diploma in Compliance, (UK); Advance Risk Management (IBSL); Certificate Diploma in Treasury and Foreign Exchange Operations (IBSL); Risk and Treasury Management (IBSL). While at Seylan Bank PLC she did her PhD in Management at the University of Honolulu (USA); MBA (USA); AIB (SL) as well as ACIM (SL).

Mrs. Dabare is a Fellow of Certified Managers at Cambridge Association of Managers (UK) and the Institute of Professional Financial Managers (UK) and an Associate in Banking (AIB SL). She was actively involved in Association of Banking Sector Risk Professionals (SL).



Mr. Rohan Peiris
Head of IT

Mr. Peiris joined SDF in January 2016. He counts over 30 years of experience in the IT sector and his primary focus is Commercial Banking. Prior to joining SDF, he has held several senior managerial positions including, Head of IT (DGM) at Bank of Ceylon, Head of IT at DFCC Vardhana Bank, VP IT Operations DFCC Bank, Head of IT at Pan Asia Bank and Head of IT/Manager IT at Merchant Bank of Sri Lanka. In addition, he was also appointed the Country IT Consultant by ILO and has served as a Consultant Project Manager at a leading Software Company primarily involved in the development of Application Software to the Financial Sector.

Mr. Peiris holds a Master's Degree in IT from Keele University, UK and is a member of the British Computer Society (MBCS). He is a Chartered Information Technology Professional (CITP) of the British Computer Society, Member of the Computer Society of Sri Lanka (MCSL), Member of the Institute of Electric and Electronic Engineers (MIEEE) and a Member of the Project Management Institute, UK (MPMI). He also is an ITIL V3 qualified professional.

Senior Management



Mr. K Sasikumar
Chief Manager – Recoveries



Mr. R A M Rupasinghe
Chief Manager – Legal



Mr. P D P Sanjeewa
Senior Manager – Credit



Mr. M A N A J Fernando
Senior Manager – Operations



Mr. P A B T Goonawardene
Senior Manager – IT



Mr. H A S Dharmasiri
Senior Manager – CAU

Senior
Management

Mr. M L P Prabath
Senior Manager – Leasing



Mr. K M M Bandara
Senior Manager



Mr. W K C Niroshana
Senior Manager

Regional Managers



Mr. H M C R Kumara
Regional Manager



Mr. L R C Shantha Kumara
Regional Manager



Mr. D G Kumaradasa
Regional Manager



Mr. M C Hewawanithunga
Regional Manager



Mr. H G Kularuwan Chathuranga
Regional Manager



Mr. S Niranjankumar
Regional Manager

Branch and Customer Service Centre (CSC) Managers

No.	Employee No.	Name	Functional Title	Location
1.	44	Kumara K G A P	Officer-in-Charge	Akuressa
2.	34	Shantha L P	Branch Manager	Ambalantota
3.	916	Gunathilake R G S S	Branch Manager	Ampara
4.	683	Liyanage H	Branch Manager	Anuradhapura
5.	16	Jayathilake B G N	Branch Manager	Badulla
6.	137	Jayasekara P R U C	Branch Manager	Balangoda
7.	291	Kamalathan R	Acting Manager	Batticaloa
8.	816	De Alwis A S K	Branch Manager	Borella
9.	65	Salamans K E	Branch Manager	Buttala
10.	52	Dayaratna D M I	Branch Manager	Chilaw
11.	271	Gaspe G M R A	Officer-In-Charge	Daladagama
12.	14	Bandara H G G W	Branch Manager	Dambulla
13.	58	Weerasekara W M U G S G	Officer-In-Charge	Dehiattakandiya
14.	63	Shayamalee G G S	Officer-In-Charge	Delgoda
15.	54	Sooriyaratna W D D N K	Officer-In-Charge	Digana
16.	46	Anurajeewa Y G J	Officer-In-Charge	Elahera
17.	32	Jayalath B H G P C	Branch Manager	Galle
18.	666	Edirisingha E A D N	Branch Manager	Gampaha
19.	134	Prasanna K B M N D	Branch Manager	Godakawela
20.	57	Maweekumbura M G V	Officer-In-Charge	Hatton
21.	25	Cooray P T	Branch Manager	Homagama
22.	880	Prathileepan P	Branch Manager	Jaffna
23.	678	Wickramasinghe A G C	Officer-In-Charge	Kalmunai
24.	48	Subasinghe S P T H	Officer-In-Charge	Kamburupitiya
25.	22	Ekanayake E M S B	Branch Manager	Kandy
26.	49	Sampath P G W	Officer-In-Charge	Karandeniya
27.	293	Wanasinghe W M R S P	Officer-In-Charge	Kataragama
28.	371	Herath H M A S	Officer-In-Charge	Katugastota
29.	36	Sirisena P N	Branch Manager	Kebithigollewa
30.	882	Perera J W R H S	Branch Manager	Kegalle
31.	56	Dharmapala M	Officer-In-Charge	Kekirawa
32.	31	Bandara W M K	Branch Manager	Kuliyapitiya
33.	791	Malkanthi J A P	Branch Manager	Kurunegala
34.	70	Wimalasooriya S A D C	Officer-In-Charge	Mahiyanganaya
35.	45	Ranasinghe U	Branch Manager	Matale
36.	43	Dayananda M K S	Branch Manager	Matara
37.	156	Srimal J M S	Officer-In-Charge	Matugama
38.	286	Hettiarachchi H A S W	Officer-In-Charge	Medagama
39.	68	Indrasiri M D	Branch Manager	Medirigiriya
40.	290	Perera P A L L	Officer-In-Charge	Minuwangoda
41.	152	Kumara R D T L	Officer-In-Charge	Nattandiya
42.	60	Jayaratna M D	Officer-In-Charge	Nawalapitiya
43.	35	Seneviratna W R M J	Branch Manager	Nuwara Eliya
44.	27	Samarawickrama P L	Branch Manager	Panadura
45.	53	Neelakumari B A D	Officer-In-Charge	Parackramapura
46.	11	Niroshana W K C	Officer-In-Charge	Pasyala
47.	72	Pathirana I P A N	Officer-In-Charge	Piliyandala
48.	37	Kumara K D N	Branch Manager	Polonnaruwa
49.	277	Samaranayake J A D	Officer-In-Charge	Polpithigama
50.	133	Kumara H W M I S	Branch Manager	Puttalam
51.	17	Chandrasena M D	Branch Manager	Ratnapura
52.	55	Gunawardana H G D S	Officer-In-Charge	Ruwanwella
53.	59	Samantha P W D	Officer-In-Charge	Thambuttegama
54.	69	Levin B S R	Branch Manager	Trincomalee
55.	42	Karunasena G V	Officer-In-Charge	Udugama
56.	269	Kamalatharshan N	Acting Manager	Vavuniya
57.	492	Hettiarachchi C P	Officer-In-Charge	Wattegama
58.	69	Levin B S R	Officer-In-Charge	Mannar

SEAMLESSLY INTEGRATED

Offering our customers a more efficient service, we redesigned the network infrastructure of the Company to include enhanced security features. We also refurbished and relocated our branches to enhance customer satisfaction. All 58 branches and customer service centres are now seamlessly connected to the head office.

Quarter II

Quarter III

Quarter IV



Corporate Governance

Introduction

Governance is defined as the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation. Corporate Governance at Sarvodaya Development Finance Limited comprises carefully considered rules and principles on management, control and delegation of responsibility between the shareholders, the Board of Directors and the CEO. The goal is to maintain the trust of customers and the public and to help businesses achieve a sound and sustainable financial situation.

General

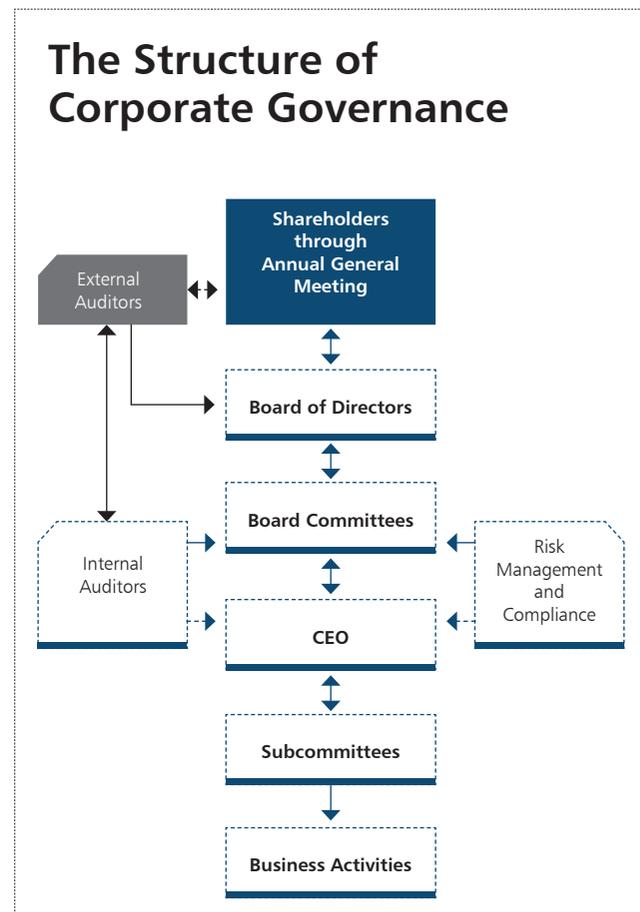
Good Corporate Governance is necessary in order to attain and retain public confidence in Sarvodaya Development Finance Limited. Its values – simplicity, openness and consideration – are the foundation for creating trust in the Company. These values are tied to the Company's purpose, goals and strategies and provide guidance on how it is governed and how employees act on a day-to-day basis.

Corporate governance at Sarvodaya Development Finance Limited is based on current external regulations such as the Companies Act No. 07 of 2007; Finance Business Act 42 of 2011; Central Bank's Direction, Rules, Determinations, Notices and Guidelines and the Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standard (LKASs/SLFRSs). The Company's Corporate Governance is also governed by the Central Bank of Sri Lanka's Finance Companies (Corporate Governance) Direction No. 3 of 2008. The internal regulatory structure includes Articles of Association; internal audit charter and terms of reference of Board Subcommittees.

These specify the delegation of responsibility for governance, control and monitoring of operations between the shareholders, the Board of Directors and the CEO. The Board has established the principles of Corporate Governance, which are reviewed annually to ensure that they are appropriate, effective and compatible with the latest developments in this area. The Board and the CEO in turn govern operations through a clearly defined governance model that includes a number of policies and instructions. Their purpose is to describe the delegation of responsibilities in order to create strong, intra group processes whose goal is to maintain the trust of customers and the public and to help businesses attain a sound and sustainable financial situation.

The structure for Corporate Governance and governance philosophy comprises:

- Shareholders through the Annual General Meeting
- Board of Directors
- CEO
- Business activities
- Independent risk control and compliance of the business activities
- Internal Audit



Annual General Meeting

The shareholders of Sarvodaya Development Finance Limited exercise their influence at the Annual General Meeting (AGM), which is the Company's highest decision-making body. In addition, Extraordinary General Meetings can be called. The AGM resolves, among other things;

- Declaring Dividend
- Adopting the Annual Report and the Audited Financial Statements
- Appointing the Auditors and fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed
- Electing Directors in the place of those retiring by rotation or otherwise

Shareholder Communication

Sarvodaya Development Finance Limited is committed to promoting effective and open communication with all shareholders, ensuring consistency and clarity of disclosure at all times. The Company aims to engage with shareholders transparently and regularly in order to facilitate a mutual understanding of our respective objectives. Sarvodaya Development Finance Limited strives to be accessible to investors and proactively encourages all shareholders to participate at the Annual General Meeting.

Board Leadership

The Board of Directors elected by the shareholders at the AGM for a mandate of one year. The Board has an over arching responsibility for managing the affairs of Sarvodaya Development Finance Limited in the interests of the Company and all shareholders. The Board's tasks include, but are not limited to setting operational goals and strategies, appointing and evaluating the CEO, ensuring that effective systems are in place to monitor and control operations, manage investments and ensuring that laws and regulations are followed.

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

Chair of the Board

The Chair of the Board has specific responsibilities, including – Overseeing the CEO's work and being a discussion partner to him and supporting and monitoring the functions to ensure that the Board's decisions and instructions are implemented.

Organising and managing the Board's work, encouraging an open, constructive dialogue within the Board including the evaluation of the Board's work. Charged with providing leadership to the Board and ensuring that opinions of all Directors are appropriately considered in decision-making.

The diverse experience, professional qualifications and competencies of the Chairman is disclosed under his profile on page 18.

Separation of Roles – Chairman and Chief Executive Officer

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

The role and specific responsibilities of the Chairman, Mr. Eastman Narangoda, is disclosed under the 'Chair of the Board' on page 33 of this Annual Report. The role and the responsibilities of the Chief Executive Officer, Mr. Ravindra Ranjith, is disclosed under the 'Management's Role in the Structure of Corporate Governance', on page 40 of this Annual Report.

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

Board Composition

The Board currently comprises nine Directors which include the Chairman, who functions in a Non-Executive capacity. Five of the Directors have also been categorised as Independent Non-Executive Directors within the provision of Section 4 (4) of Central Bank (CBSL) Direction 3 of 2008.

The diverse experiences, professional qualifications and competencies of the Board of Directors are disclosed under their profiles from pages 18 to 22 of this Annual Report.

Board Governance, Responsibilities and Competencies



Performance Evaluation

To assess its performance, the Board subjects itself to a thorough performance evaluation annually in line with the Corporate Governance regulations set by the Central Bank of Sri Lanka. The Board recognises that the Board evaluation is an essential component of good governance.

Retirement by Rotation and Re-election of Directors

The following Directors who retired by rotation were reappointed at the Annual General Meeting held on 24th June 2015.

Dr. Vinya Ariyaratne

Non-Executive Director, first appointed to the Board on 1st January 2010.

Mr. Shakila Wijewardena

Non-Executive Director, first appointed to the Board on 1st January 2010.

Mr. Channa de Silva

Independent Non-Executive Director, first appointed to the Board on 19th April 2011.

Name	First Appointed	Re-elected	Status
Mr. Eastman Narangoda	13th December 2013	September 2014	Chairman Non-Executive, Independent Director
Mr. Channa de Silva	19th April 2011	June 2015	Deputy Chairman Non-Executive, Independent Director
Dr. Vinya Ariyaratne	1st January 2010	June 2015	Non-Executive Director
Mr. Shakila Wijewardena	1st January 2010	June 2015	Non-Executive Director
Mr. K L Gunawardana	5th February 2010	September 2012	Non-Executive Director
Mr. Shevon Gooneratne	5th February 2010	September 2012	Non-Executive, Independent Director
Dr. Richard Vokes	7th March 2013	September 2014	Non-Executive, Independent Director
Dr. Indrajit Coomaraswamy	13th December 2013	September 2014	Non-Executive, Independent Director (Resigned from the position of Non-Executive, Independent Director w.e.f. 26th February 2016)
Ms. Masayoshi Yamashita	27th August 2014		Non-Executive Director
Dr. Janaki Kuruppu	22nd December 2015		Non-Executive, Independent Director (Appointed as Non-Executive, Independent Director w.e.f. 22nd December 2015)

Changes in the Board's Composition

The following changes incurred during the year under review:

- Dr. Indrajit Coomaraswamy resigned from his post of Independent Non-Executive Director on 26th February 2016.
- New Directors
Dr. Janaki Kuruppu was appointed to the Board on 22nd December 2015 as an Independent Non-Executive Director.

Separation of Functions and Responsibilities

In accordance with the industry's best practices and in compliance with Section 7 of the CBSL's aforementioned Direction, Sarvodaya Development Finance Limited has made a clear distinction between the functions and responsibilities of the Chairman and the Chief Executive Officer (CEO).

The Chairman and the Board are responsible for formulating policy and providing direction and leadership, while the CEO and his management team are tasked with executing Board policies and directives.

Board Meetings and Attendance

The Board of Directors meets once a month and whenever the need arises. The Board convened thirteen (13) meetings during the year under review.

Record of Attendance at Board Meetings is given below:

Name of the Director	Non-Executive	Independent	Non-Independent	24/04/2015	24/05/2015	29/05/2015	29/06/2015	27/07/2015	31/08/2015	30/09/2015	23/10/2015	27/11/2015	31/12/2015	25/01/2016	29/02/2016	28/03/2016
Mr. Eastman Narangoda	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Channa de Silva	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Vinya Ariyaratne	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Mr. Shakila Wijewardena	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
Mr. K L Gunawardana	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Mr. Shevon Gooneratne	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Richard Vokes	✓	✓		✗	✓	✓	✗	✗	✓	✗	✓	✓	✗	✓	✓	✓
Dr. Indrajit Coomaraswamy (Resigned w.e.f. 29th February 2016)	✓	✓		✓	✓	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗
Masayoshi Yamashita	✓		✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✗	✓	✓	✓
Dr. Janaki Kuruppu (Appointed w.e.f. 22nd December 2015)	✓	✓											✓	✓	✓	✓

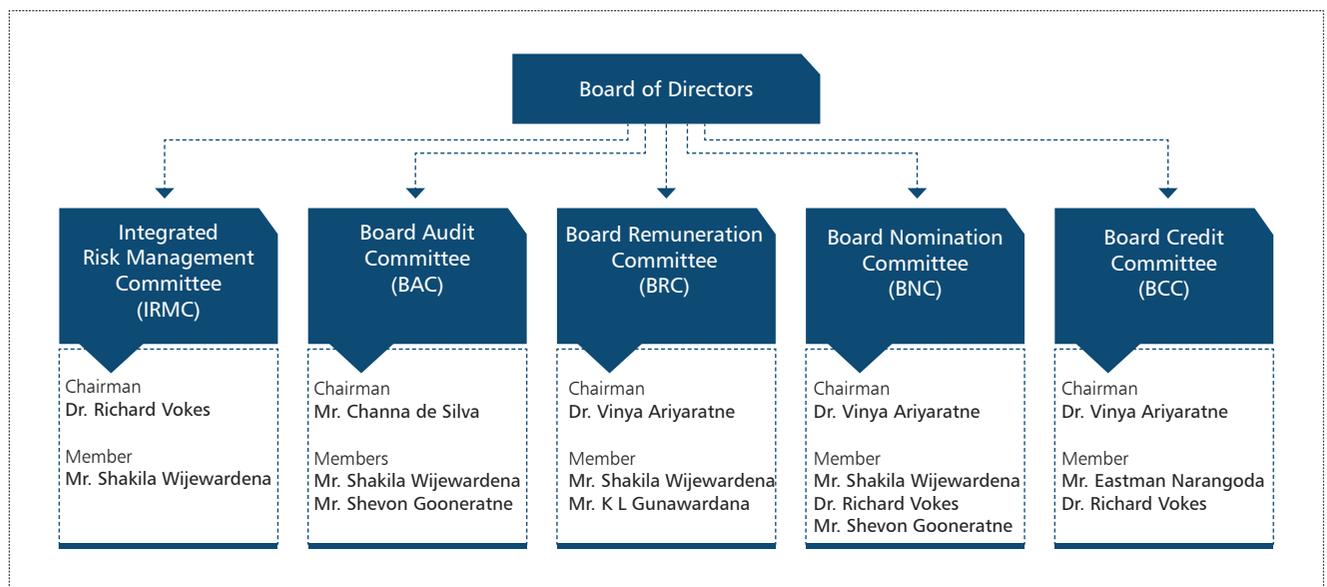
Board Appointed Committees

The purpose of Sarvodaya Development Finance Limited's Corporate Governance is to strengthen shareholders' wealth and ensures that the Company is governed with a focus on close customer relationships. This is achieved through a decentralised business model where business decisions are made as close to the customer as possible. The governance in the system and the processes of this business model is closely monitored and supervised by way of Board appointed oversight committees. Such committees represent a very inclusive mechanism, since they facilitate each Director to make a 'full and active contribution to the Board affairs'.

In-line with such norms, Sarvodaya Development Finance Limited set up following Board Committees:

- I. The Integrated Risk Management Committee (IRMC)
- II. The Board Audit Committee (BAC)
- III. The Board Remuneration Committee (BRC)
- IV. The Board Nomination Committee (BNC)
- V. The Board Credit Committee (BCC)

The first two committees are mandatory under Sections 8 (2) and 8 (3) of the CBSL's Corporate Governance Directives, which also provides guidelines on their composition, functions and responsibilities. All subcommittees report directly to the Board.



Duties and Responsibilities of the Board Committees

Each committee is chaired by a Non-Executive Director who has the requisite qualifications and experience and is assisted by one or more of the Non-Executive Board Directors. The committees also co-opt Key Management Personnel and relevant Senior Managers in monitoring specific areas under their purview. They attend meetings on invitation. The respective reports of the first three committees for the year ended 31st March 2016 are given in pages 64 to 67 in this Annual Report.

Board Subcommittees – Composition and Key Functions

Board Committees	Members	Function	Management Committee/Function	Meetings held on	Number of Meetings held during the FY	Minimum Required Number of Meetings for FY
Integrated Risk Management Committee (IRMC) (Mandatory)	Chairman – Dr. Richard Vokes	The Integrated Risk Management Committee oversees issues involving market risk, credit risk, liquidity, funding and capital. The IRMC provides oversight and advice to the Asset and Liability Committee on market risk and liquidity risk exposures. IRMC reviews and evaluates the appropriateness of the governance model adapted.	I. Asset and Liability Committee (ALCO):	29.05.2015 31.08.2015 23.11.2015 19.02.2016	4	4
	Member – Mr. Shakila Wijewardena		To make investments and execute asset/liability transactions within delegated limits and manage liquidity and other market risks. The Committee ensuring developing appropriate parameters for pricing of deposits, loans and investments.			
			II. Product Development Committee (PDC):		Not scheduled	On requirement
			To develop new products in-line with the Company's strategic objectives.			
Board Audit Committee (BAC) (Mandatory)	Chairman – Mr. Channa de Silva	The Board Audit Committee gives the Board, through its work and in dialogue with the External Auditor, the Head of Internal Audit greater access to information on any deficiencies in routines and organisation from the standpoint of corporate governance, risk management and control.	Management Audit Committee (MAC):	26.05.2015 18.09.2015 10.10.2015 9.12.2015 30.03.2016	5	6
	Member – Mr. Shakila Wijewardena, Mr. Shevon Gooneratne		To implement and monitor the progress of the decisions of the BAC.			
		The Board Audit Committee is responsible for ensuring that processes are in place for recommendations raised by the Management Audit Committee to be dealt within a timely manner and outstanding exceptions or recommendations are closely monitored.				

Board Committees	Members	Function	Management Committee/Function	Meetings held on	Number of Meetings held during the FY	Minimum Required Number of Meetings for FY
Board Remuneration Committee (BRC)	Chairman – Dr. Vinya Ariyaratne Member – Mr. Shakila Wijewardena, Mr. K L Gunawardana	The Board Remuneration Committee prepares and recommends compensation packages issues and ensures, among other things, that compensation systems comply with effective risk management and do not encourage exaggerated risk-taking. The Committee is responsible for evaluating and recommending appropriate changes to the HR systems, policies including remuneration policies.	Not assigned	30.10.2015 09.02.2016 23.02.2016 21.03.2016	4	4
Board Credit Committee (BCC)	Chairman – Dr. Vinya Ariyaratne Member – Mr. Eastman Narangoda, Dr. Richard Vokes	The Board Credit Committee approves credits within delegated limits, and set risk appetites for credits by evaluating and recommending the implementation of the credit risk policies in-line with the Company's strategic objectives.	Internal Credit Committee (ICC): To approve credits within delegated limits. The Committee is sanctioned with developing the Company's credit policy by ensuring that the concentration of the credit risks are within the risks tolerance limits approved by the IRMC.		Not scheduled	On requirement
Board Nomination Committee (BNC)	Chairman – Dr. Vinya Ariyaratne Member – Mr. Shakila Wijewardena, Dr. Richard Vokes, Mr. Shevon Gooneratne	The Board Nomination Committee is empowered to review the structure and composition of the Board and make recommendations to the Board with regard to any changes that needs to be introduced. The Committee is engaged in appointing of new Directors and the members of the Corporate Management and also empowered with evaluating and approving the succession planning of the Corporate Management.	Not assigned		Not scheduled	On requirement

Management's Role in the Structure of Corporate Governance

The CEO, having authority and responsibility of planning, directing and controlling the activities of the Company in accordance with the delegated authority limits given to him by the Board, relies upon a number of management level committees to implement corporate strategies and policies in accordance with appropriate risk parameters in day-to-day management. Following management level committees have been formed by the Board to manage the day-to-day business and the operation of the Company with the main objective of achieving a sustainable growth while maintaining best practices of Corporate Governance.

Management Committees – Composition and Key Functions.

Committees	Function	Member		
		Member	Designation	
Management Committee (ManCom)	<ul style="list-style-type: none"> Decision-making body for major operational matters. Overall review of performance. 	<ul style="list-style-type: none"> Mr. Ravindra Ranjith Mr. Deshantha de Alwis Mr. Janaka Dissanayake Mr. Rasika Epasinghe Ms. Dilushi Dabare Mr. Kenneth Mendis Mr. Rohan Peiris Mr. Kandaiah Sasikumar Mr. Mohanlal Rupasinghe Mr. Hareendra Jayasuriya Ms. Madhurika Handunnetti 	<ul style="list-style-type: none"> CEO DGM – Finance and Planning AGM – Credit AGM – Branch Operation and Marketing AGM – Risk Management and Compliance AGM – Internal Audit Head of IT CHM – Recovery CHM – Legal AGM – HR Confidential Secretary to CEO/Secretary to the Committee 	Every two weeks
Management Audit Committee (MAC)	<ul style="list-style-type: none"> To implement and monitor the progress of the decisions of the BAC. 	<ul style="list-style-type: none"> Mr. Ravindra Ranjith Mr. Deshantha de Alwis Mr. Rasika Epasinghe Mr. Kenneth Mendis Mr. Janaka Dissanayake Mr. Hareendra Jayasuriya Ms. Dilushi Dabare 	<ul style="list-style-type: none"> CEO DGM – Finance and Planning AGM – Branch Operation and Marketing AGM – Internal Audit AGM – Credit AGM – HR AGM – Risk Management and Compliance 	On requirement
Assets and Liability Committee (ALCO)	<ul style="list-style-type: none"> To make investments and execute asset/liability transactions within delegated limits and manage liquidity and other market risks. To ensure developing appropriate parameters for pricing of deposits, loans and investments. Review maturity/repricing schedules with particular attention to the maturity distribution of large amounts of assets and liabilities maturing. 	<ul style="list-style-type: none"> Mr. Ravindra Ranjith Mr. Deshantha de Alwis Mr. Janaka Dissanayake Mr. Rasika Epasinghe Ms. Dilushi Dabare 	<ul style="list-style-type: none"> CEO DGM – Finance and Planning/ Secretary to the Committee AGM – Credit AGM – Branch Operation and Marketing AGM – Risk Management and Compliance/Recording Secretary 	Every two months and on requirement

Committees	Function	Member		
		Member	Designation	
Internal Credit Committee (ICC)	<ul style="list-style-type: none"> To approve credits within their delegated authority. Develop the Company's credit policy and recommends changes to the policy, procedures and underwriting guidelines to the BCC as and when required. Review the methodologies for assessing the credit risks and recommend appropriate credit exposure limits by ensuring that the concentration of credit risks are within the risk tolerance limits approved by the IRMC. 	<ul style="list-style-type: none"> Mr. Ravindra Ranjith Mr. Janaka Dissanayake Mr. Rasika Epasinghe Ms. Dilushi Dabare 	<ul style="list-style-type: none"> CEO AGM – Credit/Secretary to the Committee AGM – Branch Operation and Marketing AGM – Risk Management and Compliance 	On requirement
Product Development Committee (PDC)	<ul style="list-style-type: none"> To develop new products. 	<ul style="list-style-type: none"> Mr. Ravindra Ranjith Mr. Deshantha de Alwis Mr. Janaka Dissanayake Mr. Rasika Epasinghe Ms. Dilushi Dabare Mr. Rohan Peiris 	<ul style="list-style-type: none"> CEO DGM – Finance and Planning AGM – Credit AGM – Branch Operation and Marketing/Secretary to the Committee AGM – Risk Management and Compliance Head of IT 	

Board Committee Meetings and Attendance

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

Name	Status	Appointment to Board	Attendance 2015/16				
			IRMC	BAC	BCC	BRC	BNC
Mr. Eastman Narangoda	Chairman/Independent Non-Executive Director	13.12.2013					
Mr. Channa de Silva	Deputy Chairman/Independent Non-Executive Director	19.04.2011		5			
Dr. Vinya Ariyaratne	Non-Executive Director	01.01.2010				4	
Mr. Shakila Wijewardena	Non-Executive Director	01.01.2010	4	3			4
Mr. K L Gunawardana	Non-Executive Director	05.02.2010					4
Mr. Shevon Gooneratne	Independent Non-Executive Director	05.02.2010		4			
Dr. Richard Vokes	Independent Non-Executive Director	07.03.2013	4				

Compliance Status of Corporate Governance Principles

The following disclosures are prepared and presented in conformity with the Finance Companies (Corporate Governance Direction No. 3 of 2008, issued by the Monetary Board of the Central Bank of Sri Lanka and which came into operation with effect from 1st January 2009.

This report shall be deemed to be the Sarvodaya Development Finance Limited. Corporate Governance Report 2015/16, prepared in compliance with this direction.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
2.0	Responsibilities of the Board of Directors		
2.0 (1.0)	The Board of Directors (hereinafter referred to as the Board) shall strengthen the safety and soundness of the finance Company by.	Complied	The Company is headed by an effective Board of Directors with local as well as international experience and qualification drawn from backgrounds of banking and financial services, accounting, management, economics, marketing and as well as community management.
2.0 (1.0) (a)	Approving and overseeing the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company.	Complied	The strategy has been drawn up for 2016-2020. The five year strategic plan was approved by the Board on the 28th of March 2016. The Company's corporate objectives, values and risk management was communicated through the presentation that was made to the Board and there after shared with the senior management team and the branch managers at the branch managers' meeting held on the 2nd and 3rd of April 2016.
2.0 (1.0) (b)	Approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least next three years.	Complied	Integrated Risk Management Policy was approved by the Board in April 2016. The strategies formulation revolved around devising separate strategy related to core business and support functions of the Company namely; Credit, Recoveries, Finance, Operations and Marketing and HR for the attainment of overall objectives. The Board reviewed business strategy on a regular basis by discussing their concerns on each core business with the AGM or DGM in charge of the particular division. Board approves and reviews the annual budget which is derived from Company's strategic plan incorporating subsequent changes to expectations, market variables and business climate.
2.0 (1.0) (c)	Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently.	Complied	The Board has delegated the function to manage risks identified by the Board to a Board subcommittee namely Integrated Risk Management Committee (IRMC) and the IRMC minutes are submitted to the Board for their review.
2.0 (1.0) (d)	Approving policy of communication with all the stakeholders, including depositors, creditors, shareholders and borrowers.	Complied	A Board Approved communication policy is available addressing how the Company communicates with its stakeholders.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
2.0 (1.0) (e)	<p>Reviewing the adequacy and the integrity of the finance company's:</p> <p>i) Internal control systems; and</p>	Complied	<p>The Audit Committee on behalf of the Board monitors effectiveness of the internal control system on a continuous basis and reports to the Board on its findings. The Audit Committee updates the Board on material concerns and lapses in internal controls and recommends solutions on an ongoing basis.</p> <p>The report by the Board on the effectiveness of the Company's internal control mechanism over financial reporting is given in "Directors' Statement on Internal Controls over Financial Reporting" on page 110 and the Assurance Report from the External Auditor on the Internal Control over Financial Reporting is disclosed on page 111.</p>
	ii) Management of information systems.	Not Complied	<p>Non-financial data are extracted from the MIS system and are compiled into presentable formats by the MIS Department. This information are then sent to the respective user departments to verify the accuracy and the integrity before submitting same to the Board and the Board subcommittees for their information and decision-making process.</p> <p>Company will establish a valid process to review the reliability and the accuracy of non-financial information which are used by the Board and the Board subcommittees and the Board ensures the adequacy and the integrity of the Company's management information system.</p>
2.0 (1.0) (f)	<p>Identifying and designating Key Management Personnel, who are in a position to –</p> <p>i. significantly influence policy;</p> <p>ii. direct activities; and</p> <p>iii. exercise control over business activities, operations and risk management.</p>	Complied	<p>The Company has identified and designated the KMPs as Chairman, Board of Directors, CEO, DGM, AGMs, Head of IT, Head of Legal, Head of Recoveries and Compliance Officer stated in the related party policy approved by the Board for the purpose of compliance of this Direction. The Company has followed the definition given in Sri Lanka Accounting Standards – LKAS 24 (Related Party Transactions) in defining and disclosing the transactions with its Key Management Personnel (KMPs) in these Financial Statements. The transactions that have been carried out with the related parties during the financial year ended 31st March 2016 are disclosed on pages 163 to 165 of this Annual Report.</p>
2.0 (1.0) (g)	Defining the areas of authority and key responsibilities for the Board and for the Key Management Personnel.	Complied	<p>Article 119 of the Company's Articles of Association speaks about the authority of Board of Directors under general power of Directors.</p> <p>Areas of authority and key responsibilities for the Key Management Personnel have been defined in their individual Job descriptions.</p>

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
2.0 (1.0) (h)	Ensuring that there is appropriate oversight of the affairs of the finance company by Key Management Personnel, that is consistent with the finance company's policy.	Complied	The Board has a process for appropriate oversight of the affairs of the Company by KMPs. The CEO presents the monthly operational report to the Board for their review and to take timely actions.
2.0 (1.0) (j)	Ensuring that the finance company has an appropriate succession plan for Key Management Personnel.	Not Complied	The Company has a 'Succession Plan Policy' approved by the Board. The Company is in the process of finding successors for Key Management Personnel.
2.0 (1.0) (k)	Meeting regularly with Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	Complied	CEO calls in the corporate and the Senior Management to the Board meetings when the need arises to explain matters relating to the operations and performance of the Company to the Board.
2.0 (1.0) (l)	Understanding the regulatory environment.	Complied	Regulatory requirements is discussed at the Management Committee (ManCom) meetings fortnightly. A regulatory compliance report, including CBSL Returns uploaded to the 'FinNet', signed jointly by the AGM – Risk Management and Compliance and CEO, is submitted to the Board of Directors at each monthly board meeting for Board's review and decision-making.
2.0 (1.0) (m)	Exercising due diligence in the hiring and oversight of External Auditors.	Complied	Messrs Ernst & Young, Chartered Accountants, has been appointed as the Company's External Auditors since year 2012/2013. This firm was selected from the Panel of External Auditors transmitted to all LFCs by the Central Bank's Department of Supervision of Non-Banking Financial Institutions, under Section 30 (4) of the Finance Business Act No. 42 of 2011.
2.0 (2.0)	The Board shall appoint the Chairman and Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and Chief Executive Officer in-line with paragraph 7 of this Direction.	Complied	The functions and responsibilities of the Chairman and CEO has been clearly defined and approved by the Board of Directors.
2.0 (3.0)	There shall be a procedure determined by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director(s) to discharge their duties to the finance company.	Complied	The Company has a Board approved procedure in place for seeking independent professional advice.
2.0 (4.0)	A Director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied	The Company's related party transaction policy approved by the Board governs Directors' responsibilities to abstain from voting in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
2.0 (5.0)	The Board shall have a formal schedule of matters specifically reserved to it for decisions to ensure that the direction and control of the finance company is firmly under its authority.	Complied	The Company has a Board approved formal schedule of matters.
2.0 (6.0)	The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Banking Financial Institutions of the situation of the finance company prior to taking any decision or action.		No such situation has arisen so far for the Board to take any decision or action or inform the Director of the Supervision of Non-Banking Financial Institutions of Central Bank of Sri Lanka.
2.0 (7.0)	The Board shall include in the finance company's Annual Report, an Annual Corporate Governance Report setting out the compliance with this Direction.	Complied	The Board has included the Corporate Governance Report in all its Annual Reports published previously.
2.0 (8.0)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually and maintain records of such assessments.	Complied	The Company has adapted a scheme of self-assessment to be undertaken by each Director annually and those records are maintained with the Company Secretary.
3.0	Meetings of the Board		
3.0 (1.0)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied	Board has met 13 times during the year under review. There were 10 instances where the Board's consent has been obtained through the circulation of written or electronic resolutions/papers. These papers have been tabled at the immediately following Board meeting.
3.0 (2.0)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied	Company has established a procedure to enable all directors to include matters and proposals in the agenda for regular Board meetings.
3.0 (3.0)	A notice of at least seven days shall be given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, Wa reasonable notice shall be given.	Not Complied	Notice was given with a reasonable time.
3.0 (4.0)	A Director, who has attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director, provided that participation at the Directors' meetings through an alternate Director shall, however be acceptable as attendance.	Complied	Dr. Indrajith Coomaraswamy, Independent Non-Executive Director tendered his resignation in February 2016 immediately following non-attendance of three consecutive meetings.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
3.0 (5.0)	Board shall appoint a Company Secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied	The Board has appointed Messrs BDO Secretaries (Pvt) Limited, as Company Secretary to carry out all functions and responsibilities in accordance with statutory and regulatory requirements.
3.0 (6.0)	If the Chairman has delegated to the Company Secretary the function of preparing the agenda for a Board meeting, the Company Secretary shall be responsible for carrying out such function.	Complied	Chairman prepares the agenda and Company Secretary circulates the same.
3.0 (7.0)	All Directors shall have access to obtain advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied	A Board approved procedure is in place to enable all Directors to access the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.
3.0 (8.0)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied	The Company Secretary maintains meeting minutes and circulates them to all Board members which shall be open for inspection at any reasonable time to any Director.
3.0 (9.0)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:</p> <p>(a) a summary of data and information used by the Board in its deliberations;</p> <p>(b) the matters considered by the Board;</p> <p>(c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence;</p> <p>(d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations</p> <p>(e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted and the decisions; and</p> <p>(f) Board resolutions.</p>	Complied	Detailed minutes are kept covering the given criteria.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
4.0	Composition of the Board		
4.0 (1.0)	Subject to the transitional provisions contained herein, the number of Directors on the Board shall not be less than 5 and not more than 13.	Complied	As at 31st March 2016, the Board consisted of nine Directors inclusive of the Chairman.
4.0 (2.0)	Subject to the transitional provisions contained herein and subject to paragraph 5 (1) of this Direction, the total period of service of a Director other than a Director who holds the position of Chief Executive Officer or Executive Director shall not exceed nine years. The total period of office of a Non-Executive Director shall be inclusive of the total period of service served by such Director up to the date of this Direction.	Complied	The total period of service of all Non-Executive Directors does not exceed nine years.
4.0 (3.0)	Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a Director of the finance company (hereinafter referred to as an 'Executive Director') provided that the number of Executive Directors shall not exceed one-half of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the Company.	Complied	All Board Directors are Non-Executive Directors. The post of Chief Executive Officer is not that of an Executive Director.
4.0 (4.0)	With effect from three years commencing 1st January 2009, the number of Independent Non-Executive Directors of the Board shall be at least one-fourth of the total number of Directors. A Non-Executive Director shall not be considered independent if such Director.	Complied	Of the nine Non-Executive Directors comprising the Board, five are designated as Non-Executive, Independent Directors, since they are not shareholders of the Company, nor do they hold office as Directors of the Parent Company, SEEDS (Gte) Limited. Of the four Non-Executive, Non-Independent Directors, three are Board Directors of the Parent Company, SEEDS (Gte) Limited, while two are shareholders of the Company and one is a representative of a shareholder of the Company.
4.0 (4.0) (a)	has shares exceeding 2% of the paid-up capital of the finance company or 10% of the paid-up capital of another finance company;		
4.0 (4.0) (b)	has or had during the period of two years immediately preceding his appointment as Director, any business transactions with the finance company as described in paragraph nine hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet;		

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
4.0 (4.0) (c)	has been employed by the finance company during the two-year period immediately preceding the appointment as Director;		
4.0 (4.0) (d)	has a relative, who is a Director of Chief Executive Officer or a Key Management Personnel or holds shares exceeding 10% of the paid-up capital of the finance company or holds shares exceeding 12.5% of the paid-up capital of another finance company;		
4.0 (4.0) (e)	represents a shareholder, debtor or such other similar stakeholder of the finance company;		
4.0 (4.0) (f)	is an employee or a Director or has a shareholding of 10% or more of the paid-up capital in a company or business organisation;		
4.0 (4.0) (f) (i)	which has a transaction with the finance company as defined in paragraph nine, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company; or		
4.0 (4.0) (f) (ii)	in which any of the other Directors of the finance company is employed or is a Director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the finance company; or		
4.0 (4.0) (f) (iii)	in which any of the other Directors of the finance company has a transaction as defined in paragraph nine, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company.		
4.0 (5.0)	In the event an Alternate Director is appointed to represent an Independent Non-Executive Director, the person so appointed shall also meet the criteria that apply to the Independent Non-Executive Director.	Not Applicable	No alternate Directors were appointed during the year.
4.0 (6.0)	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied	The Board Directors have the necessary competencies, and possess academic and professional qualifications in diverse fields to serve as members of the Company, as disclosed in their profiles
4.0 (7.0)	With effect from three years commencing 1st January 2009, a meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless at least one-half of the number of Directors that constitutes the quorum at such meeting are Non-Executive Directors.	Complied	Since all the Directors of the Company were Non-Executive Directors during the year, the required were met all meetings of the Board convened for the year.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
4.0 (8.0)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the finance company. The finance company shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied	As disclosed in this Corporate Governance Report, currently, all nine Board Directors (including the Chairman) are named and identified as Non-Executive Directors. Of this number, five have been expressly identified as Independent Non-Executive Directors. The Board of Directors profiles disclosed from pages 18 to 22 also provides the required details.
4.0 (9.0)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied	The article 102 of the Articles of Associations of the Company describes a well defined procedure for appointment of a new Director to the Board.
4.0 (10.0)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Not Applicable	There were no casual vacancies during the period in review but the Article 101 of the Articles of Association of the Company describes the process to fill a casual vacancy subject to the election by shareholders at the first AGM.
4.0 (11.0)	If a Director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the Director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant Director's disagreement with the Board, if any.	Complied	The Company has duly informed the shareholders the resignation of Dr. Indrajit Coomaraswamy, Independent Non-Executive Director after approval for same has been received from the Central Bank of Sri Lanka in terms of the applicable regulations.
5.0	Criteria to Assess the Fitness and Propriety of the Directors		
5.0 (1.0)	Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a Director of a finance company.	Complied	As at 31st March 2016 and at present, all Directors of the Company were below the age of 70 years.
5.0 (2.0)	A Director of a finance company shall not hold office as a Director or any other equivalent position in more than 20 companies /societies/bodies corporate, including associate companies and subsidiaries of the finance company. <i>Note: The proviso to this sub paragraph was repealed by CBSL Direction No. 6 of 2013.</i>	Complied	There are no Directors who hold office as a Director of more than 20 companies. None of the Directors hold office of a Director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
6.0	Delegation of Functions		
6.0 (1.0)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied	All delegations are made in a manner that it would not hinder the Board's ability to discharge its functions.
6.0 (2.0)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied	Delegation arrangements are reviewed periodically to ensure that they remain relevant to the needs of the Company.
7.0	The Chairman and the Chief Executive Officer		
7.0 (1.0)	The roles of Chairman and Chief Executive officer shall be separated and shall not be performed by the one and the same person after three years commencing from 1st January 2009.	Complied	Role of Chairman and CEO are separate and are held by two individuals that are appointed by the Board, thereby, ensuring the power and authority.
7.0 (2.0)	The Chairman shall be a Non-Executive Director. In the case where the Chairman is not an Independent Non-Executive Director, the Board shall designate an Independent Non-Executive Director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	Complied	The Chairman is an Independent, Non-Executive Director.
7.0 (3.0)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/ relevant relationship (s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied	There is no financial, business, family or other relationship between the Chairman and the CEO which will impair their respective roles. With the exception of a shared family relationship between the Deputy Chairman and another Non-Executive Director, there is no financial, business, family or other material relationship among other members of the Board.
7.0 (4.0)	The Chairman shall: (a) provides leadership to the Board; (b) ensures that the Board works effectively and discharges its responsibilities: and (c) ensures that all key issues are discussed by the Board in a timely manner.	Complied	Chairman leads the Board ensuring its effective functioning.
7.0 (5.0)	The Chairman shall be primarily responsible for preparation of the agenda for each Board meeting. The Chairman may delegate the function of preparing the agenda to the Company Secretary.	Complied	Chairman makes the agenda and Company Secretary circulates it.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
7.0 (6.0)	The Chairman shall ensure that all Directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied	The Agenda/Minutes of previous meetings/Board papers and other documents are delivered to every individual Board Director well in advance, giving them adequate time to peruse the issues arising at each Board meeting, as per Section 3 (6) above.
7.0 (7.0)	The Chairman shall encourage each Director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.	Complied	The Chairman complies with this provision by nominating Directors for the oversight of Board related committees.
7.0 (8.0)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationships between Executive and Non-Executive Directors.	Not Applicable	The Company does not have any Executive Directors. Nevertheless, the Chairman ensures that a constructive relationship exists between the Board as a whole by providing an equal opportunity to all Directors to actively participate in the Board's affairs.
7.0 (9.0)	Subject to the transitional provisions contained herein, the Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied	As a Non-Executive Director, the Chairman is not directly engaged in any executive duties including supervision of KMP.
7.0 (10.0)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied	The AGM of the Company is the main forum where the Board maintains effective communication with its shareholders. The two main shareholders, namely, SEEDS (Gte) Limited and Gentosha Asset Inc., holds over 99.99% of the issued share capital of the Company. In addition, two of the Directors have one share each issued to them at the time of incorporation of the Company. These shareholders have Board representatives with whom the Chairman has effective communication at each Board meeting. The Chairman encourages shareholders to communicate their views and to seek assistance in matters that relate to them and explains the Company's progress and clarify matters that shareholders refer to the Board and the management at the Board meeting.
7.0 (11.0)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the finance company's operations and business.	Complied	The Chief Executive Officer (CEO) is the apex executive of the Company. Board has delegated him with the authority of detailed planning and implementation of the strategic objectives and policies of the Company and day-to-day operations of the Company in accordance with appropriate risk parameters.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
8.0	Board Appointed Committees		
8.0 (1.0)	Every finance company shall have at least the two Board Committees set out in paragraphs 8 (2) and 8 (3) hereof. Each Committee shall report directly to the Board. Each Committee shall appoint a Secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the Chairman of the Committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the Company.	Complied	<p>During the year 2015/16, there were four (04) Board appointed Committees directly reporting to the Board, namely the Board Audit Committee (BAC), Board Integrated Risk Management Committee (IRMC), Board Remuneration Committee (BRC), Board Credit Committee (BCC) and the Board Nomination Committee (BNC).</p> <p>Each committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the chairmen of the respective committees.</p> <p>Pages 38 and 39 provides the details of the scope and composition of the above committees and pages 64 to 67 provides the reports of the respective committees.</p>
8.0 (2.0)	Audit Committee The following shall apply in relation to the Audit Committee:		
8.0 (2.0) (a)	The Chairman of the Committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Complied	Chairman of the Board Audit Committee (BAC), Mr. Channa de Silva, is an Independent, Non-Executive Director. A Fellow of the Chartered Institute of Management Accountants (FCMA-UK) and Fellow of the Chartered Certified Accountants (FCCA-UK). He has over 10 years' experience in the fund management and five years' experience in capital market and holds a Bachelor's Degree from the University of Colombo and a Master's Degree from Melbourne University and Harvard University.
8.0 (2.0) (b)	The Board members appointed to the Committee shall be Non-Executive Directors.	Complied	<p>All the members appointed to the BAC are Non-Executive Directors.</p> <p>CEO, DGM – Finance and Planning, AGM – Risk and Compliance, Manager – Finance and External Auditors, Ernst & Young, present at the meeting/s by invitation.</p>
8.0 (2.0) (c)	The Committee shall make recommendations on matters in connection with:	Complied	The Company has complied with the directive issued by the Central Bank of Sri Lanka to select an External Auditor from a Panel authorised to audit the accounts of Licensed Finance Companies and appointed Messrs Ernst & Young (Chartered Accountants) as the External Auditor in year 2012.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
8.0 (2.0) (c) (i)	The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;		The Board Audit Committee has at its meetings during the year under review recommended:
8.0 (2.0) (c) (ii)	The implementation of the Central Bank guidelines issued to Auditors from time to time;		(i) that Messrs Ernst & Young, Chartered Accountants be reappointed as the External Auditors of the Company for the financial year 2015/16;
8.0 (2.0) (c) (iii)	The application of the relevant accounting standards; and		(ii) the implementation of Central Bank guidelines issued to Auditors from time to time; and
8.0 (2.0) (c) (iv)	The service period, audit fee and any resignation or dismissal of the Auditor, provided that the engagement of an audit partner shall not exceed five years and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.		(iii) the application of Sri Lanka Accounting Standards (LKASs/SLFRSs). No resignation or dismissal of the Auditor has taken place during the year 2015/16. The term of engagement of the present audit partner does not exceed five (05) years.
8.0 (2.0) (d)	The Committee shall review and monitor the External Auditors' independence and objectively and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied	The Board Audit Committee monitors and reviews the External Auditors' independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements. The Company's External Auditors for 2015/16, Messrs Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.
8.0 (2.0) (e)	The Committee shall develop and implement a policy with the approval of the Board on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditors' independence or objectivity. When assessing the External Auditors' independence or objectivity in relation to the provision of non-audit services, the Committee shall consider:	Complied	The Board Audit Committee with the approval of the Board of Directors has developed and implemented a policy for engagement of External Auditors to provide non-audit services to safeguard the Auditors' independence and objectivity.
8.0 (2.0) (e) (i)	whether the skills and experience of the Auditor make it a suitable provider of the non-audit services;		
8.0 (2.0) (e) (ii)	whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by External Auditor; and		
8.0 (2.0) (e) (iii)	whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the Auditor, pose any threat to the objectivity and/or independence of the External Auditor.		

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
8.0 (2.0) (f)	The Committee shall, before the audit commences, discuss and finalise with External Auditors the nature and scope of the audit, including:	Complied	BAC has recommended the appointment of the External Auditor to the Board before the commencement of the audit. The Committee has obtained an engagement letter from the Auditors' clearly describing the Auditor's independence to carry out the audit in accordance with LKASs/SLFRSs. The Committee has, before the audit commences, discussed and agreed upon the audit plan for the audit.
8.0 (2.0) (f) (i)	an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting;		
8.0 (2.0) (f) (ii)	the preparation of Financial Statements in accordance with relevant accounting principles and reporting obligations; and		
8.0 (2.0) (f) (iii)	The co-ordination between Auditors where more than one Auditor is involved.		
8.0 (2.0) (g)	The Committee shall review the financial information of the finance company, in order to monitor the integrity of the Financial Statements of the finance company, its Annual Report, accounts and periodical reports prepared for disclosure and the significant financial reporting judgments contained therein. In reviewing the finance company's Annual Report and accounts and periodical reports before submission to the Board. The Committee shall focus particularly on – (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Complied	The Committee periodically reviews the financial information of the company in order to monitor the integrity of the Financial Statements of the Company and other financial disclosures. Also, BAC has a process to review the financial information of the company as required by the direction when the Annual Audited Financial Statements and reports prepared for disclosure are presented to the Committee by the DGM – Finance and Planning in attendance with the External Auditors in order to monitor the integrity of the Financial Statements of the Company.
8.0 (2.0) (h)	The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.	Complied	The Committee has met the External Auditors in the absence of the Executive Management during the year under review.
8.0 (2.0) (i)	The Committee shall review the External Auditors' management letter and the Management's response thereto.	Complied	The Committee has reviewed the External Auditors' management letter and the Management responses thereto.
8.0 (2.0) (j)	The Committee shall take the following steps with regard to the internal audit function of the finance company:		
8.0 (2.0) (j) (i)	Review the adequacy of the scope, functions and resources of the internal Audit Department and satisfy itself that the department has the necessary authority to carry out its work;	Complied	The Committee has discussed the Internal audit scope, function and resources of the staff requirements.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
8.0 (2.0) (j) (ii)	Review the internal audit programme and results of the internal audit process and , where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;	Complied	The Committee has reviewed and approved the Internal Audit Plan for the year 2015/16 presented by the Internal Audit Department prepared based on overall risk assessment and the significant audit observations made during the previous year. This plan also includes the scope, functions and the resources of the Internal Audit Department.
8.0 (2.0) (j) (iii)	Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	Complied	Assessment of the internal audit staff evaluations and Audit Committee performance has been carried out by the Audit Committee Chairman. Assessment of the performance of the Senior Manager – Internal Audit has not been carried out since she has left the Company as at end December 2015.
8.0 (2.0) (j) (iv)	Recommend any appointment or termination of the head, senior staff members and out sourced service providers to the internal audit function.	Complied	The Committee has recommended the recruitment of the new AGM – Internal Audit.
8.0 (2.0) (j) (v)	Ensure that the Committee is apprised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any out sourced service providers, and to provide an opportunity to the resigning senior staff members and out sourced service providers to submit reasons for resigning;	Complied	The Committee has appraised the resignation of the Senior Manager – Internal Audit.
8.0 (2.0) (j) (vi)	Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	Complied	Head of the Internal Audit Department directly reports to the Committee thus ensuring the independence and impartiality of the Internal Audit Department.
8.0 (2.0) (j) (vii)	The Committee shall consider the major findings of internal investigations and The Management’s responses there to.	Complied	Based on the reports submitted by the Internal Audit Department, the Committee reviews and considers major audit findings and the Management’s responses thereto.
8.0 (2.0) (l)	The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least once in six months, the Committee shall meet with the External Auditors without the Executive Director being present.	Complied	Although the Board Audit Committee does not comprise any Executive Directors, the Committee met with the External Auditors during the year under review.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
8.0 (2.0) (m) (i-iv)	The committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied	The Board approved Terms of Reference of the Board Audit Committee mandates explicit authority to investigate into any matter within its purview and take necessary action thereto. 'Board Audit Committee Report' on pages 65 and 66 provides a summary of the Terms of Reference of the Committee.
8.0 (2.0) (n)	The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	There were five (5) meetings of the Board Audit Committee during the year 2015/16. Page 65 provides the details of the meetings of the Board Audit Committee during 2015/16 and the members' attendance there at.
8.0 (2.0) (o) (i-iii)	The Board shall, in the Annual Report, disclose in an informative way – (i) details of the activities of the Audit Committee; (ii) the number of Audit Committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.	Complied	The 'Board Audit Committee Report' from pages 65 to 66 provides details of the activities of the Committee and attendance of members at meetings of the Committee.
8.0 (2.0) (p)	The Secretary to the Committee (who may be the Company Secretary or the head of the internal audit function) shall record and keep detailed minutes of the Committee meetings.	Complied	In accordance with the Terms of Reference, Head of internal audit functions as the Secretary to the Board Audit Committee. The Secretary to the Committee records and maintains minutes of all committee meetings in sufficient detail.
8.0 (2.0) (q)	The Committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the External Auditor.	Not Complied	The Company has established a 'Whistle-blower Policy' which has not yet being approved by the Committee for the submission of to the Board for its approval.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
8.0 (3.0)	Integrated Risk Management Committee (IRMC) The following shall apply in relation to the Integrated Risk Management Committee:		
8.0 (3.0) (a)	The Committee shall consist of at least one Non-Executive Director, CEO and Key Management Personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	Complied	The Committee consist of two Non-Executive Directors, CEO and the Key Management Personnel supervising broad risk categories such as credit, market, liquidity, operational and strategic risk. Approved TOR lays down responsibility of the Committee.
8.0 (3.0) (b)	The Committee shall assess all risks, i.e. credit,market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	Complied	AGM – Risk Management and Compliance submits minutes to the Board within seven (7) days of the Committee meeting. This includes the risks discussed at IRMC meeting, mitigation actions proposed by the Committee and the responses received from the risk owners.
8.0 (3.0) (c)	The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	Not complied	Committee has to initiate action to review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committees' benchmarking against on their current TOR.
8.0 (3.0) (d)	The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the finance company's policies and regulatory and supervisory requirements.	Not Complied	Committee has to set the specific Risk Appetite limits and review and consider risk indicators which have gone beyond the specified quantitative and qualitative risk limits.
8.0 (3.0) (e)	The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied	The Committee meets at least quarterly each year. The Committee has met four (4) times during the financial year 2015/16. Page 64 provides the details of the meetings of the Committee during 2015/16 and the members' attendance thereat.
8.0 (3.0) (f)	The Committee shall take appropriate action against the officers responsible for failure to identify specific risk and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of the Department of Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka.	Complied	Risks are identified collectively by the Integrated Risk Management Committee and Assets and Liabilities Committee (ALCO) and such decisions are taken collectively. The Company has a formal documented disciplinary action procedure which has been specifically noted in the employee handbook.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
8.0 (3.0) (g)	The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied	The Committee has submitted risk assessment reports to the next immediate Board meeting seeking the Board's views and action deem necessary.
8.0 (3.0) (h)	The Committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved polices on all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied	AGM – Risk Management and Compliance has been appointed as the Compliance Officer to monitor compliance of CBSL rules, regulations and directions issued under the Finance Business Act and submit a monthly compliance report to the Board for their review. Monitoring compliance of other applicable laws, internal controls and approved policies on all areas of business operations is carried out by the Risk Management and Compliance Department.
9.0	Related Party Transaction		
9.0 (1.0)	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.		
9.0 (2.0) (a-g)	<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as 'related parties' for the purposes of this Direction:</p> <ul style="list-style-type: none"> a) a subsidiary of the finance company; b) any associate company of the finance company; c) a Director of the finance company; d) a Key Management Personnel of the finance company; e) a relative of a Director or a Key Management Personnel of the finance company; f) a shareholder who owns shares exceeding 10% of the paid-up capital of the finance company; g) a concern in which a Director of the finance company or a relative of a Director or a shareholder who owns shares exceeding 10% of the paid-up capital of the finance company, has substantial interest. 	Complied	The Company has established a documented process approved by the Board identifying the particular related parties and to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with related parties as per the direction.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
9.0 (3.0) (a-d)	<p>The transactions with a related party that are covered in this Directions shall be the following:</p> <ul style="list-style-type: none"> a) granting accommodation; b) creating liabilities to the finance company in the form of deposits, borrowings and investments; c) providing financial or non-financial services to the finance company or obtaining those services from the finance company; d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party. 	Complied	<p>The Company has established a Board approved documented procedure to identify and report the types of transactions with related parties that is covered by this Direction.</p>
9.0 (4.0)	<p>The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party 'more favourable treatment' than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, 'more favourable treatment' shall mean:</p>	Not complied	<p>The Company has in place a Board approved Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as 'related parties' has been identified.</p>
9.0 (4.0) (a)	<p>Granting of 'total net accommodation' to a related party, exceeding a prudent percentage of the finance company's regulatory capital, ads determined by the Board.</p> <p>The 'total net accommodation' shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company's share capital and debt instruments with a remaining maturity of 5 years or more.</p>		<p>In accordance with the RPT Policy self-declarations are obtained from each Director of the related party transactions that have been carried out during the year and disclosed same under related party transactions on pages 163 to 165 these Financial Statements.</p>
9.0 (4.0) (b)	<p>Charging of lower rate of interest than the finance company's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty.</p>		<p>The Company, through its related party transaction policy has established a preventive process to ensure that the Company does not engage in transactions with related parties as defined in this Direction. Responsibilities of the Board of Directors under related party transaction policy includes to ensure that the Company does not engage in transactions with related party in a manner that would grant such party 'more favourable treatment' than that is accorded to other similar constituents of the Company.</p>
9.0 (4.0) (c)	<p>Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties.</p>		

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
9.0 (4.0) (d)	Providing or obtaining services to or from a related party without a proper evaluation procedure.		The Company has to develop and implement a systematic process in accordance with the related party policy in place to capture and disclose the related party transactions happening in the Company. The Company intends to obtain self-declarations from each Director and the KMPs for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company intends to develop a system that enables the Company to retrieve data on related party transactions throughout the Company's network.
9.0 (4.0) (e)	Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary. Confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.		
10.0	Disclosure		
10.0 (1.0) (a-b)	The Board shall ensure that – (a) annual Audited Financial Statements and periodical Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards and that, (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied	The Board has ensured that the Audited Financial Statements are prepared and published in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) and the formats prescribed by the regulators. Pages 113 to 182 discloses the details of the Financial Statements, Accounting Policies and Notes to these Financial Statements published by the Company as mentioned above. The Board has ensured that the Financial Statements referred to in Rule 10 (1) (a) above were published in an abridged form in Sinhala, Tamil and English languages.
10.0 (2.0)	The Board shall ensure that at least the following disclosures are made in the Annual Report:		
10.0 (2.0) (a)	A statement to the effect that the annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied	The required confirmation on preparation of the annual Audited Financial Statements in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is given in 'Directors' Responsibility for Financial Reporting' on page 108 and the 'Independent Auditors' Report' on page 112.
10.0 (2.0) (b)	A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied	The report by the Board on the effectiveness of the Company's internal control mechanism over financial reporting is given in 'Directors' Statement on Internal Controls over Financial Reporting' on page 110.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
10.0 (2.0) (c)	The External Auditor's certification on the effectiveness of the internal control mechanism referred to in sub para 2 (b) above, in respect of any statements prepared or published from the date of this Direction.	Complied	The Assurance Report from the External Auditor on the Effectiveness of Internal Control over Financial Reporting is disclosed on page 111.
10.0 (2.0) (d)	Details of Directors, including names, transactions with the finance company.	Complied	Details of the Directors are given on pages 18 to 22 and there were no transactions with the Directors' of the Company other than the Directors' fees/ remuneration paid.
10.0 (2.0) (e)	Fees/remuneration paid by the finance company to the Directors in aggregate, in the Annual Reports published after 1st January 2010.	Complied	The remuneration paid to the Board of Directors is disclosed in aggregate in Note 44.1.1 to these Financial Statements on page 163 and in 'Report of the Board of Directors of the Affairs of the Company' on page 106.
10.0 (2.0) (f)	Total net accommodation as defined in paragraph 9 (4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	Complied	The Company did not have any accommodation outstanding in respect of each category of related parties as at the date of Statement of Financial Position.
10.0 (2.0) (g)	The aggregate values of remuneration paid by the finance company to its Key Management Personnel and the aggregate values of the transactions of the finance company with its Key Management Personnel during the financial year, set out by Board categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied	The aggregate values of remuneration paid by the Company to its KMPs amounted to Rs. 30.9 Million. There were no accommodation granted to KMPs and deposits or investment made by KMPs in the Company during the year under review.
10.0 (2.0) (h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	Complied	<p>The 'Report of the Board of Directors on the Affairs of the Company' on pages 102 to 107 and the 'Corporate Governance Report' on pages 32 to 63 describes the manner in which the Company has complied with prudential requirements, regulations, laws and internal controls during the financial year.</p> <p>The Directors' Statement on Internal Control over Financial Reporting (page 110) confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Company has obtained an independent assurance report from the External Auditors on the effectiveness of the Internal Control mechanism (page 111).</p>

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
10.0 (2.0) (i)	A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management or non-compliance with the Act and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Banking Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with measures taken by the finance company to address such concerns.	Not Applicable	There were no regulatory and supervisory concerns on lapses in the Company's risk management system or non-compliance with the Finance Business Act and rules and directions thereunder that have been communicated by the Director of the Department of Supervision of Non-Banking Financial Institutions and required by the Monetary Board to be disclosed to the public.
10.0 (2.0) (j)	The External Auditor's certification of the compliance with the Corporate Governance Directions in the annual corporate governance reports published from the date of this Direction.	Complied	<p>The External Auditors have conducted an engagement in accordance with the principles set out in the Sri Lanka Standards on Related Service 4400 (SLSRS 4400) applicable to agreed upon procedures to meet the compliance requirement of this Direction.</p> <p>The findings presented in the Auditors' Report are consistent with the disclosures made above by the Board. The Board did not identify any material inconsistencies to the disclosures made above in comparison to the matters reported in the Auditors' Report addressed to the Board.</p>
11.0	Transitional Provision		
11.0 (1.0)	On the date of this Direction, if the number of Executive Directors in a finance company is either less than 5 or exceed 13, such finance company shall comply with paragraph 4 (1) hereof, within three years commencing on 1st January 2009.	Complied	<p>The Company has complied with the transitional provisions encompassed under this Direction.</p> <p>Company did not have any Executive Directors during the financial year and on the date of this report.</p>
11.0 (2.0)	On the date of this Direction, if the number of Executive Directors is more than one half of the number of Directors of the Board, the Board shall expressly identify the excess Executive Directors and inform the names of such excess Executive Directors to the Director of the Department of Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka within three years commencing 1st January 2009. On the expiry of three years commencing 1st January 2009, such excess Executive Directors shall not be considered as members of the Board.	Complied	The Company did not have any Director completing nine years nor any Director who has reached 70 years nor any Director having a Board position of over 20 companies/entities during the financial year and on the date of this report.

Corporate Governance Rule	Corporate Governance Principle	Extent of Compliance	Affirmation/Extent of Adoption
11.0 (3.0)	<p>The following transitional provision shall apply to the 9-year retirement requirement imposed under paragraph 4 (2) of this Direction:</p> <p>A Director who has completed nine years as at 1st January 2009 or who completes such term at any time prior to 31st December 2009, may continue for a further maximum period of three years commencing 1st January 2009.</p>	Not Applicable	
11.0 (4.0)	<p>The following transitional provision shall apply to the maximum age level imposed under paragraph 5 (1) of this Direction:</p>	Not Applicable	
11.0 (5.0)	<p>The following transitional provision shall apply to the maximum 20 companies/entity Directorship limitations imposed under paragraph 5 (2) of the Direction: If any person holds post of Director in excess of the limitation given in paragraph 5 (2) such person within a maximum period of 3 years commencing 1st January 2009, comply with the limitation and notify the Monetary Board accordingly.</p>	Not Applicable	
11.0 (6.0)	<p>If for any reason such ill health or any disqualification specified in the Act, the Monetary Board considers the exemptions referred to in subparagraphs 11 (3) and 11 (4) and 11 (5) should not be availed of, such grounds may be notified to the person by the Monetary Board and after a hearing, the Monetary Board limits the period of exemptions.</p>	Not Applicable	

Report of the Integrated Risk Management Committee (IRMC)

The Board of Directors of Sarvodaya Development Finance Limited is the apex body which reviews and monitors the risks of the Company. The Board had delegated its authority to the Integrated Risk Management Committee to assess and review the adequacy and effectiveness of managing risk.

Risk is omnipresent and such risk has to be managed in order to achieve the strategic goals. The Integrated Risk Management Committee has focused their efforts on supporting the long-term strategy of the Company. These strategic imperatives cover areas of corporate governance and the management of risk while delivering value to stakeholders. The initiative undertaken during the year includes:

- Recruiting of Assistant General Manager – Risk Management and Compliance.
- Strengthening the Risk Management by Implementing the Integrated Risk Management Framework in-line with CBSL Direction No. 7 of 2011 and Stress Test Policy.
- Developed a Business Continuity Plan.
- Developed an Anti-Money Laundering and Know Your Customer Policy.
- Developed Related Party Policy.
- Developed a Self-Assessment Process for Branches.
- Complied with most of the External Regulatory Requirements governed by Corporate Governance Directive and Codes (CBSL, SEC and CA Sri Lanka) while Disclosing Information to Public as communicated in the Disclosure Policy.

Charter of the Committee

The Integrated Risk Management Committee was established by the Board of Directors in compliance with the Section 8 of the Finance Companies (Corporate Governance) Direction No. 3 of 2008, issued by the Central Bank of Sri Lanka.

It also conforms to the disclosure requirements under the Sri Lanka Accounting Standards (SLFRSs/LKASs) whereby the nature and extent of risks faced by the Company and strategies implemented to mitigate such risks are shared.

Composition of the Committee

The IRMC is comprised of two Non-Executive Directors, the CEO, AGM – Risk Management and Compliance and Key Management Personnel of the Company who manage the risks of business units. The Chairman of the Committee is Dr. Richard Vokes and Mr. Shakila Wijewardena is the other Non-Executive Director.

Committee Meetings and the Methodology

The Committee held four meetings on quarterly basis during the year under review. The matters discussed in the meetings are submitted to the Board of Directors by the Committee.

The Committee assesses all key risks such as credit, operations, liquidity, market, legal and reputational on regular basis through MIS reports and other indicators. The Committee also works closely with the Key Management Personnel of the Company who manage risks of business units.

Apart from assisting the Board in performing its oversight in relation to various types of risks faced by the Company, the Committee also ensures the adequacy, soundness and effectiveness of risk management framework of the Company.

The Committee Undertakes the Following Activities:

- Sets risk tolerance limits and discerns the risk appetite of the Company.
- Assesses all risk categories such as credit, market, operational, liquidity, legal and reputational risk of Sarvodaya Development Finance Limited through appropriate management information.
- Reviews the adequacy and effectiveness of all management level committees such as the Board Credit Committee and the Asset Liability (ALCO) Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- Takes prompt action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee.
- Reviews and improve the effectiveness of the systems, processes and procedures in place to mitigate risk.
- Reviews the effectiveness of the Company's compliance with laws, regulations and guidelines, internal controls and approved policies.

During the year, the IRMC supported the execution of the overall business strategy and provided the necessary leadership to business units and heads in effectively managing the risks.



Dr. Richard Vokes
Chairman – Integrated Risk Management Committee

27th May 2016

Report of the Board Audit Committee

Composition

Members of the Board Audit (“the committee”) Committee are appointed by the Board and Comprised entirely of Non-Executive Directors. The Chairman of the committee shall be a Non-Executive Director who possesses adequate qualification and experience in accountancy and/or audit. The Board Audit Committee of Sarvodaya Development Finance as at 31st March 2016 comprised the following Independent Non-Executive Directors of the Company:

Mr. Channa de Silva : Chairman
Mr. Shakila Wijewardena : Member
Mr. Shevon Gunaratne : Member

The Profiles of the Board Audit Committee members are set out on pages 18 to 22.

Mr. Dinindu Malinga, Head of the Internal Audit functions as the Secretary to the Board Audit Committee.

Charter of the Committee

The Terms of Reference of the Committee are clearly defined in the Charter of the Audit Committee. The process ensures that new development and concerns are adequately addressed. The Committee is responsible to the Board of Directors and Reports on its activities regularly. The functions of the Committee are designed to assist the Board of Directors in its general oversight on financial reporting, internal and external audit and compliance with legal and regulatory requirements and risk management.

The Role and Responsibilities

The Committee is expected to ensure –

- The integrity of the financial reporting of the Company and the compliance with financial reporting requirements, information requirements of the Company’s Act and other related financial reporting regulations
- The effectiveness of the internal control system and the Company’s Risk Management function
- The Company’s ability to continue as a going concern in the foreseeable future
- Independence and effectiveness of the Company’s External Auditors
- Performance of the Company’s internal audit function
- The Company’s compliance with legal and regulatory requirements including the performance of the Company’s compliance function

Authority

The Committee has the entire authority to investigate into any matter, including call any employee to be questioned at a meeting of the Committee, full access to information and authority to obtain external professional advice, at the Company’s expense.

Meetings

The attendance of the Committee members at the meetings during the financial year under review was as follows:

Name	Meetings held	Meetings attended
Mr. Channa de Silva	5	5
Mr. Shakila Wijewardena	5	3
Mr. Shevon Gooneratne	5	4

On the invitation of the Committee, any officer of the Company, External Auditors and any outsider may attend all or part of any meeting. The proceedings of the Audit Committee meetings are recorded with adequate details and reported to the Board of Directors.

Summary of Activities During the Year

Financial Reporting

The Committee reviewed the Financial Statements of the Company before submission to the Board, in order to monitor the integrity of the Financial Statements and the significant financial reporting judgments contained therein. In reviewing the Financial Statements, the Committee focuses particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; (v) the compliance with relevant accounting standards and other legal requirements.

The Committee also assessed the Company’s compliance with financial reporting requirements, information requirements of the Companies Act, Finance Business Act and other relevant financial reporting related regulations and requirements.

Internal Controls, Risk Management Function and Going Concern

The Committee keeps under review the Company’s internal controls and risk management systems ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards. The Committee also assesses the Company’s ability to continue as a going concern in the foreseeable future. The Committee reviewed

Report of the Board Audit Committee

and approved the Directors' Statements on internal controls system over financial reporting to be included in the Annual Report.

External Audit

The Committee monitors independence and objectivity of the audit processes of external audit in accordance with applicable standards of best practice. The Committee with the approval of the Board of Directors developed and implemented a policy for engagement of External Auditors to provide non-audit services to safeguard the Auditors' independence and objectivity.

The Audit Committee met the External Auditors Messrs Ernst & Young during the year and provided the opportunity to discuss the issues, problems and reservations arising from audits including those matters that may need to be discussed in the absence of Key Management Personnel. The Committee also reviewed the External Auditors' Management Letter and management responses thereto.

The Committee recommended to the Board that Messrs Ernst & Young; Chartered Accountants be reappointed as External Auditors of Sarvodaya Development Finance for the financial period ending 31st December 2016, subject to approval by the Shareholders at the next AGM.

Internal Audit

The Committee reviewed the adequacy of the scope, functions and resources of the Internal Audit Department and satisfied itself that the Department has the necessary authority to carry out its work and monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. The Committee also reviews and monitors Management's responsiveness to the significant audit findings and recommendations of the Internal Auditor.

Oversight on Regulatory Compliance

The Committee with the assistance of internal audit closely examined the compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

Ethics and Good Governance

Highest standards of Corporate Governance and adherence to the Company's Code of Ethics are ensured. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other means.

Whistle-Blowing and Fraud

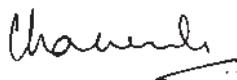
The Company's whistle-blower policy which is not yet being approved by the committee for practice is intended to encourage and enable employees and others to raise serious concerns internally, so that Board of Directors and the Corporate Management can address and correct inappropriate conduct and actions.

In the event of whistle-blower is uncomfortable or reluctant to report his/her supervisor, then he/she could report the matter to the next higher level of Management including the Board Audit Committee.

The whistle-blower policy guarantees the maintenance of strict confidentiality of the identity of the whistle-blowers. The policy is subject to annual review in order to further improve the effectiveness.

Conclusion

The evaluation of reports and based on independent judgment, the Committee is satisfied about the financial reporting, internal control environment, compliance with statutory requirements, independence and effectiveness of External Auditors and performance of internal audits of the Company.



Mr. Channa de Silva
Chairman – Board Audit Committee

27th May 2016

Report of the Board Remuneration Committee

Objectives and Scope

The Board has vested upon the Remuneration Committee, the powers to review, evaluate, and recommend to the Board of Directors Strategic initiatives and Policy matters that have an impact on the Human Resource Management of the Company, including determination of the remuneration policy that is fair, equitable and consistent to all staff including Key Management Personnel of the Company.

The Committee also ensures that a well designed performance appraisal system is in place for staff at all levels including Key Management Personnel to evaluate individual and departmental achievements against set goals to determine salary, benefits, rewards and performance based incentives.

As enumerated in last year's Report, the Committee continued to provide visionary guidance and support to the Management to realise agreed sustainable growth tasks by introducing new HR policies/procedures, developing staff talents and seeking their full potential with a view to align the entire workforce with a 'performance driven culture'.

Key Policy matters reviewed/introduced during the review period

- To ensure Company leadership continuity through early preparation of future leaders within the organisation, the Committee approved a formal 'Succession Planning Policy' in October 2015.
- The Remuneration Policy was reviewed in October 2015 to provide a framework for remuneration to attract, retain and motivate staff members at all levels to achieve the set objectives of SDF.
- A new Recruitment and Selection Policy was introduced in early 2016 in order to make recruitment decisions in-line with the principle of 'equal opportunity employment' purely based on the basis of merit within the approved recruitment criteria.
- The existing HR Process on 'staff appointments, induction and confirmation' was reviewed and improved in early 2016 to streamline the staff hiring and related functions.
- A formal policy on 'Attendance and Leave Management' was implemented in March 2016.

- To link set business goals/Key Performance Indicators of the Company with Department and individual tasks, a well designed 'Staff Performance Appraisal System' was introduced in April 2016.
- A 'Disciplinary Code', 'Whistle-blowing Policy' and 'Staff Hand Book' detailing staff responsibilities, ethics, business etiquette and punishment in the event of violating set rules/breach of conditions of employment were introduced in April 2016.

Members

The Committee comprises three (3) Non-Executive Directors as mentioned below:

1. Dr. Vinya Ariyaratne – Chairman
2. Mr. Shakila Wijewardena
3. Mr. K L Gunawardana

Meetings

The Committee held four (4) meetings during the period under review and the recommendations made by the Committee were circulated and ratified by the Board of Directors.

Meetings of the Board Remuneration Committee

Name	30.10.2015	09.02.2016	23.02.2016	21.03.2016
Dr. Vinya Ariyaratne	Present	Present	Present	Present
Mr. Shakila Wijewardena	Present	Present	Present	Present
Mr. K L Gunawardana	Present	Present	Absent	Present



Dr. Vinya Ariyaratne
Chairman – Remuneration Committee

27th May 2016

Risk Management

Introduction

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

Scope of Risk and the Risk Management Framework

At Sarvodaya Development Finance Limited (SDF) the management of risk plays a pivotal part in all its business activities. The identification, evaluation, measurement, mitigation, monitoring and reporting of risks associated with products, processes, systems and services of SDF are integral parts that form the scope of risk management when fulfilling requirements of its customers and counterparties.

The risk management function of SDF comes under the purview of the Integrated Risk Management Committee (IRMC) where it is independent from the business lines. In the course of its business activities, SDF is constantly exposed to risks that include but are not limited to credit risk, liquidity risk and operational Risk.

SDF is aware of a wide spectrum of risks that it is exposed to and provides attention to each and every risk factor that could hinder the achievement of the Company's overall objectives. The risk management function strives therefore to manage the integrated risks by developing a Company-wide risk appetite and measures and controls to ensure that the risks taken are within the set limits.

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

Three Lines of Defence

In achieving its goals, SDF deploys risk management and internal control structure referred to as the 'three lines of defence', wherein roles between the line management, risk management and inspection/audit are segregated.

Risk Profile Dashboard

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

SDF's Risk Appetite Framework

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

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

Integrated Risk Management Department

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



Credit Risk

Credit Risk: Overview

Credit risk is the risk of financial loss to SDF if a customer or counterparty to a financial instrument fails to meet its contractual obligations arising principally from the SDF's loans and advances to customers. The credit risk is managed by evaluating the creditworthiness properly and by periodical review on the credit granted, including a proper follow up mechanism.

Credit Risk Management

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The Credit Department and Recoveries Department are responsible for the management of the Company's credit risk, including formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentation and legal procedures and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated by the Board of Directors to the Board Credit Committee, Internal Credit Committee and the CEO. The Delegated Authority to the Lending Staff is allocated by the CEO within his Delegated Authority.

Frequent monitoring and stringent control mechanisms are in place to ensure that the risk of concentrations on different types of exposure. SDFC has not exceeded the tolerance limits set under concentration risk by CBSL.

Assessments used are: Herfindhal-Hirschman Index and Gini Coefficient Herfindhal-Herschman Index is the sum of the squares of the relative exposure to all borrowers or Industry in the loan portfolio. The HHI ranges from 0 to 1 and the concentration levels are given as below:

HHI	Concentration level	Colour code
< 0.1	Low concentration	Green
0.1 to 0.18	Moderate concentration	Yellow
0.18	High Concentration	Red

Lorenz curve and Gini Coefficient is defined based on the Lorenz curves which compares the cumulative percentage of borrowers and industry and cumulative percentage of their relative exposure. When given in a graph the 45 degree line is considered perfect equality. The Gini Coefficient is the ratio of area between the 45 degree line and the Lorenz curve over the total area under the 45 degree line. The Gini Coefficient also lies between 0 and 1. The Lorenz curve will coincide with the 45 degree line if there is no concentration in the portfolio. In this case the Gini Coefficient will be 0 and when the Gini Coefficient is closer to 1 it indicates that the portfolio concentration is high.

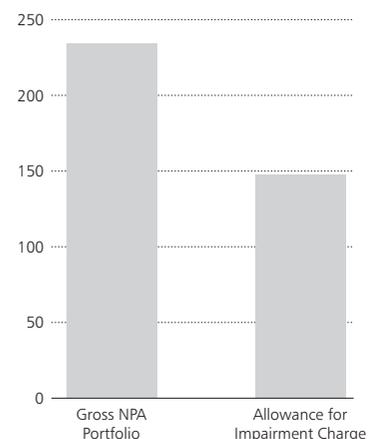
Gini Coefficient	Concentration level	Colour code
< 0.3	Low concentration	Green
0.3 to 0.7	Moderate concentration	Yellow
>0.7	High Concentration	Red

Performance of Loans and Advances

The Company has laid down policies and procedures to manage the credit risk especially of portfolio risk. The Company saw an increase in the NPA during the last three months of the FY 2015/16. This is mainly due to the deterioration in the asset quality of the group loan portfolio and the migrations of data to a centralised online system from a standalone and manual system wherein certain mistakes had occurred in the classification of NPA that was corrected with the migration. Therefore, SDF allocated a lot of resources to manage the gross NPA during the last 3 months and reduced it from a high of 10.2% to 8.03% as at 31st March 2016. This is with the legacy portfolio inherited from SEEDS. The gross NPA of the new portfolio (granted after becoming a licensed finance company) stood at 4.20%. The following graphs elaborate on the overall gross NPA portfolio as at 31st March 2016 and the movement of the gross NPA portfolio during the year under review:

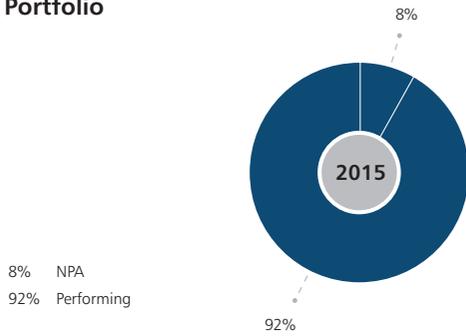
Gross NPA vs Provision for Impairment

Rs. Million



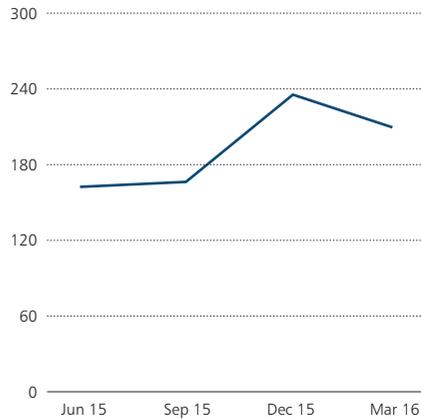
Risk Management

Loan Portfolio



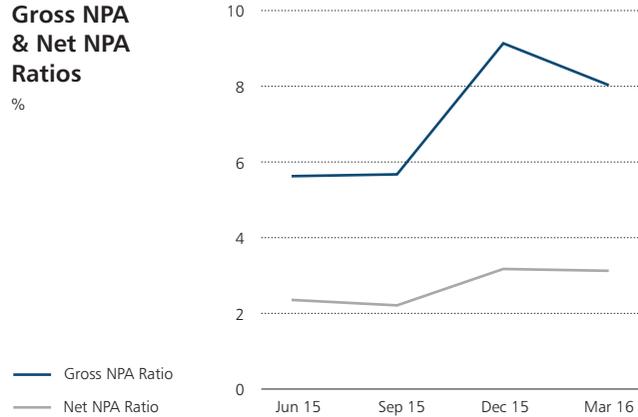
Gross NPA Portfolio

Rs. Millions



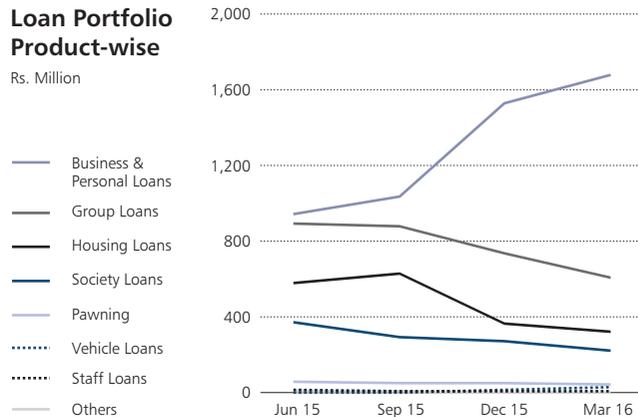
Gross NPA & Net NPA Ratios

%



Loan Portfolio Product-wise

Rs. Million

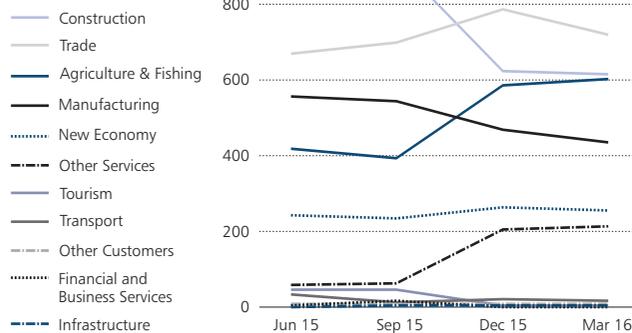


SDF made higher provisioning on doubtful assets and revised guidelines with respect to the Company's debt restructuring. SDF has ensured that the stressed assets are recognised on a proactive basis and that the Company's Statement of Financial Position reflects a true and fair picture that is adequately provisioned. The net NPA thus stood at 3.13% and the net NPA of the new portfolio was 2.06%.

The Company encompasses on a few and basic products which include Housing Loans, Society Loans, Personal Loans, Business Loans, Group Loans, Staff Loans and Auto Loans. The key contributors to the asset base are the Business and Personal Loans which account for 37% of the total loan base. The loan portfolio reached Rs. 2.8 Billion as at end of the FY. The Company introduced Auto Loans in December 2015 as an interim measure in anticipating the leasing license which was received in April 2016. The credit team has apprised of the potential risks arising by lending to these products and recommended action for the mitigation, avoidance or capitalising on the opportunities that arise.

Loan Portfolio Sector-wise

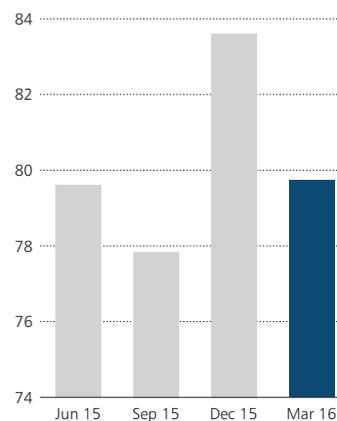
Rs. Million



The Company has been vigilant when exposing borrowers to a single sector of the economy or lending product or to a narrow geographical region. As there is a possibility that the borrower be exposed to economic downturns which will affect the repayment of the loan the Company monitors the quantum as well as the quality of lending by geography.

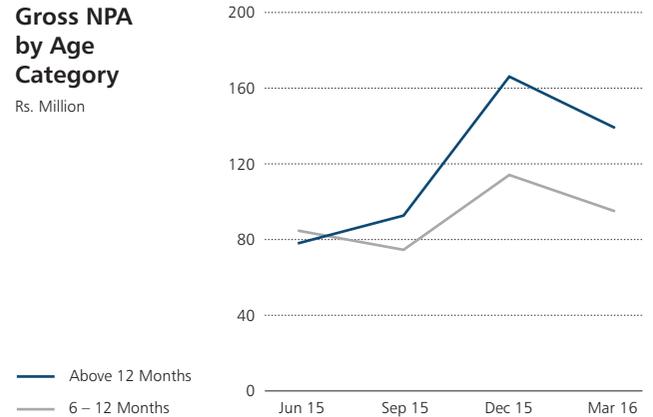
Exposure to top 20 Borrowers

Rs. Million



Gross NPA by Age Category

Rs. Million



Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the Company act as a possible secondary recourse. Collateral generally include cash, marketable securities, properties, stocks, trade debtors, other receivables, vehicles, machinery and equipment and other physical or financial assets.

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

Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialised. 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 (FI) and credit worthy bodies as collateral for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

Market Risk

Overview

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

Market Risk Management

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

Upon recognising various sources of risks, their characteristics and possible outcomes resulting from transactions undertaken by the Company risk management process functions in compliance with the Investment Policy and Asset and Liability Policy. Investment Policy and Asset and Liability Policy, Integrated Risk Management Framework (IRMF) and Stress Testing Policy also define exposure limits and procedures within which such transactions are required to be undertaken. Market risk limits set out in the above policies are regularly reviewed by Asset and Liability Management Committee (ALCO) and Integrated Risk Management Committee (IRMC).

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

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

The Market Risk Management is done by Finance and Planning which is responsible for co-ordinating and performing market risk management activities including measuring, monitoring and

reporting of market risk exposures and reviewing SDF's market risk related policies and exposure limits at least annually. It also provides independent reviews on market risks associated with new investment proposals and products, thus facilitating efficient decision-making through optimising risk return trade-off.

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.

The rise or fall in interest rates due to policy rates impact the Company's balance sheet positioning. Interest rate risk is prevalent on both the asset side as well as the liability side of the Company's balance sheet. Company's liabilities comprise of deposits, capital and reserves and borrowings and the asset side comprises of loans and advances. In a rising interest rate scenario, if there are more rate sensitive assets than rate sensitive liabilities, then interest income will rise more than interest expense; thus Net Interest Income (NII) will show a rise. The reverse is true if rate sensitive liabilities are more than rate sensitive assets.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin. The Company's exposure to interest rate risk is primarily associated with factors such as repricing risk arising from fixed rate borrowings and the yield curve risk arising from unanticipated shifts of the market yield curve.

Interest rate risk is managed principally through minimising interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and reprices its assets accordingly.

Interest Rate Risk Management

The Company's loan portfolio is priced at a fixed rate basis. Investments carry a fixed rate of return. The liabilities of the Company, like deposits and borrowings are also on fixed interest rate basis. Hence, irrespective of the continuing upward movement and deregulation in interest rates, the need for hedging the Company's interest rate risk has not yet arisen since the assets and liabilities of the Company's Statement of Financial Position are priced at fixed interest rates basis. Thus, Treasury has adopted a conservative approach by investing in products that will help SDF mitigate interest rate risk.

Liquidity Overview

Liquidity risk is assessed through periodic cash flow related limits and ratios. All cash flows are placed in various time buckets in terms of their actual or behavioural maturities. Thereafter, the gaps or mismatches between outflows and inflows (i.e., on account of maturing assets, maturing liabilities and off balance sheet items) are worked out. These gaps represent the projected/estimated levels of deficits/surplus that need to be managed.

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

ALCO meets at least once in two months and as and when necessary. ALCO is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity position.

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

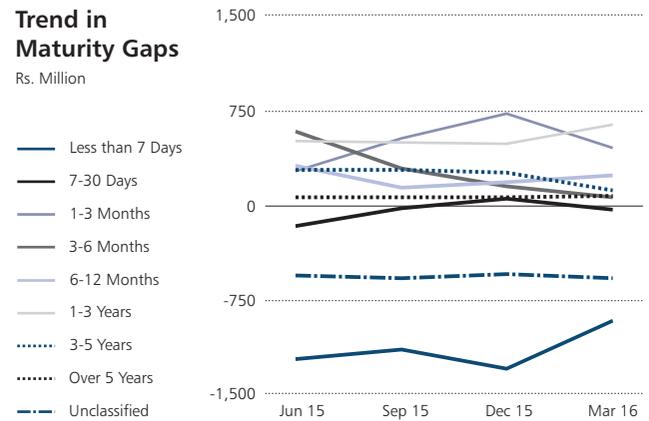
Liquidity Risk and Fund Management

Sound liquidity management involves prudent management of cash flows to ensure that cash inflows have an appropriate relationship to maturing cash outflows. A process of liquidity planning, which assesses potential future liquidity, needs taking into account the changes in economic, political, regulatory and other operating conditions. The liquidity of the SDF is governed by the asset and liability policy. A separate plan has been developed to handle the contingencies of liquidity. The contingency plan is to:

- a) To ensure optimal liquidity position.
- b) To avoid concentrations of funding that lead to potential liquidity problems.
- c) To put in place a contingency planning for liquidity.

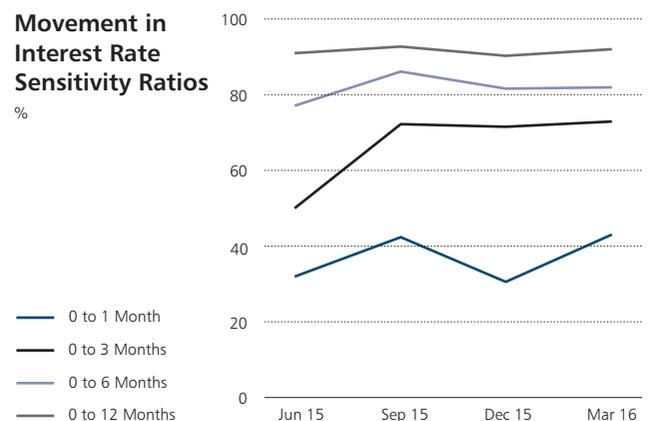
Trend in Maturity Gaps

Rs. Million



Movement in Interest Rate Sensitivity Ratios

%



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 and covering all businesses and operations pertaining to SDF.

Operational Risk Management

SDF manages operational risk through a set of internal controls and management processes that drive risk identification, assessment, controlling and monitoring. The Company has developed a Risk Control Self Assessment (RCSA) that has been carried out biannually for branches on their business processes. Risk Management and Compliance circulates a questionnaire that is responded to by the Branch Managers which identifies and reviews the inherent risk and control available to mitigate and manage the residual risk.

Risk Management

Risk Control Self Assessment (RCSA) is used to identify, assess, monitor and control operational risks. Risk and Control Self-Assessment encompasses assessment of severity and frequency, on a 5-point scale (very low, low, moderate, high, and very high), of the identified risk drivers. This is a forward-looking self-assessment exercise, which identifies business owners, assesses risk drivers, implements mitigatory actions and monitors them on a continuous basis to determine the effectiveness of risk mitigants used. The results are presented to the IRMC.

After reviewing the audit reports, the Risk Management and Compliance has identified certain common Key Risk Indicators (KRIs) that are affecting the branch operations. These risks that have been identified are critically reviewed regularly with the help of Internal Audit Department. KRIs will develop early warning signals that help identify potential events that may harm the continuity of the day-to-day banking business. Risk Management Department of SDF takes a balance scorecard approach to operational risk areas. It is done after discussing with staff at the Business Units and Branches, identifying and selecting KRIs that are specific to these Business Units and Branches. The KRIs are monitored based on their thresholds. The Risk Management Department chooses the highly relevant and highly probable business impacts for which remedies are sought. The Risk Management Department uses KRIs to develop proactive action while providing a backward view on risk events, so that lessons can be learnt from past incidents. This data is used to set the Company's risk appetite and to ensure that tolerance limits are reached.

SDF is in the process of developing a comprehensive Business Continuity Plan (BCP) and Disaster Recovery (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.

Compliance Risk

Overview

Compliance risk is considered as an impact on reputation. The areas considered under compliance risk are the adherence to principles of integrity and fair dealing, adherence to regulatory requirements, limiting of business opportunities, reduced expansion potential and inability to enforce contracts.

Compliance Risk Management

The compliance function assesses the appropriateness of The Company's compliance procedures and guidelines, promptly follows up any identified deficiencies, and where necessary, formulates proposals for amendments as per the compliance audit scope sent for approval to Company. One of the indicators of compliance risk is the trend in the penalties or fines paid on account of non-compliance. Historically, the Company has not faced any significant penalties or fines from any of the regulatory authorities.

Demographical expansion increases the risk of possible non-compliance rendering the management of business difficult. The organisation structure and responsibilities of the compliance function are consistent with local legal and regulatory requirements.

Key Performance Indicators

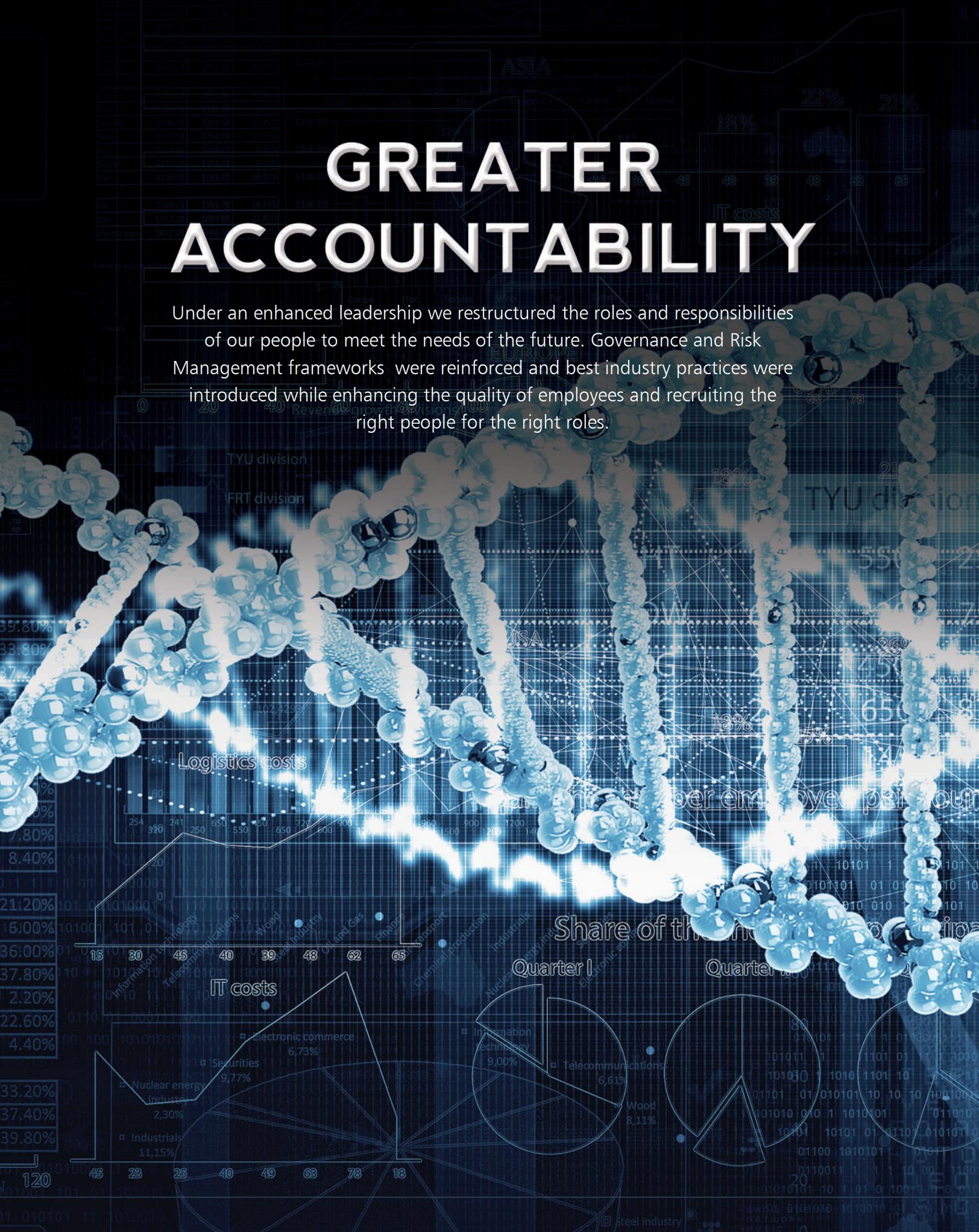
The company's ALCO policy has set the following long-term objectives and measures of productivity to achieve through the effective management of the Company's assets and liabilities.

The risk management and compliance department will closely monitor the performance of these long-term objectives and measures of productivity on a continuous basis to measure any adverse variances in the same for the purpose of timely reporting to the management, ALCO and IRMC for their corrective actions. ALCO will on a periodic basis will evaluate the performance of these long-term objectives and measures of productivity to determine any changes required to same in accordance with the changes occur in the operation and the products and services offered to the customers of the Company.

Performance Indicator	Long-Term Target/Measures of Productivity	QE 30.06.2015	QE 30.09.2015	QE 31.12.2015	QE 31.03.2016	Cumulative Average	Cumulative Variance
Return on Assets	Minimum 5%	0.7%	0.7%	0.4%	1.1%	0.7%	-4.3%
Return on Equity	Minimum 15%	2.9%	3.0%	1.6%	4.3%	3.0%	-12.0%
Net Interest Margin	Minimum 30%	16.7%	16.0%	16.7%	19.5%	17.2%	-12.8%
Cost: Net Income	Maximum 50%	85.4%	84.9%	81.9%	81.8%	83.5%	-33.5%
Solvency Ratio	Maximum 6%	2.3%	2.1%	1.6%	3.0%	2.2%	3.8%
Capital Adequacy (Tier I)	Minimum 5%	32.5%	32.0%	31.2%	32.0%	31.9%	26.9%
Capital Adequacy (Tier I & II)	Minimum 10%	19.2%	19.0%	18.5%	20.3%	19.3%	9.3%
Cash Reserve	Minimum 5%	10.5%	12.2%	9.4%	8.8%	10.2%	5.2%
Liquid Assets Ratio	Minimum 15%-20%	21.5%	28.7%	26.9%	26.2%	25.8%	10.8%
Loan: Deposits	Maximum 80%-90%	96.4%	90.5%	90.6%	94.9%	93.1%	-3.1%
Provision Cover	Maximum 50%	59.2%	62.8%	52.4%	63.0%	59.4%	-9.4%
Net Losses Ratio	Maximum 1%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Gross NPA Ratio	Maximum 3%	5.6%	5.7%	9.1%	8.0%	7.1%	-4.1%
Personnel Expenses per Employee	Rs. 40,000 – Rs. 50,000	45,619	44,554	43,596	43,492	44,315	5,685
PAT per Employee	Rs. 300,000 – Rs. 750,000	55,635	55,407	27,733	76,648	53,856	(246,144)
Personnel Expenses to Operating Expenses Ratio	Below 50%	60.0%	60.9%	61.4%	55.0%	59.3%	-9%
Personnel Expenses to Income Ratio	Below 25%	33.7%	34.0%	33.7%	31.0%	33.1%	-8%

GREATER ACCOUNTABILITY

Under an enhanced leadership we restructured the roles and responsibilities of our people to meet the needs of the future. Governance and Risk Management frameworks were reinforced and best industry practices were introduced while enhancing the quality of employees and recruiting the right people for the right roles.



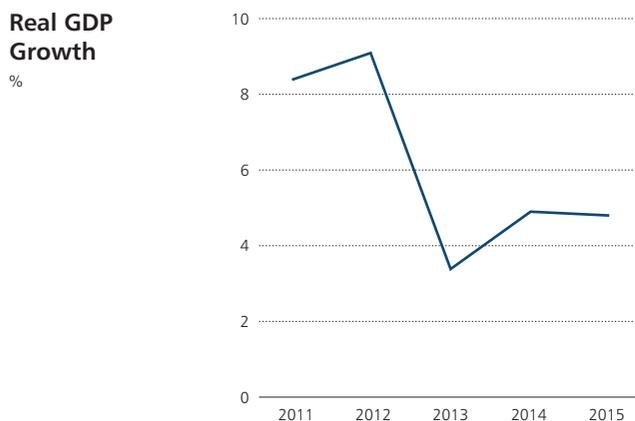
Global Economic Overview

According to the World Economic Outlook of the International Monetary Fund (IMF), global economic growth is estimated to be 3.1% in 2015 with emerging market and developing economies recording a higher growth of 4.0% compared to the 1.9% growth of advanced economies.

Inflation was maintained at subdued levels in most economies as a result of the persistent decline in oil prices, although oil exporting countries experienced shrinking fiscal and external spaces. Headline inflation in advanced economies in 2015, was 0.3% which was on average, the lowest since the global financial crisis.

Sri Lankan Economy

Sri Lanka's real economic growth fell marginally down to 4.8% in 2015, compared to 4.9% recorded in 2014. The slowdown is attributed to the decline in export earnings from Sri Lanka's traditional export markets as well as the short-term capital outflow owing to foreigners taking away their funds from Sri Lanka due to a stronger US economy.



Source: Central Bank of Sri Lanka – Annual Report 2015

The real GDP growth in 2015 was largely driven by an increase in consumption demand, while investment activities made a modest contribution. The public sector consumption expenditure increased as a result of the salary and wage increase of public sector employees. Private consumption expenditure also increased on account of the lower interest rate environment and the increase in real wages.

Domestic savings declined to 22.6% of GDP in 2015, from 24% of GDP in 2014. This, together with the reduction in earnings on investment and increased outflows and deterioration of net primary income from the rest of the world, dampened national savings, although remittances increased marginally, in rupee terms in 2015.

The agriculture sector recorded the highest growth in 2015 followed by the services sector.

For the first time since March 1995, inflation [as measured by the year-on-year change in Colombo Consumers Price Index (CCPI)] entered a negative territory. However, the year-on-year headline inflation as at end of 2015 was 2.8% compared to 2.1% as at end 2014.

Although the Central Bank maintained a relaxed monetary policy stance, a gradual tightening of monetary policy was initiated towards end 2015 to preempt the emergence of excessive demand pressures on inflation emanating from high credit and money expansion.

The Budget deficit of 7.4% fell short of its target of 4.4% of GDP. This led to the increase in the debt of the Central Government to a massive 76% of the GDP by the end of 2015.

The key focus areas of the Government's medium-term strategy to address the Government debt included export led growth, Government revenues and the structural reforms.

Sectoral Performance

All three sectors of the economy – services, industry and agriculture contributed towards Sri Lanka's real economic growth in 2015. Service activities which account for the largest share of Sri Lanka's GDP (56.6%) grew by 5.3%, led by the strong growth of financial services in 2015.

Industry activities which is the next largest sector accounting for 26.2% of GDP, grew by 3.0% supported by the growth in manufacturing activities.

Agriculture services which account for 7.9% of the GDP, recorded the highest growth amounting to 5.5% of GDP, despite the contraction in fishing, growing of rubber and tea in 2015.

Gross National Income by Industrial Origin

	As a Share of GDP (%)	
	2014	2015
Agriculture, Forestry and Fishing	7.8	7.9
Industries	26.7	26.2
Services	56.3	56.6

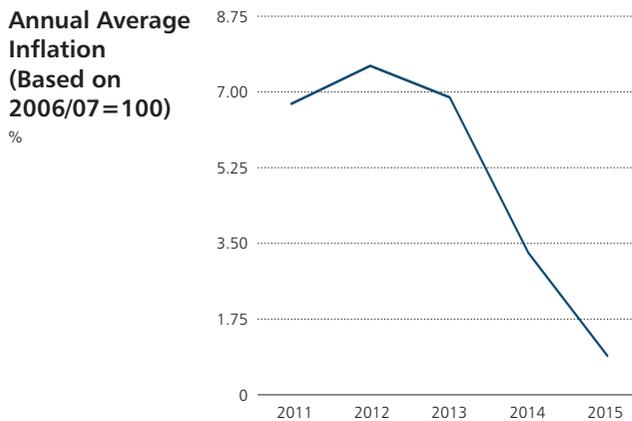
Source: Central Bank of Sri Lanka – Annual Report 2015

Operating Environment

Inflation

Inflation, based on CCPI (2006/07=100), remained below mid-single digit levels in 2015 and stood at 0.9 as of 31st December 2015. Several factors contributed, such as the price reduction of several key consumer items, favourable supply side developments in the domestic and international markets and contained inflation expectations.

Core inflation, which switches out energy and selected food items from the CCPI basket, grew from 0.8%, on a year-on-year basis in February 2015, to reach 4.5% as of December 2015. This was driven largely by the increased growth of bank credit as well as higher wages awarded to Government workers and employees in other sectors of the economy.



Source: Central Bank of Sri Lanka – Annual Report 2015

Unemployment Rate

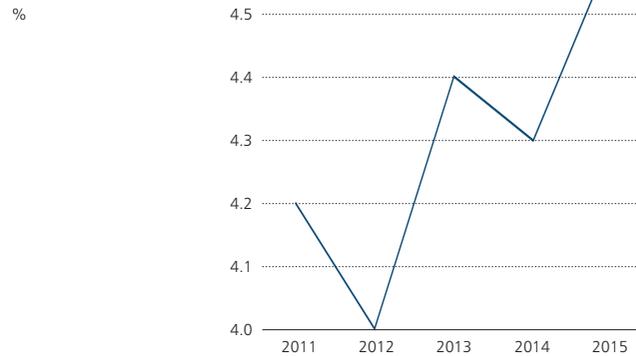
The unemployment rate increased from 4.3% in 2014 to 4.6% in 2015 amidst a marginal increase in labour force participation, particularly by females.

The female unemployment rate increased from 6.5% to 7.6% as of December 2015 whilst the male unemployment rate declined from 3.1% in 2014 to 3.0% in 2015.

Due to the geo-political tensions and the slowdown of economic activity in the Middle East, there was a sharp decline of 12.4% in the total number of departures for foreign employment.

However, with the increased participation of rural sector females in the labour force, the labour force participation rate increased from 53.3% in 2014 to 53.8% in 2015. Labour productivity also rose during 2015, with positive contributions from all three sectors of the economy.

Unemployment Rate



Source: Central Bank of Sri Lanka – Annual Report 2015

Exchange Rate

The rupee, which remained broadly stable during the first eight months of the year, depreciated at a faster pace from early September 2015. This was due to the Central Bank's decision to allow greater flexibility in the determination of the exchange rate, based on market forces. Accordingly, as of end 2015, the Sri Lankan rupee had recorded a depreciation of 9.03% against the US dollar.

The domestic foreign exchange market faced substantial pressure during 2015 due to the lower than expected inflows to the current and financial accounts, high volume of foreign exchange outflows due to increased imports, debt service payments and the reversal of foreign investments from the Government Securities Market.

External Trade and Balance of Payment

Despite substantial gains from the lower oil prices and continued positive trends in the tourism sector, slowing down of net foreign exchange inflows, including worker remittances and capital outflows, generated an overall deficit in the balance of payments (BOP). Although, the efforts to reverse the downward trend in Government tax and non-tax revenues were moderately successful, overruns on the expenditure side of the Government Budget increased the budget deficit during 2015.

In tandem with the deterioration of the BOP, Sri Lanka's gross official reserves declined to US \$ 7.3 Billion by end 2015 from US \$ 8.2 Billion at end 2014.

Interest Rates

The market interest rates remained low during 2015 although an upward movement was observed in the latter part of 2015.

The average weighted deposit rate (AWDR) which reflects movements in interest rates pertaining to all interest-bearing deposits held with commercial banks stood at 6.20% as at end 2015 which was the same as the end 2014 rate.

The average weighted fixed deposit rate (AWFDR) which is based on interest rates pertaining to all time deposits held with commercial banks increased by 24 basis points to 7.57% from 7.33% as at end 2014.

The average weighted lending rate (AWLR), which captures lending rates on all advances weighted by outstanding loan balances, declined by 91 basis points to 11.00% as of December 2015 from 11.91% a year ago.

Reflecting the gradual rise in short-term lending rates towards the latter part of 2015, the weekly average weighted prime lending rate (AWPLR) increased by 127 basis points to 7.53% by end 2015 from 6.26% as at end 2014.

Economic Outlook

According to the April 2016 World Economic Outlook of the International Monetary Fund, global economic growth is projected to be a modest 3.2% in 2016 and rising to 3.5% in 2017. This projection reflects the weakness in oil exporting countries, the moderate slowdown in China and the weak outlook for exporters on non-oil commodities.

The United States is expected to grow at a moderate pace supported by the increase in house hold-spending, strengthening labour market, no further fiscal drag in 2016, and an improving housing market. Growth in China is projected to slow to 6.5% in 2016 reflecting the announced policy stimulus. The euro area is envisaged to continue its recovery with the weakening external demand outweighed by the favourable effects of lower energy prices, a modest fiscal expansion, and supportive financial conditions. Activity in India, is estimated to notch up to 7.5% in 2016/17, driven by private consumption.

Global inflation is projected to fall to 4.5% in 2016 in emerging market and developing economies reflecting the decline in commodity prices and the dissipating effects of last year's currency depreciations.

On account of the continued volatile global economic environment in 2016, Sri Lanka would be impacted by the continued decline in global oil prices, the stagnating growth in Middle Eastern countries which negatively affected workers' remittances and tea exports. These would have serious repercussions on the foreign exchange, foreign remittances and the FDIs of Sri Lanka.

Sri Lanka's economy is projected to expand at a rate of 5.8% in 2016, and strengthen over the medium-term to a higher growth trajectory to achieve a growth rate of 7%. It is expected that the new policy initiatives of the Government would spur growth across all major sectors of the economy and increase private sector participation through an investor friendly environment whilst inflation is estimated to be at a low level of around 4.0%.

The outlook for Sri Lanka's external sector is favourable with the positive developments in the domestic and global economies and the recent policy initiatives. The deficit in the current account is expected to decline and the gradual recovery of the global economy will provide the required impetus to maintain Sri Lanka's external demand at favourable levels.

The rise in income levels, expected from this improved external demand, would support Sri Lanka's graduation to the upper middle income status, bringing forth new challenges, as characterised by the 'middle income trap.'

Credit extended to the Government by the banking sector is expected to decline in line with Government's efforts to strengthen the fiscal consolidation process by releasing additional resources for more productive private investments. With the realisation of expected higher inflows to the financial account of the BOP, foreign assets of the banking system are likely to improve in the medium term.

Financial Sector

Reflecting the underlying economic performance and supportive prudential regulatory measures, the financial sector showed an improved performance in 2015.

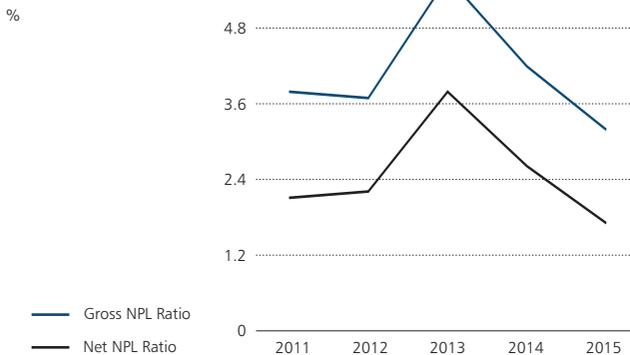
Operating Environment

Banking Sector

Business operations of the banking sector expanded, supported by increased credit demand fuelled by the low interest rate regime, increased profits and internal capital generation. The total asset base increased by 15.9% year-on-year (YoY) to Rs. 8.1 Trillion as at December 2015, compared to the increase of 17.3% in 2014. The increase in assets was mainly attributed to the increase in loans and advances which was largely funded by customer deposits.

The savings and current account deposits increased during the year by 18.3% and 17.2%, respectively which is partly attributed to higher domestic real interest rates. Accordingly, the current accounts and savings accounts (CASA) ratio increased marginally in 2015. Borrowings were mainly funded by foreign sources during the year, contributing to 69% of the increase in total borrowings in 2015.

The assets quality of the sector improved further in 2015 as reflected by the decline in the gross non-performing loan (NPL) ratio to 3.2% at the end of 2015 from 4.2% in 2014.

Banking Sector
NPL Ratios

Source: Central Bank of Sri Lanka – Annual Report 2015

The Profit after Tax of the banking sector increased by 10.3% YoY to Rs. 97.0 Billion in 2015 primarily due to the healthy growth in net interest income. The profitability ratios however, declined marginally as a result of the high increase in the assets base and capital base of the banking sector to meet the minimum regulatory requirements. Accordingly, ROA decreased to 1.3% in 2015 from 1.4% in the previous year, while ROE decreased to 16.1% from 16.6% in 2014.

Banking Sector –
Profitability
Indicators

Source: Central Bank of Sri Lanka – Annual Report 2015

The Government introduced a number of new prudential regulations and regulatory policies in 2015 to further strengthen the risk management and public confidence in the financial sector. These include the implementation of Liquidity Coverage Ratio under Basel III Liquidity Standards for licensed banks, a maximum loan-to-value (LTV) ratio of 70% in respect of loans and advances granted for the purpose of purchase or utilisation of motor vehicles by banks and LFCs and SLCs, and a new regulatory framework for opening, closure and relocation of branches and other outlets of LFCs and SLCs.

Licensed Finance Companies (LFCs)
and Specialised Leasing Companies
(SLCs) Sectors

The performance of the LFC/SLC sectors remained robust during 2015 in terms of the expansion of both business volume and outreach. The branch network was expanded by 84 to 1,216 branches with emphasis placed on areas outside the Western Province.

Total asset base grew at a higher pace of 22.3% in 2015 compared to 19.0% in 2014 which was supported by the increase in borrowings and deposits during the year. Credit growth was driven by loans and advances which grew robustly by 31.8% to Rs. 795.8 Billion at end 2015 compared to the increase of 15.8% in the previous year. This was mainly due to the high growth in other secured loans and finance leases.

The deposit growth slowed down to 16.1% YoY compared to the growth of 22.8% in 2014 and mainly comprised time deposits which accounted for 95% deposit portfolio. Total borrowings increased substantially by 44.6% YoY to Rs. 314.3 Billion largely due to funds obtained from the banking system and debenture issues.

Composition of Assets and Liabilities of LFC/SLC Sectors

	2014		2015	
	Rs. Billion	Share	Rs. Billion	Share
Assets				
Loans and Advances	604	74%	796	80%
Investments	110	14%	100	10%
Other	101	12%	101	10%
Liabilities				
Total Deposits	414	51%	481	48%
Total Borrowings	217	27%	314	32%
Capital Elements	117	14%	123	12%
Other	67	8%	78	8%

Source: Central Bank of Sri Lanka – Annual Report 2015

Profits moderated during the year as a result of the sharp increase of operational costs despite the improvement in core business operations. Accordingly, profit after tax amounted to Rs. 15.2 Billion compared to Rs. 14.8 Billion in 2014.

The capital ratios reduced during the year due to the greater increase of risk-weighted assets but however, remained above the minimum required level.

Colombo Stock Exchange (CSE)

CSE recorded a sluggish performance under volatile movements in the price indices in 2015. However, the primary market which remained active throughout the year, raised over Rs. 100 Billion through 27 Initial Public Offerings (IPOs) in equity and debentures, 14 right issues and 2 public placements.

Market capitalisation declined by 5.4% to Rs. 2.9 Trillion at end 2015 equivalent to 26.3% of GDP.

The daily average turnover also decreased by 25.1% to Rs. 1,060 Million during the year in review from Rs. 1,415 Million in 2014. Foreign investors accounted for 28.1% of the total turnover whilst the balance was from local investors.

The Securities and Exchange Commission of Sri Lanka (SEC) developed a capital market development master plan in 2015.

Operations Review

The Deshodaya Development Finance Company Limited (DDFC) was rebranded as Sarvodaya Development Finance Limited (SDF) on 14th August 2015. The main purpose of this rebranding was to broaden the scope of its products capitalising on the Sarvodaya Brand and services and to serve a wider segment of the society including youth and small entrepreneurs in addition to the micro sector.

Being a Subsidiary of the Sarvodaya Economic Enterprise Development Service (SEEDS), SDF is imbued with the values and objectives of Sarvodaya – empower communities, address poverty and develop people both materially and spiritually.

For over 20 years SDF has assisted rural communities in Sri Lanka to elevate their standard of living, first under SEEDS and subsequently as DDFC and now as SDF.

The business model of SDF differs from the conventional as it does not serve the basic ‘investor invests for personal return’ premise. Instead the profits are channelled as dividends to SEEDS; its parent company that engage in charitable activities and uplifting rural communities.

Engaging with Our Stakeholders

The Company’s main stakeholder groups have been identified as customers, employees and the society and the environment. To better understand our internal and external business environment, SDF actively engages with its stakeholders. Therefore, as a responsible entity we engage with our stakeholders continuously as the relationships we foster with them has a direct impact on our business. However, the mode and frequency of engagement which is summarised below, vary according to the stakeholder group.

Customers

Customers are integral to our organisation as the success and the sustainability of our business depends on them. Therefore, through the provision of financial services and products we serve their diverse needs to the best of our ability.

Through methods such as customer satisfaction and mystery surveys which are conducted annually, active participation on social media, customer visits and the like we engage with our customers to ascertain feedback, suggestions and grievances about our services and products. Ongoing customer workshops and get-togethers, customer visits, suggestion boxes and our corporate website are also other modes through which we receive customer feedback. Accordingly, we take measures to meet their needs and improve our

service offer. We have taken several initiatives to increase customer convenience through refurbishment and relocation of branches, introducing several new products and recruiting and training our employees to offer a better service to customers. In addition, we set up a Sarvodaya Shramadana Society (SSS) Co-coordinating Unit to strengthen mutual relationships and provided an inclusive service to the underserved segments in our nation.

Employees

We strongly believe that an organisation is as good as its people. It is their hard work and commitment that enable our Company to achieve a high and sustainable performance. Hence, we nurture a culture where all employees can contribute to their full potential in pursuit of the Company’s mission and objectives.

We recognise the importance of engaging our employees. Hence we operate a number of channels through which we can communicate with and receive feedback from employees. The employees are given a comprehensive orientation every quarter to introduce the Company’s mission, values, objectives, policies and the like. The Company policies are made available to all the employees and they are guided by the Code of Conduct. Numerous training programmes are conducted to develop the skills of the employees and help them to advance in their careers. An ‘in retrospect’ meeting is conducted quarterly which allows employees to share their work experience at SDF and also help them understand their job role better. We value the ideas of our employees. Hence, through periodic staff meetings such as branch meetings, departmental meetings, RMs meetings, business review meetings and town hall meetings etc., the management ascertains their feedback and suggestions that improve and transform the workplace. We also have an open-door policy facilitating employees to access the management at any time. In order to facilitate a healthy work-life balance, numerous activities are conducted by the Staff Welfare Committee where the employees and their families are able to interact.

The Society and Environment

We remain committed to pursuing sustainable business practices as we work to realise a better future for the society and the environment in which we operate. Following the principles of the Sarvodaya Movement, we undertake community engagement activities that effectively address the needs of the communities. In addition we develop products and services that are environmentally conscious and work with various stakeholders contributing to the realisation of a sustainable society.

Accordingly, we introduced a new business model for the Sarvodaya Shramadana Societies to enhance financial inclusion during the year.

Our Customers

Our customer base is diverse and is spread across the island. The main customer segment comprises of those who are in the grass-root level, in particular the micro and SME segments of the country. Following the footsteps of the Sarvodaya Movement, we extend a caring and convenient service to uplift and empower the people in our nation.

By promoting self-reliance, community participation and a holistic approach to community 'awakening', SDF demonstrated that when people organise themselves at the grass-roots level, with a collective leadership, their resources are utilised to enhance quality of life. Accordingly, SDF successfully developed a village-based organisation that is responsive to the economic needs of the country. Focusing on a holistic approach to social mobilisation through empowerment of people beyond mere economic development, Sarvodaya drives sustainable economic development of communities.

Going forward, we aim to serve the middle income customers for personal loans, leasing and deposits.

Product Portfolio

In order to fully serve our customers, the products on offer must meet the customers' specific needs, taking into account the exact risks associated with micro financing. In pursuing our mission of fostering sustainable development through the provision of ethical financial services, we provide tailor-made products and services that meet the precise needs of our customers. This is reflected in our portfolio of products and services which comprises long- and short-term deposits and a range of loans.

The wealth of experience we have gained from our parent organisation; SEEDS and leveraging on an extensive corporate client base, with a large deposit base of society savings and an island-wide network of branch offices enables us to effectively uplift families and communities, and help eradicate poverty in the country.

These are some of our key products and services.

Normal Savings

Any person over the age of 18 years can open these accounts maintaining a minimum balance of Rs. 500/-. It can be opened either as single or joint accounts. This savings account carries the market interest rate and the interest is calculated daily and credited monthly. Account holder can obtain a loan on the savings account balance. To open an account one has to furnish the National Identity Card, the passport or the driving license and fulfil the KYC (Know your Customer) requirements.

Children's Savings

Minor savings is an investment for a child's future. These accounts can be opened for minors under the age of 18 years with a minimum initial deposit of Rs. 100/-. The account can be operated in the name of an adult, generally one of the parents, as a trust account for the child. We pay a higher rate of interest on Children's Savings Accounts.

Fixed Deposits

Any Sri Lankan citizen over the age of 18 years can open a fixed deposit with a minimum deposit of Rs. 5,000/-. The tenure of the fixed deposit can vary from 3 months to 60 months. The deposit holder receives fixed interest rate for the period as agreed 85-90% of the fixed deposit can be obtained as a loan as well.

Senior Citizens Accounts

For senior citizens over the age of 55 years we pay an additional rate of 1% p.a. as interest on Savings and Fixed Deposits.

Personal Loans

Provides financial support to accomplish diverse personal needs including children's education, overseas travel, purchase of a vehicle, life cycle events, covering urgent medical expenses or for any other purpose. The loan can be obtained by salaried employees of the private and public sectors on a security of a personal guarantee or mortgage of a moveable or immovable asset. The minimum loan amount is Rs. 50,000/- with a repayment period up to 60 months.

Business Loans

Business loans are offered to micro-scale entrepreneurs to meet their working capital requirements and capital expenditure. These loans have the added advantage of providing sufficient capital to the customer to expand their business and thereby create employment opportunities. The minimum loan value is Rs. 50,000/- with a repayment period up to 60 months.

Operations Review

Group Loans

During the year in review, we re structured and expanded our Group Loans scheme which evolved from the pioneering micro financing experience of SEEDS. It is an unique concept that blends the targeted social objectives with the great philosophical vision of the Sarvodaya Movement.

A needs-based approach is adopted rather than a demand-based supply mechanism to avoid over indebtedness of rural masses, which is currently a burning issue of the industry.

Housing Loans

Theses consist of loan facilities to support house constructions renovations or repairs. The minimum loan amount is Rs. 150,000/- and the maximum tenure of the loans is 60 months.

Society Loans

Sarvodaya Development Finance Limited provides bulk loans to Sarvodaya Shramadana Societies for onward lending to their members. In other words, the Society acts as an 'intermediary' or 'broker' to channel Sarvodaya Development Finance Limited loans to individual borrowers. The minimum loan amount is Rs. 50,000/- and the maximum tenure of the loans is 48 months.

Society members access loans for a variety of purposes, primarily to initiate or improve income-generating projects, as well as for consumption and other expenses. The minimum loan size granted to members is Rs. 10,000/-, with the maximum loan-term being 48 months.

Auto Loans

A new Auto Finance Department was set up in November 2015 to broaden the asset product offerings of SDF. Pending the leasing license from CBSL, SDF commenced providing auto loans to their customers. The auto finance products are offered to purchase a wide range of vehicles including registered and unregistered private and commercial vehicles, three wheelers and brand new motor cycles. Customers can avail themselves to hassle-free auto finance facilities at favourable rates.

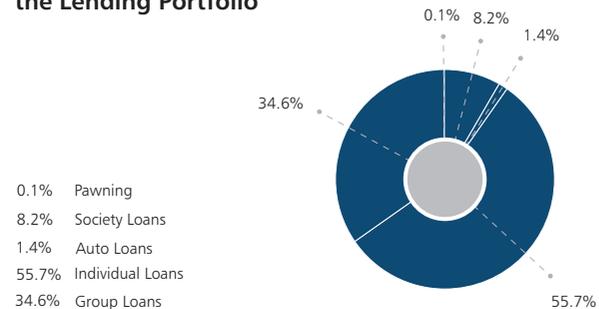
SME Loans

A new SME Loan Unit is being set up to commence operations in April 2016. The SME Unit would offer tailor-made financing solution for Small and Medium Entrepreneurs (SMEs) in a wide range of industries across the island. SME Loans are to be granted for both capital and working capital requirements and would be classified as short-term, medium-term and long-term facilities with loan tenor ranging from 12 months to 60 months. The minimum loan size would be Rs. 2.5 Million.

Composition of the Lending Portfolio

Sarvodaya Development Finance Limited's cumulative loan portfolio stood at Rs. 2.9 Billion as at 31st March 2016, while annual disbursements amounted to Rs. 2.5 Billion.

The percentage of disbursements during the year were as follows:

Composition of the Lending Portfolio

Sector-Wise Disbursements

The table below indicates the loan disbursement by sectors:

Sector	Amount Rs.	%
Trades	635,654,722	25.66
Agriculture and Fishing	593,779,423	23.97
Constructions	524,218,250	21.16
Manufacturing	381,078,008	15.38
Other Services	200,259,142	8.08
Other Customers	113,706,410	4.59
Transport	12,396,127	0.50
New Economy	7,564,264	0.31
Infrastructure	4,865,562	0.20
Tourism	3,006,952	0.12
Financial and Business Services	883,293	0.04
Total	2,477,412,153	100.00

Marketing Promotions

We conducted several marketing and promotional campaigns to enhance public awareness about SDF during the year.

Accordingly, our new corporate brand relaunch was communicated via a media conference and several mass media campaigns including television, radio and the press. Also we changed the branding at every customer touch point that gave a further boost to SDF brand.

Additionally, several promotional activities were conducted in the vicinity of branches as well.

We always maintain a good public presence by publishing press articles regularly. In addition, several small promotions were conducted in all regions covering all the branches during the year.

Product-Wise Customer Analysis

Savings Portfolio

Type	31.03.2016	31.03.2015	31.03.2014
FD	1,404,364	1,272,053	783,634
SAV	1,361,892	1,027,883	1,364,997
Pancha	187,124	370,903	
	2,953,380	2,670,839	2,148,631

Customer Analysis by Loan Portfolio

Our loan customer base increased by 6.9% YoY to 52,133 in 2015. The number of customers in the Individual customer loan category increased substantially by 107% YoY to 22,144.

Product	No. of Customers		
	31.03.2014	31.03.2015	31.03.2016
Society	6,045	2,915	1,836
Housing	7,582	7,001	4,095
Individual Loan	11,895	10,706	22,144
Group Loan	868	24,981	21,678
Pawning	3,936	2,486	2,101
Others	3,405	543	117
Auto Finance	–	–	22
Staff Loan	180	123	140
Total	33,911	48,755	52,133

Geographical Analysis of Customers

Province	No. of Customers		
	31.03.2014	31.03.2015	31.03.2016
Northern	1,605	2,408	3,049
Eastern	3,395	3,170	3,091
Southern	2,488	5,255	5,899
Western	3,565	6,694	7,061
North Western	3,857	5,689	5,609
North Central	4,313	6,189	7,444
Central	6,155	9,805	9,953
Sabaragamuwa	3,694	4,166	4,928
Uva	4,839	5,379	5,099
Total	33,911	48,755	52,133

Geographical Analysis of Customers

Our customer base is spread across the country. We promote financial inclusion by serving customers in the remote and unbanked areas of our nation. The fact that 86% of our customer base is outside the Western Province bears testimony to this fact.

Customer Satisfaction

A Customer Satisfaction Index (CSI) is maintained by us to gather customer feedback on our products and services. Customer satisfaction surveys are conducted randomly using questionnaires where the customer is given the opportunity to assess our service and give their comments as well. Based on the feedback we improve our product and service offering to deliver a greater value to customer.

Branch Expansion

In order to provide greater accessibility and convenience to our customers, four of our outstation branches were relocated during the year under review. Accordingly, the branches in Akuressa, Pasyala, Kuliypitiya and Trincomalee were relocated to more convenient and spacious locations. We have also given facelifts to most of our branches and equipped them with a host of modern facilities.

System Enhancement

Efinance System, a new centralised, online-real-time IT system was implemented during the financial year. The data migration which commenced on 1st April 2015 was completed by 31st January 2016, and the system went live from 1st February 2016.

We also successfully implemented 'Life Wire HRM' a centralised, online-real-time HRIS system in the Company. Most importantly, the attendance is captured through biometric readers and the leave records are managed accordingly. The system now connects all the SDF branches and customer service centres (CSCs) online. Most of the HR-related procedures of the Company were streamlined as well.

Further, we are in the process of launching a Central Processing Unit (CPU) to centralise our back office operations and the intranet will be launched in the near future.

Infrastructure Development

A dedicated virtual private network was implemented to connect all 58 branches and CSCs to the head office. In keeping with the Central Bank guidelines, the network infrastructure of the Company was completely redesigned to enhance its security features.

We also strategies to relocate our disaster recovery site to one of the leading IDC providers in Sri Lanka to improve information security and online real time connectivity and high availability.

Along with the primary virtual private network, we plan to lay our secondary network infrastructure connecting all our branches and CSCs to head office ensure high levels of redundancy.

Introduction of New Policies

We have introduced/revamped many policies such as HR Policy, Risk Management Policy, Lending Policy, Branch Operations Policy etc. for better management of branches.

Mobile Money

With a view of extending our services to rural customers, we plan to introduce mobile money to facilitate savings and withdrawals via smartphones as a branchless banking solution subject to approval of CBSL. This would be a timely step forward towards extending an enhanced customer service experience.

Our Employees

A motivated and diverse workforce with the right blend of competencies is key to the success of our Company. A diverse workforce, in terms of gender, age, experience and backgrounds not only strengthens our Company but enhances our ability to attract and retain talent and contribute to the achievement of our strategies priorities. Therefore, our corporate culture is geared towards high performance, constantly challenging our people to do better, and empowering them to unleash their full potential. We also encourage a culture of camaraderie among employees across the nation, prioritising people development and promoting a well-balanced work life.

During the year, several HR policies were implemented to facilitate employees to achieve envisaged business goals. Through close interaction between the management and the staff members and implementing sound motivational techniques within the organisation, the employees are encouraged to forward suggestions, ideas and challenges to the management which are vital for the success of our business.

We also maintain an open door policy encouraging staff members to voice their grievances and address urgent issues through immediate discussion. As an equal opportunity employer we do not discriminate based on gender, age, race, language or religious belief. Only the relevant skills and competencies of the employees are considered as attributes that create sustainable value. We do not condone child labour and forced labour.

We are confident that our Company can gain a competitive advantage in the industry through the measures taken to align with technological advancement and nurturing a winning team that display service excellence and professionalism.

The following HR strategies were implanted during the year under review:

- The HR processes were streamlined and new policies were introduced including a performance management system.
- Branch visits were made by the CEO, Heads of Departments and AGM-HR to boost staff morale, gain the confidence of the staff members.
- Monthly basis meetings/knowledge sharing sessions were conducted for branch managers and unit heads to keep them updated with the challenges and new initiatives of the Company.
- Recruited experienced and professional staff members for senior positions and qualified candidates for junior grades.
- Initiatives were taken to establish a fully-fledged staff training and development centre and invested in several training programmes. A training calendar and a training policy have been introduced for the ensuing financial year.

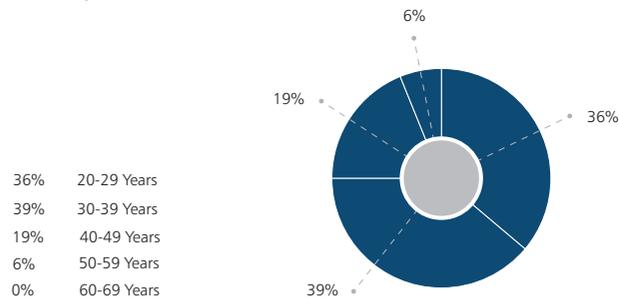
Human Resource Analysis

Our staff strength as at 31st March 2016 consisted of 603 employees, of whom 57% were male employees and the balance 43% were female employees.

Age Analysis of Employees

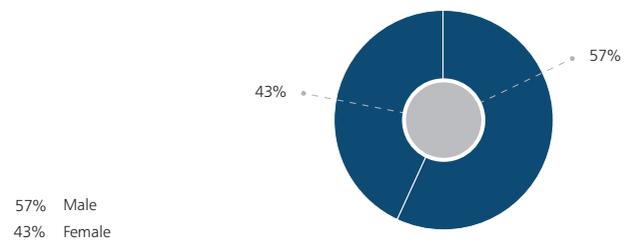
We have a relatively younger workforce with 74% of the total employees below the age of 40 years and 26% below 60 years of age.

Age Analysis of Employees FY 2015/16



Gender Analysis of Employees

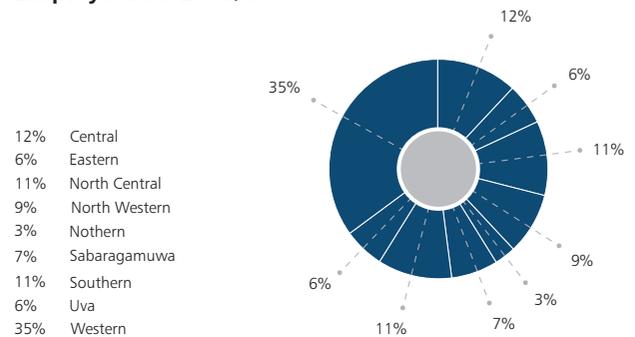
Gender Analysis of Employees FY 2015/16



Geographical Analysis of Employees

Our employees are deployed across the nation to provide an inclusive service to our customers. The highest concentration of employees was in the Western Province followed by the Central Province.

Regional Analysis of Employees FY 2015/16

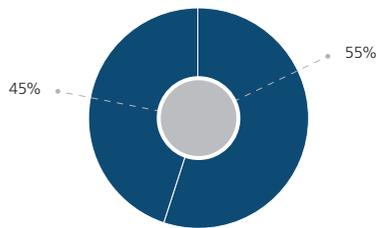


Employee Turnover

Total employee turnover for the financial year 2016 was 175, of whom 96 were males and the balance 79 were female employees. The employee turnover rate was highest in the 20 to 29 age category of employees whilst regionally, the Western Province accounted for the highest turnover of 30%.

Employee Turnover – Gender-Wise

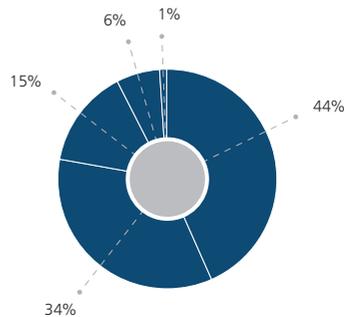
Employee Turnover – Gender Wise



55% Male
45% Female

Employee Turnover – Age-Wise

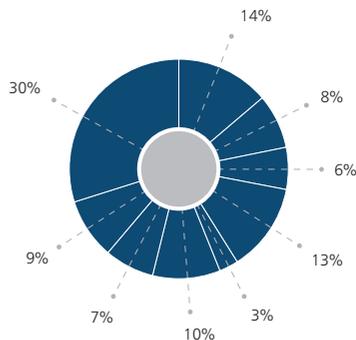
Employee Turnover – Age Wise



44% 20-29 Years
34% 30-39 Years
15% 40-49 Years
6% 50-59 Years
1% 60-69 Years

Employee Turnover – Region-Wise

Employee Turnover – Region Wise



14% Central
8% Eastern
6% North Central
13% North Western
3% Nothern
10% Sabaragamuwa
7% Southern
9% Uva
30% Western

Recruitment

Our greatest asset and competitive advantage is our staff members. Hence, we continually strive to recruit the best candidate who fits the job requirement. Our recruitment strategy is focused on recruiting and selecting based on merit, such as skills, knowledge and abilities, regardless of age, race, gender, religion or ethnicity. As an equal opportunity employer, we provide equal opportunities for all employees in all aspects of HR including training and development, remuneration and benefits and the like. The HR Department of SDF is guided by its motto for 2016 – we provide a career, not merely a job. All our endeavours pertaining to HR are geared to make us an employer of choice in the financial services industry.

Training and Development

The people management strategy is aligned to the vision, mission, values and the set business goals of our Company. Significant importance is attached to grooming our employees for career development within the organisation. Comprehensive training and development opportunities are given to enable employees to realise their full potential. They are encouraged to acquire knowledge, competencies and skills that would create value both to their own lives and careers and the Company.

Opportunities are also created for promising employees to enhance their professional and personal development whilst mediocre performers are given on-the-job training under the guidance of experienced managers.

A total of 41 training programmes (External + Internal) on various subjects were conducted for our employees during the year.

Some of these external training programmes were as follows:

- Financial Intelligence for Banking and Financial Institutions;
- Customer Service Excellence and Product Development;
- Time, Task and Stress Management;
- Social Media Marketing and Brand Management;
- Spirituality and Inspirational Leaderships; and
- Two Senior Management members were sent to India for an exposure visit.

We also conducted many technical training programmes to enhance the product/service knowledge.

Performance Evaluation and Career Development

The career development programme in our organisation is closely aligned with the training provided to the employees.

Employee Remuneration and Rewards

Even though, there is no special employee reward system in our Company, we ensure that our employees are well looked after by the organisation. 275 staff members were rewarded for achieving their desired targets were assigned to them, amounting to Rs. 3 Million.

Employee Benefits and Staff Welfare

The welfare facilities given to the confirmed staff members are as follows:

- Provision of school books for children of staff members up to grade 12;
- Death donation benefit;
- Distress/motor cycle loan facility;
- Marriage allowance;
- Reimbursement of professional membership subscription for corporate members (one professional institute);
- Personal loan scheme – to be introduced;
- Senior Management members were sent overseas for an exposure tour/visit;
- Reimbursement of telephone bills, fuel and maintenance, subsistence and lodging expenses; and official travelling expenses.

Future Outlook

The Company's HR Policy is aimed at establishing SDF as an employer of choice and to recruit and maintain a committed, professional team of employees equipped to face the challenges of the future. Based on our HR tag line 'we offer a career, not a job' the new HR initiatives to be taken include:

- Creating and maintaining a performance driven culture;
- Introducing a performance based bonus scheme for high performers;
- Launching a staff suggestion and recognition scheme;
- Strengthening staff training and career development programmes; and
- Introducing best HR practices.

Our Community and Environment

We are committed to investing our time, expertise and resources to help develop and maintain sustainable local communities. Our commitment is also extended to reducing the environmental impact of our activities and promoting the sustainable use of the natural resources on which we depend. As a policy, we do not promote projects that pollute the environment. These efforts in managing our environment impacts also help us meet the expectations of our stakeholders, reduce business risks and reduce operating costs as well.

As a responsible finance company, we have a broad objective for the social and environmental well being. Emulating the principles of Sarvodaya Movement, we follow ethical practices in selecting projects for funding.

Hence, we refrain from financing projects that are engaged in activities which are harmful to the society and environment, such as slaughtering animals, gambling and money laundering, alcohol shops and the like. Additionally, a share of our profits is plowed back to the society through our parent company. These monies are reinvested to uplift the society through the activities conducted by the Sarvodaya Movement.

Promoting Financial Literacy

A series of workshops were conducted in collaboration with SEEDS to give a basic introduction to the concept of entrepreneurship to the small and medium entrepreneurs. The areas covered included maintaining effective financial records, basic accounting concepts, working capital and business management etc. The workshops conducted in all districts were well received by the audience and we aim to educate more entrepreneurs in the lower end of the SMEs in the ensuing year.

Educational Excursions

We extended our support to Sarvodaya Suwasetha to organise an educational excursion to Pinnawela. Accordingly, children and staff members from the six Child Development Centres of the Sarvodaya Suwasetha had the opportunity of enjoying themselves at this outing. A total of 103 girls, 36 boys and 44 caregivers from the two boys homes in Baddegama and Balapitiya and the girls homes in Bataganwila, Kosgama, Wariyapola and Akuressa visited the Elephant Orphanage and the open zoo at Pinnawela and thereafter visited the Polgahawela Mahamewna Temple.

Operations Review

We are grateful to the staff members of the Dehiwela Zoological Gardens and the Sarvodaya Centre in Kegalle for the support extended.

Vesak Dansala

A Vesak dansala was organised at our Homagama branch with the participation of the staff members of all the branches in the Western Province. Chairman, CEO, the Corporate Management and staff of the Head Office.

Alms Giving Ceremony

To celebrate the birthday of the founding president of the Sarvodaya Movement, the staff members of the Badulla branch organised an alms giving for a children's orphanage on 5th November 2015.

Energy Conservation

In order to reduce our carbon footprint we installed solar energy in the head office. A 60% reduction in the electricity bill was achieved as a result.

Future Outlook

Our aim is to become a development bank in 3-5 years. Hence, whilst growing our micro loan portfolio, we will concentrate on expanding the leasing and SME portfolios which has a higher growth rate. This is required to achieve our goal of becoming a development bank. In addition, we will focus on extending personal loans to blue collar employees as well.

We will also focus on expanding our deposit base by promoting financial inclusion by reaching out to remote villagers through Sarvodaya Shramadana Society. It is a paramount need to introduce Mobile Money Solution to serve this segment. Since we are equipped with the needed technology through a centralised online computer system, this has become a possibility.

In addition, we will enter the international remittance market and provide the facilities to our customers to transfer funds to any other bank within a day. We have already made arrangements to tie up with DFCC Bank PLC, NDB Bank and LankaClear Limited. This will pave the way for us to provide additional service to our customers.

A Uni-Banking System has also been planned to offer our customers to operate their accounts from any of our 58 outlets, irrespective of where the account is maintained. We have started the signature scanning project to facilitate this system.

Whilst we seek the possibility of offering ATM facilities through a shared network, our manual field collection system will be automated simultaneously to eliminate the operational risks and cut down the manual process.

We are actively looking for a credit rating and to go public which are vital to raise funds from the international market. Going forward, our financial year will be changed to the 12-month period January to December as per the CBSL requirement to bring all the financial institutions to a common financial year.

We will continue on our journey to becoming 'Sarvodaya Development Bank.'

METICULOUSLY PLANNED

Our five-year business plan is designed to drive the Company forward on its journey towards being a trusted development bank. We launched a new logo that signifies our renewed commitment to ensuring that our carefully laid out plans are seen through to the end.



Financial Review

Results of Operations

For the first time in the history of the Company, Sarvodaya Development Finance Limited (SDF) recorded over Rs. 1 Billion income showcasing a notable financial performance during the financial year 2015/16.

Total Income and Net Operating Income

The total income of the Company swelled by 34.8% year-on-year (YoY) to Rs. 1,014.8 Million in the current financial year compared to Rs. 753.0 Million recorded in 2014/15. Except for other operating income, the other two main streams of revenue, viz interest income and fee and commission income, recorded an increase YoY.

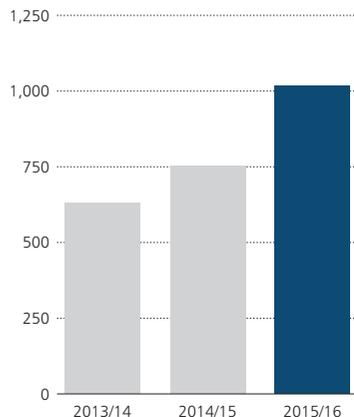
Interest Income

The interest income was up by 41.5% YoY to Rs. 923.0 Million in FY 2015/16. This was primarily driven by interest earned from loans and receivables which rose by 42.7% or Rs. 263.5 Million during the financial year in review. The main contributor was the micro loan portfolio which was largely driven by the expansion of the group loan portfolio in the previous financial year. However, due to the rising NPAs in the group loan portfolio, a conscious decision was made to curtail group loan disbursements in the current financial year. As a result, group loan disbursements declined to Rs. 857.7 Million from Rs. 1.2 Billion in FY 2014/15. Going forward, the management is aware that its decision to curtail disbursements of group loans due its rising NPAs will result in a contraction in this portfolio thereby, resulting in a reduction of interest income from this portfolio YoY.

The Company, throughout its history, did not have a consistent policy of charging penal interest on its arrears loan customers. In the beginning of the third quarter of the FY 2015/16, the Company took a policy decision to charge penal interest on its arrears loan customers. The implementation of this decision resulted in earning Rs. 35.5 Million as overdue interest for the FY 2015/16.

Interest Income

Rs. Million



The savings deposits interest income was up by 36.0% or Rs. 3.7 Million consequent to the increase in cash and cash equivalents during the year. This was on account of the faster growth in the deposit base compared to the loan portfolio.

Income from financial instruments and other financial assets, comprising mainly REPOs and fixed deposits (FDs) rose by Rs. 3.4 Million or 63.4% as a result of prudent management of excess liquidity. In the rising interest rate environment that prevailed throughout the FY 2015/16, the management's prudent decision to invest the MoM excess liquidity in short-term maturities, such as REPOs and FDs, resulted in a higher interest yield computed on compound interest basis.

Fee and Commission Income

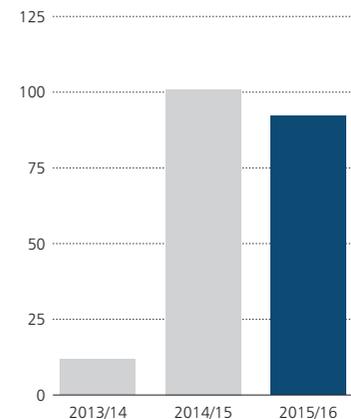
Fee and commission income increased primarily due to the increased fee income received from the loan documentation during the year. However, on account of the marginal drop in loan disbursements from Rs. 2.6 Billion to Rs. 2.5 Billion in FY 2015/16, the increase witnessed in fee and commission income was only marginal.

Other Operating Income

Other operating income declined by 11% to Rs. 76.6 Million from Rs. 86.5 Million in the previous financial year. This reduction was primarily resulted due to Rs. 20.8 Million drop in the reversal of loan risk assurance benefit provision compared to FY 2014/15. The Company carried out an actuarial valuation on its loan risk assurance benefit fund as at 31st March 2016 which resulted in a reversal of provision of Rs. 5.6 Million compared to Rs. 26.4 Million reversal of provision being recognised in the previous year. On the other hand, recoveries from bad debts written down increased to Rs. 61.2 Million in the year under review, compared to Rs. 41.5 Million in the previous year, reflecting an improvement of Rs. 19.7 Million YoY. This result was achieved by setting time-bound KPIs, continuous monitoring and deploying a dedicated team from Head Office having skills and aptitude for bad debt recoveries during the year.

Fee, Commission and Other Operating Income

Rs. Million

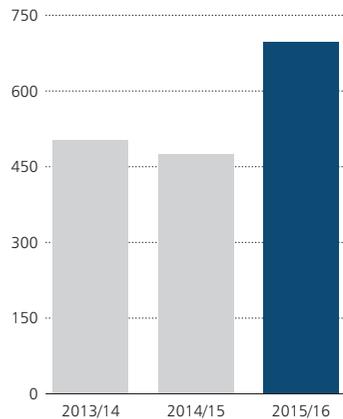


Net Operating Income

Net operating income increased by 46.9% or Rs. 222.7 Million YoY to Rs. 697.5 Million in FY 2015/16.

Net Operating Income

Rs. Million

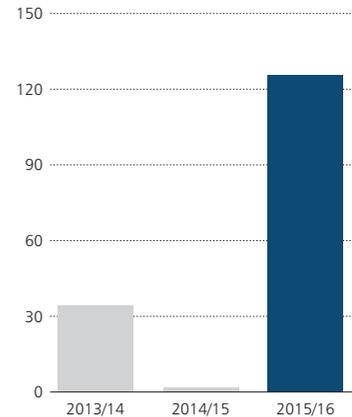


Operating Profit

Operating profit before tax on financial services increased by a whopping 6978.7% or Rs. 124.0 Million to Rs. 125.8 Million from Rs. 1.8 Million in FY 2014/15.

Operating Profit

Rs. Million

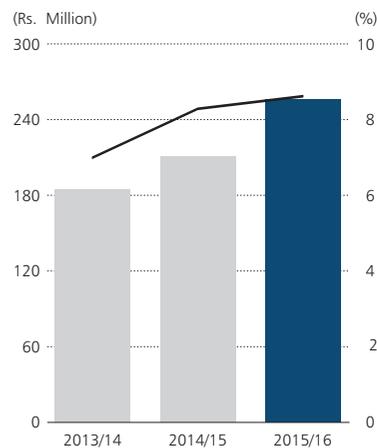


Interest Expense

The interest expense rose by 21.4% to Rs. 255.9 Million largely due to the expansion in the deposit base by Rs. 294.2 Million or 10.6% YoY. Deposit growth was mainly led by the 15.2% or Rs. 196.2 Million increase in fixed deposits which pushed the cost of borrowing on deposits to 8.5% from 8.4% in the previous year.

The cost of funds of the Company increased to 8.6% from 8.3% in the previous year.

Interest Expense



Operating Expenses

Personnel Expenses

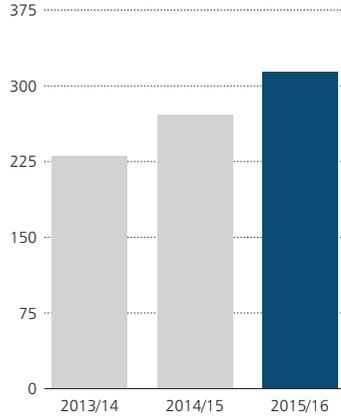
The personnel expenses of the Company moved up by 15.9% to Rs. 314.2 Million reflecting the increase in the staff strength during the financial year under review. The Company broadened its organisation structure in the current year by adding of new functions. Therefore, 30 experienced personnel were recruited during the year to fill the vacant positions in the Senior Management, back office operations and recoveries, increasing the total staff carder to 602 by end March 2016.

Personnel expenses to income ratio however, dropped to 31.0% from 36.0% in the previous year, due to the increase in income. Personnel expenses to total operating expenses ratio too declined to 55.0% from 57.3% in the previous year. Both these ratios are expected to decline further in the ensuing financial year with the introduction of the Company's new products range, leasing and SME financing, as these require lesser number of staff compared to micro financing.

Financial Review

Personnel Expenses

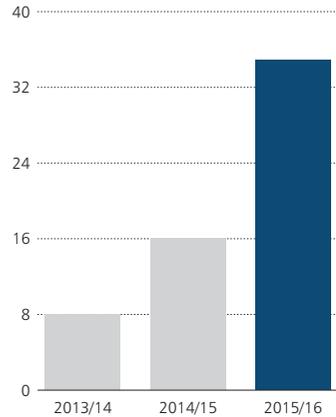
Rs. Million

**Depreciation on Property, Plant & Equipment**

The provision for depreciation increased by 118.8% or Rs. 18.9 Million to Rs. 34.8 Million in the FY 2015/16 resulting from new purchases of property, plant & equipment amounting to Rs. 76.5 Million during the current financial year.

Depreciation on Property, Plant & Equipment

Rs. Million

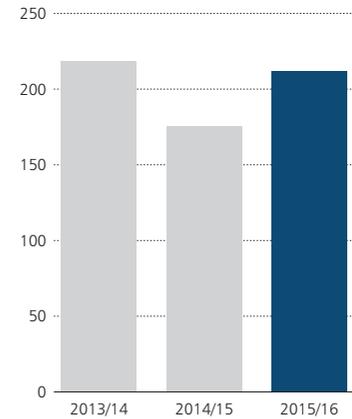
**Other Operating Expenses**

Office administration and establishment expenses were up by 24.3% or Rs. 29.8 Million to Rs. 152.6 Million. This includes the cost of migration to the new online MIS system and the VPN connectivity for branches amounting to Rs. 10.8 Million. An additional amount of Rs. 2.5 Million was incurred for renewing the license of the stand-alone MIS system which was used in the first nine months of the year until the data migration was completed to the new MIS system. Stationery cost increased by Rs. 14.2 Million YoY largely due to the write-off of obsolete stationery items amounting to Rs. 10.2 Million.

Office rent was up by 12.6% or Rs. 4.3 Million as a result of the YoY increase in rent on the leased premises and the increase in rent due to branch relocations. Marketing expenses rose by 105.5% YoY on account of the aggressive marketing campaigns conducted, through radio and television media, to promote the new brand name of the Company.

Other Operating Expenses

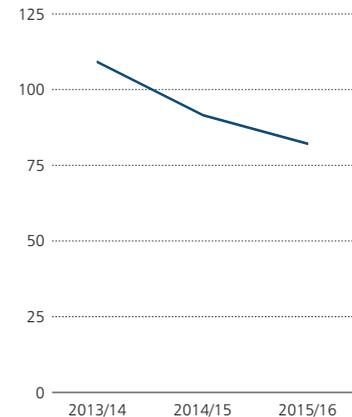
Rs. Million



Cost to net income ratio improved to 81.8% compared to 91.4% in FY 2014/15. This improvement came as a result of the YoY increase in operating income being greater than the YoY increase in operating expenses during the current financial year.

Cost to Net Income Ratio

%

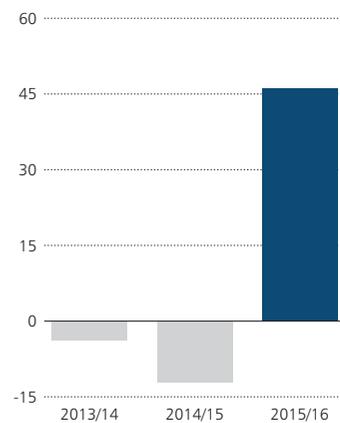


Profit for the Year

Profit for the year increased by a staggering 491.2% or Rs. 57.9 Million to Rs. 46.1 Million in FY 2015/16 from a loss of Rs. 11.8 Million in the previous year. This notable increase in the profit displays the Management's effectiveness of using the Company's income generating assets to generate increased income considerably higher than the operational overheads resulting from operating those assets. This fact is evident by the increase in the return on interest earning assets ratio to 21.8% in the current year from 21.1% in the previous year.

Profit/(Loss) for the Year

Rs. Million



Tax on Financial Services and Income Tax

Tax on financial services surged by 121.5% or Rs. 27.0 Million, primarily due to the increased income in the current financial year. Additionally, due to the fact that the personnel cost being disallowed in computing the VAT on financial services, the considerable increase in personnel costs YoY also negatively contributed to this increase in tax on financial services.

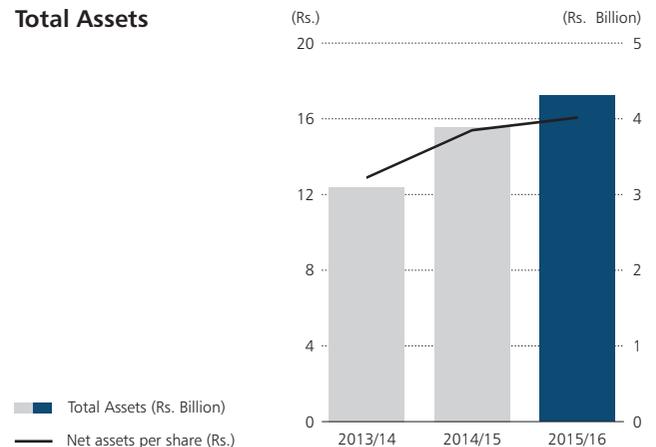
Income tax increased substantially by Rs. 39.0 Million both due to the increase in income and disallowance of VAT on financial services in computing the income tax liability.

Financial Position

Total Assets

Total assets of the Company grew by 9.9% or Rs. 387.6 Million to Rs. 4.3 Billion from Rs. 3.9 Billion as at 31st March 2015. The net assets per share increased to Rs. 16.08 from Rs. 15.37 in the previous year.

Total Assets



Cash and Cash Equivalents

Growth in cash and cash equivalents was primarily driven by the substantial increase in the current year operating profit and YoY increase in the customer deposit base. The low levels of loan disbursements resulting in a marginal negative growth in the loans and receivables also positively contributed towards this increase in the cash and cash equivalents during the current year.

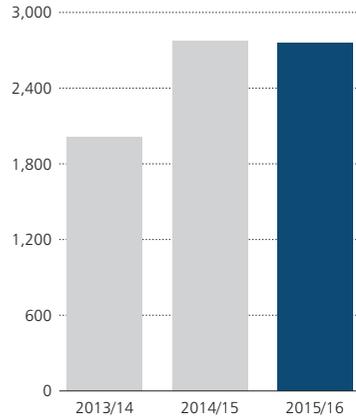
Loans and Receivables

Loans and receivables dropped marginally by 0.5% or Rs. 12.2 Million in the current year, compared to an increase of Rs. 758.7 Million or 37.6% witnessed in the previous financial year. The sensible call by the management to curtail the group loan disbursements due to its deteriorating asset quality largely contributed to this decline in loans and receivables. Accordingly, the group loans disbursements only amounted to Rs. 857.7 Million in the current year compared to Rs. 1.24 Billion recorded in the previous year. In addition, the current year impairment provision of Rs. 67.3 Million also largely contributed to this marginal decline in loans and receivables.

Financial Review

Loans and Receivables

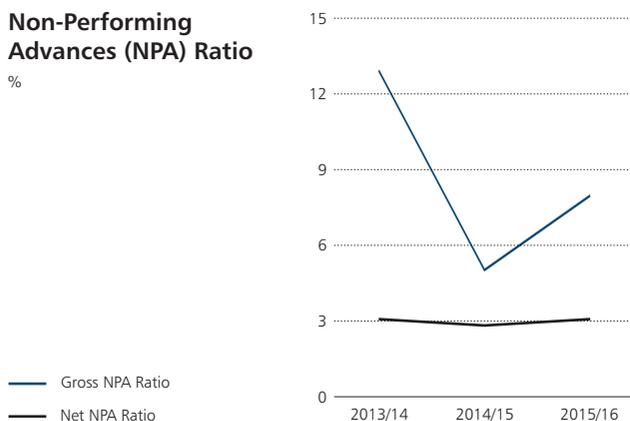
Rs. Million

**Non-Performing Advances (NPA) Ratio**

The Company's asset quality deteriorated in the first half of the year mainly due to the increasing NPAs from the group loan portfolio. However, by exerting a stringent focus on recoveries, the management was successful to curtail the impact from NPAs on the Company's bottom line in the second half of the year. With the deployment of skilled recovery teams, selected from both Head Office and the island-wide branch network, the NPA recoveries were improved in the branches. As a result, the YoY increase in the impairment provision was limited to Rs. 6 Million in the current financial year. However, with rising NPAs on group loans and correction of certain mistakes in the classification of NPAs in the manual system with the data migration to the new MIS system, the gross NPA ratio moved up to 8.03% as at end March 2016 from 5.02% in the previous year. Consequently, net NPA ratio increased marginally from 2.75% to 3.13% in the current year. The provision cover moved up to 63.0% from 60.8% in the previous year.

Non-Performing Advances (NPA) Ratio

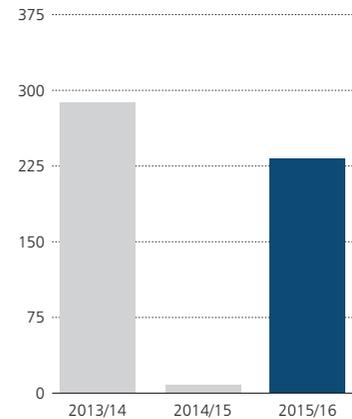
%

**Other Financial Assets**

Other financial assets increased by a staggering 3,203.5% or Rs. 225.8 Million to Rs. 232.8 Million. The excess liquidity generated from improved operating profits, increase in net deposits and recoveries during the year was mainly invested in fixed deposit instruments in BBB+ and above rated banks and finance companies in compliance with the Board approved investment policy of the Company. The Company had excess liquidity of Rs. 398.3 Million, inclusive of deposits held in finance companies as at 31st March 2016. Consequently, the liquid asset ratio improved from 16.5% as at end FY 2014/15 to 26.2% as at end FY 2015/16.

Other Financial Assets

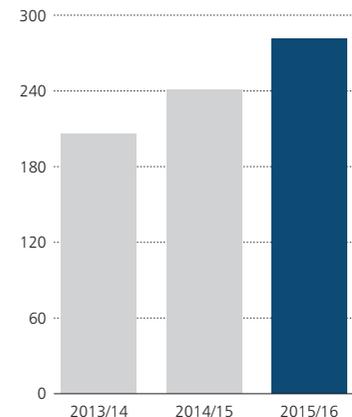
Rs. Million

**Property, Plant & Equipment**

Property, plant & equipment (PPE) grew by 16.8% to Rs. 281.5 Million in the year under review. This was on account of new additions to PPE amounting to Rs. 76.5 Million during the current year. The additions also include Rs. 15.2 Million worth of a land purchased adjoining the Head Office for expansion. The capital expenditure on office furniture, plant and machinery increased due to refurbishment, re-location and the rebranding activities of branches.

Property, Plant & Equipment

Rs. Million



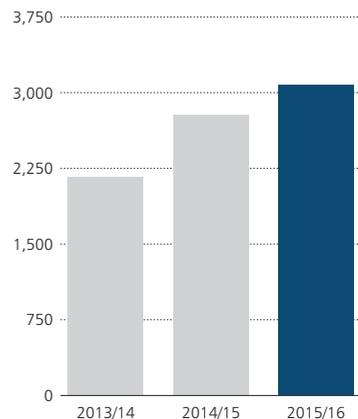
Customer Deposits

Customer deposit base surpassed Rs. 3 Billion mark and reached Rs. 3,070.4 Million in FY 2015/16 from Rs. 2,776.2 Million in the FY 2014/15 resulting in Rs. 294.2 Million or 10.6% increase YoY. This increase was resulted due to the aggressive marketing campaigns conducted through media advertising and road shows during the year. The Company's strategy was to aggressively grow its customer deposit base and use those funds to grow the Company's loan portfolio at a sustainable growth rate. However, the Company was unable to grow its loan portfolio as planned since the management had to consciously curtail its disbursements on group loans due to its deteriorating asset quality. As a result, the net growth of Rs. 294.2 Million in the customer deposit base helped the Company to improve its liquidity position in the current year.

The customer fixed deposits base moved up to Rs. 1.48 Billion in FY 2015/16 resulting in a net increase of Rs. 196.2 Million or 15.2% YoY. The customer savings deposit base moved up to Rs. 1.59 Billion in FY 2015/16 resulting in a net increase of Rs. 98.0 Million or 6.6% YoY.

Customer Deposits

Rs. Million

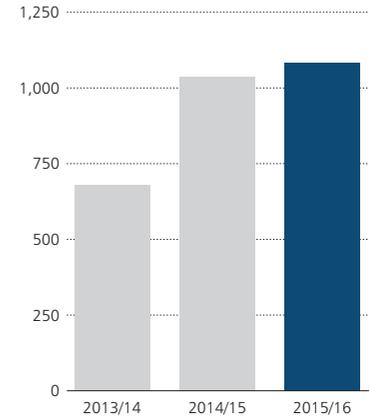


Shareholders' Funds

Shareholders' funds rose by 4.6% to Rs. 1,085.5 Million in FY 2015/16. This was largely due to the increase in retained earnings by Rs. 45.7 Million in the current year resulting from the increased profit. Accordingly, earnings per share improved to Rs. 0.68 as at 31st March 2016 from a negative of Rs. 0.19 as at 31st March 2015.

Shareholders' Funds

Rs. Million



Capital Adequacy

The increase in cash and cash equivalents by Rs. 98.1 Million or 47.0% YoY along with the profit for ten year of Rs. 46.1 Million helped the capital adequacies of the Company to improve in FY 2015/16. Consequently, the 'Core Capital Ratio' or the 'Tier I ratio' moved up to 32.0% from 30.66% in the previous year. The marginal decline in the loans and receivable portfolio in comparison to FY 2014/15 helped the 'Total Risk Weighted Capital Adequacy Ratio' or the 'Tier I & II Ratio' to move up to 20.32% from 18.93% in the previous year.

Cash Flow

Net cash generated from operating activities showed a positive cash flow of Rs. 235.3 Million (a positive cash flow of Rs. 103.3 Million in FY 2014/15), whilst there were cash outflows on investing and financing activities amounting to Rs. 119.3 Million and Rs. 6.9 Million respectively. This led to a net increase in cash and cash equivalents of Rs. 109.1 Million during the year, resulting in Rs. 308.1 Million cash and cash equivalents as at 31st March 2016.

Events Held During the Year



The Official Launch of Sarvodaya Development Finance Limited



Launch Ceremony of Auto Finance



Sports Festival – 11th December 2015



Christmas Carols



Staff Meetings and Training Programmes



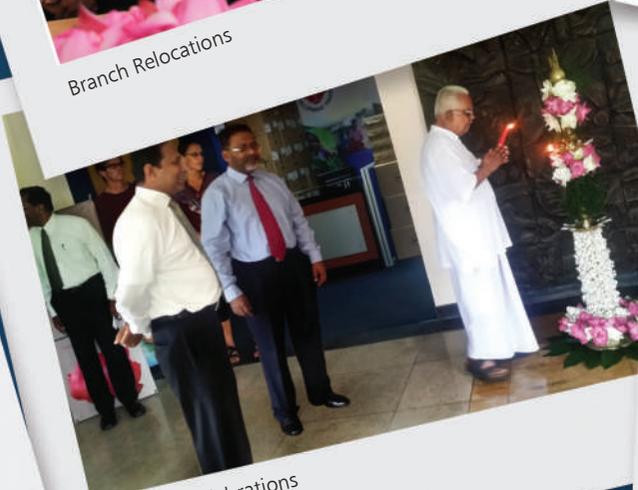
Thaipongal Celebrations



Branch Relocations



Corporate Planning Session



New Year Celebrations



Branch Promotions



Winning the Certificate of Compliance Award

Awards and Accolades

Sarvodaya Development Finance Limited won a 'Certificate of Compliance' under the finance company category at the 51st Annual Report Awards 2015 organised by The Institute of Chartered Accountants of Sri Lanka. The event was held under the patronage of His Excellency President Maithripala Sirisena. Being relatively a new company taking part in this competition for the very first time and winning this award was a significant feat as the Company had to battle out many well known names in the industry. This is a strong testament of the quality of financial reporting and compliance of the Company. The theme of the report was 'Growing Fertile Prosperity'.

Financial Reports

Report of the Board of Directors on the Affairs of the Company	102
Directors' Responsibility for Financial Reporting	108
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	109
Directors' Statement on Internal Control Over Financial Reporting	110
Independent Assurance Report to the Board of Directors on Internal Control	111
Independent Auditors' Report	112
Statement of Profit or Loss and Other Comprehensive Income/(Expenses)	113
Statement of Financial Position	114
Statement of Changes in Equity	115
Statement of Cash Flow	116
Notes to the Financial Statements	117

Report of the Board of Directors on the Affairs of the Company

The Directors of Sarvodaya Development Finance Limited (Sarvodaya Finance) take pleasure in presenting their Annual Report on the state of affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2016.

This Report was approved by the Directors at its meeting held on 27th May 2016.

Corporate Philosophy

The Vision and Mission Statements, the Guiding values and the Arthadharma Geethaya (Song), express the over arching philosophy and culture of the Company.

Legal Form

The Company is a public limited liability company incorporated in Sri Lanka on 1st January 2010 under the Companies Act No. 07 of 2007 bearing Registration No. PB 3795. It commenced business operations as a licensed finance company (LFC) on 19th December 2012, regulated under Section 5 (7) of the Finance Business Act No. 42 of 2011.

Location

The Company's Registered Office, which is also its Head Office, is located at 'Arthadharma Kendraya', No. 45, Rawathawatta Road, Moratuwa. Other contact details are given under Corporate Information.

Branch Network

As at 31st March 2016, the Company's branch network comprised 30 Branch Offices and 28 Customer Service Centres (CSCs) within the purview of seven Regional Offices (pages 191 and 192). Some of these entities had their beginnings as SEEDS' District and Sub-Offices. Now, each unit in the network has been rebranded with a new corporate identity and functions as a standalone entity. During the financial year, the standalone operations of four (4) CSCs were discontinued and merged same with the operations of the branches that they were assigned to for better servicing the customers of those locations. Seven (7) of the branches and CSCs outside the Western region were rebranded and strategically relocated with greater visibility to enable our customers in those strategic locations to have easy access to our products and services. In addition, twelve (12) of the branches and CSCs were given a new facelift through refurbishment and upgraded their quality standards in providing services to our esteemed customers in those locations. This move not only helped to retain the existing customers but also helped to attract new customers.

Review of Performance and Risk Management

The Chairman's Message (pages 12 to 14) and the Chief Executive Officer's Review (pages 15 to 17) encapsulate the Company's business performance during the reporting year, set against the wider economic background as indicated in the Management Discussion and Analysis (pages 77 to 97). A detailed report on Assessing and Managing Risk is given on pages 68 to 75 of this Annual Report.

Statutory/Regulatory Compliance

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

Principal Activities

Pursuant to obtaining the finance companies license in December 2012, the Company's principal business activities during the year were deposit mobilisation, corporate and retail credit (represented by bulk loans to Sarvodaya Shramadana Societies and micro credit to individual entrepreneurs), personal loans, mortgage loans, vehicle loans, gold loans (pawning) and other credit facilities and related services.

The principal activities of the Subsidiary, George Stuart Finance PLC, consist of acceptance of deposits, granting leasing facilities, hire purchases, mortgage loans, business loans, traders' loans, real estate development and related services, bill discounting and other credit facilities and related services.

Financial Statements

The Financial Statements of the Company and the Group (pages 113 to 182), have been prepared in accordance with the Sri Lanka Accounting Standards and the Sri Lanka Financial Reporting Standards (SLFRSs/LKASs), which came into effect in January 2012.

Directors' Responsibility for Financial Reporting

The Directors confirm by declaration (page 108) that they are responsible for the preparing and presenting the Financial Statements and that they give a true and fair view of the affairs

of the Company and the Group for the year ended 31st March 2016. The Directors are of the view that the Statement of Profit or Loss and Other Comprehensive Income/(Expenses), Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes to the Financial Statements for the year ended 31st March 2016 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs/LKASs), the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Directions/Rules made under Finance Business Act No. 42 of 2011 and Directions issued thereto.

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

Directors' Statement on Internal Control over Financial Reporting

The Directors confirm by declaration (page 110) that they are responsible for the adequacy and effectiveness of the internal control mechanism in place in the Company. Recognising its responsibility in maintaining the safety and soundness of the Company and safeguarding its assets and resources, the Board has instituted an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and the process includes the system of internal control over financial reporting.

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

Auditors' Report

The Auditors' Report on the Consolidated Financial Statements of the Company and the Group for the year in review is set out in this Annual Report (page 112).

Accounting Policies and Changes during the Year

The Board of Directors wishes to confirm that there were no changes to the Accounting Policies used by the Company and the Group during the year under review. The Directors are of the view that these policies have been applied consistently supported by informed judgements. Significant Accounting Policies together with the Notes adopted in preparation of the Financial Statements of the Company and the Group is given on the pages 117 to 182. These Financial Statements comply with the requirements of Sri Lanka Accounting Standards 1 on 'Presentation of Financial Statements' (LKAS 1) and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

Accounting Period

The financial accounting period reflects the information from 1st April 2015 to 31st March 2016.

Financial Results and Appropriations

Interest Income

The Company recorded a total interest income of Rs. 923.0 Million (Rs. 652.4 Million in year 2015) for the year ended 31st March 2016. The total interest income of the Group for the year ended 31st March 2016 was Rs. 1.2 Billion (Rs. 798.7 Million in year 2015). This represents total interest income growth of the Company and the Group by 41.5% and 51.8% respectively compared to the previous year. A more descriptive analysis of the interest income is given in Note 7.1 (page 124) to these Financial Statements.

Profit and Appropriations

The Company recorded a profit for the year of Rs. 46.1 Million (a loss of Rs. 11.8 Million in year 2015) and the Group recorded a profit for the year of Rs. 81.1 Million (a profit of Rs. 3.1 Million in year 2015) for the year ended 31st March 2016. This represents profit for the year growth of the Company and the Group by 491.2% and 2,519.9% respectively compared to the previous year. The Company recorded a total comprehensive income of Rs. 48.0 Million (a total comprehensive loss of Rs. 10.0 Million in year 2015) and the Group recorded a total comprehensive income of Rs. 83.4 Million (a total comprehensive income of Rs. 4.6 Million in year 2015) for the year ended 31st March 2016.

**Report of the Board of Directors on the
Affairs of the Company**

As required by the Section 3 (b) (i) of Finance Companies (Capital Funds) Direction No. 1 of 2013, the Board of Directors transferred Rs. 2.3 Million from the profit for the year ended 31st March 2016 to the 'Statutory Reserve Fund' of the Company. The Board of Directors did not make any transfers to the Statutory Reserve Fund in the previous year due to a loss of Rs. 11.8 Million incurred for the year ended 31st March 2015.

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

	2016 Rs. '000	2015 Rs. '000
Profit after Taxation	46,141.78	(11,793.93)
Profit Brought Forward from Previous Year	83,677.71	89,197.74
Transfers from Reserves	-	4,475.82
Profit Available for Appropriation	129,819.49	81,879.63
Appropriations -		
Dividend Paid for Current Year	-	-
Other Comprehensive Income	1,898.51	1,798.08
Transfer to Reserves	(2,307.09)	-
Total Appropriation	(408.58)	1,798.08
Unappropriated Profit Carried Forward	129,410.91	83,677.71

Dividends on Ordinary Shares

Details of information on dividends are given in Note 16 to these Financial Statements on page 130. The Board of Directors recommended a first and final dividend of Rs. 0.25 per share for the year ended 31st March 2016. The proposed dividend will be paid out of the profits of the Company, hence will be subject to a 10% withholding tax.

As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company has satisfied the 'Solvency Test' in accordance with Section 57 of the Companies Act No. 07 of 2007, having obtained a certificate from the Auditor, prior to recommending the first and final dividend for the year under review.

As per Central Bank of Sri Lanka Guideline No. 01 of 2013, the payment of dividend would be subject to the approval of the Central Bank of Sri Lanka.

Property, Plant & Equipment

The total capital expenditure incurred on property, plant & equipment (including capital work in progress) of the Company and the Group in the year ended 31st March 2016 amounted to Rs. 76.5 Million and Rs. 90.1 Million respectively (Rs. 51.2 Million and Rs. 52.1 Million respectively, excluding assets acquired through acquisition of subsidiary, in year 2015). The detailed analysis of property, plant & equipment belonging to the Company and the Group as at year end are disclosed in Notes 30.1 to 30.3 to these Financial Statements. The Directors are of the opinion that the current market value of the freehold property (purchased from SEEDS (Gte) Limited, in December 2013), is not significantly different to the amounts disclosed in the aforementioned Note 30.2 on page 147 of this Annual Report.

Stated Capital

The stated capital of the Company and the Group as at 31st March 2016 amounted to Rs. 890 Million (Rs. 890 Million as at 31st March 2015). The stated capital is the total of all amounts received by the Company in respect of the issued share capital.

Reserves

Total reserves of the Company and the Group, including retained earnings, stood at Rs. 1.09 Billion and Rs. 1.14 Billion respectively (Rs. 1.04 Billion and Rs. 1.06 Billion respectively in year 2015) at the end of the financial year.

A summary of reserves of the Company and the Group at the end of the financial year is as follows:

	Company		Group (Restated)	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Statutory Reserve Fund	20,383.15	18,076.06	28,293.67	24,238.28
Investment Fund	-	-	-	-
Revaluation Reserve	45,744.83	45,744.83	45,744.83	45,744.83
Retained Earnings	129,410.91	83,677.71	172,492.81	101,761.32
Total	195,538.89	147,498.60	246,531.31	171,744.43

Issue of Shares or Debentures

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

Share Information

The Company's Parent Company, 'Sarvodaya Economic Enterprises Development Services (Gte) Limited or 'SEEDS', is the major shareholder, with a total of 54,000,000 ordinary shares issued at Rs. 540 Million. Gentosha Total Asset Consulting Inc., is the second largest shareholder with a total of 13,500,004 shares issued at Rs. 350 Million. Two other shareholders, listed under Directors' shareholdings, were allotted one share each issued at Rs. 10/- each when the Company was incorporated on 1st January 2010 under the Companies Act No. 07 of 2007.

Directors' Shareholdings

With the exception of the following two Directors, who hold one share each, no other Board Director has held any shares in the Company, either at the beginning or at the end of the Reporting period.

Name	31.03.2015	31.03.2016
Dr. Vinya S. Ariyaratne	1	1
Shakila Wijewardena	1	1

Directorate

On receipt of approval from the Monetary Board of the Central Bank of Sri Lanka, the Company appointed Dr. Janaki Kuruppu as a Non-Executive Independent Director w.e.f. 22nd December 2015 and accepted the resignation of Dr. Indrajit Coomaraswamy from the position of Non-Executive Independent Director w.e.f. 26th February 2016.

Accordingly, the following Directors held office during the year under review:

Name	Status
Eastman Narangoda	Chairman/Non-Executive Independent Director
Channa de Silva	Deputy Chairman/Non-Executive Independent Director
Dr. Vinya Ariyaratne	Non-Executive Director
Shakila Wijewardena	Non-Executive Director
K L Gunawardana	Non-Executive Director
Shevon Gooneratne	Non-Executive Independent Director
Dr. Richard Vokes	Non-Executive Independent Director
Dr. Indrajit Coomaraswamy	Non-Executive Independent Director (Resigned from the position of Non-Executive Independent Director w.e.f. 26th February 2016)
Masayoshi Yamashita	Non-Executive Director
Dr. Janaki Kuruppu	Non-Executive Independent Director (Appointed as a Non-Executive Independent Director w.e.f. 22nd December 2015)

The nine-member Board of Directors is composed of distinguished professionals whose financial acumen in banking, finance, economics and allied fields have been invaluable in guiding the destinies of the Company during their tenure of office. The profiles of the Directors appear on pages 18 to 22 of this Annual Report.

Meetings of the Board of Directors

The Board of Directors held thirteen (13) meetings, twelve (12) monthly meetings and one (1) additional meeting, during the year under review. The attendance schedule is given in the Corporate Governance Report on page 36 of this Annual Report.

Report of the Board of Directors on the
Affairs of the Company

Board Subcommittees

The Board has delegated some responsibilities to five (5) oversight committees without derogating from its ultimate responsibility to the Company. They are: (i) Integrated Risk Management Committee (IRMC); (ii) Board Audit Committee (BAC); (iii) Board Remuneration Committee (BRC); (iv) Board Nomination Committee (BNC); and (v) Board Credit Committee (BCC). The composition, functions and responsibilities of the first three entities are set out in their respective reports as at 31st March 2016 and included from pages 64 to 67 of this Annual Report.

Management Level Committees

The Board also appointed five (5) management level committees in line with industry norms. These are the Asset-Liability Management Committee (ALCO), the Management Audit Committee (MAC), the Management Committee (ManCom), the Internal Credit Committee (ICC) and the Product Development Committee (PDC). Composition of these committees as at 31st March 2016, appear on pages 40 and 41 of this Annual Report.

Directors' Remuneration

As required by Section 168 (1) (f) of the Companies Act No. 07 of 2007, the Directors' fees and emoluments for the financial year ended 31st March 2016 are stated below and disclosed under Note 44.1.1 to these Financial Statements on page 163 of this Annual Report.

	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Directors' Fees and Emoluments	5,126.7	4,650.0	9,270.8	9,384.0

Corporate Governance

The Company's report on Corporate Governance, which appears on pages 32 to 63, complies with the Central Bank's Direction No. 03 of 2008 on Corporate Governance issued under enabling legislation.

The Board has obtained the Assurance Report from its External Auditors, Messrs Ernst & Young (Chartered Accountants) on the Internal Control over Financial Reporting and the same is disclosed on page 111. Also, the Company has obtained a certificate from External Auditors over the compliance of Corporate Governance Directions and the Company is in the process of strengthening the procedure.

Statutory Payments

The Directors are satisfied, to the best of their belief and knowledge, that all statutory dues, vis-à-vis the Government and the Company's employees, have been paid up-to-date on a timely basis.

Employee Share Ownership and Profit Sharing Plans

There are no immediate plans to introduce employee share ownership and profit sharing, particularly in view of the Central Bank's Directive on mergers.

Auditors

The Company's External Auditors during the period under review were Messrs Ernst & Young, Chartered Accountants. They were appointed with effect from 14th February 2013, pursuant to a Directive by the Central Bank of Sri Lanka (CBSL) in October 2012, where licensed finance companies were required in terms of the Finance Business Act No. 42 of 2011, to appoint an External Auditor from a Panel of Independent Auditors, as listed by the Central Bank.

Messrs Ernst & Young have expressed their willingness to continue in office for the ensuing year and a resolution with regard to their reappointment and remuneration will be submitted for approval by the shareholders at the next Annual General Meeting scheduled for 24th June 2016.

Auditors' remuneration consists of two types of fees, as follows:

- Audit service fees for the year under review; and
- Audit-related fees for non-audit services.

The Company and the Group paid following sums for audit and related services as well as non-audit services to Messrs Ernst & Young, Chartered Account. Corporate Governance audits have been classified as audit related services and, the fees paid on the same during the year under review are included under audit and related services accordingly. Non-audit services mainly comprised of the fees paid during the year under review on tax consultancy services and system data audits that Ernst & Young have carried out as separate assignments.

	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Audit and Related Services	2,074.36	1,142.35	2,684.88	1,741.75
Non-Audit Services	505.49	5,379.76	505.49	5,379.76

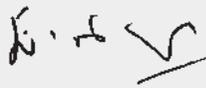
Compliance with Prudential Requirements, Regulations, Laws and Internal Controls

The Company has not engaged in any activity contravening any laws and regulations. There have been no irregularities involving management or employees that could have material financial effect or otherwise resulting in non-compliance with prudential requirements, regulations, laws and internal controls. The Directors' Statement on Internal Control over Financial Reporting (page 110) confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Company has obtained a certificate from the External Auditors on the effectiveness of the Internal Control mechanism (page 111).

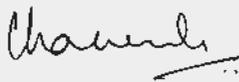
Notice of Meeting

Notice convening the Sixth Annual General Meeting of the Company is given on page 198 of this Annual Report.

For and on behalf of the Board of Directors of Sarvodaya Development Finance Limited,



Mr. Eastman Narangoda
Chairman



Mr. Channa de Silva
Deputy Chairman



BDO Secretaries (Pvt) Limited
Company Secretaries

27th May 2016

Directors' Responsibility for Financial Reporting

The responsibility of the Directors, in relation to Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements, is set out in the Independent Auditors' Report on page 112 of this Annual Report.

As per the Sections 148 (1), 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, Directors of the Company and the Group have responsibility for ensuring that the Company and the Group keeps proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the state of affairs of the Company and the Group as at the Statement of Financial Position date and of the profit or loss for the year and place the same before the Annual General Meeting.

The Directors confirm that the Financial Statements of the Company and its Subsidiaries give a true and fair view of –

- The state of affairs of the Company and its Subsidiaries as at 31st March 2016; and
- The profit or loss of the Company and its Subsidiaries for the financial year then ended.

The Directors consider that the Financial Statements of the Company and the Group for the year ended 31st March 2016, exhibited on pages 113 to 182 in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs), the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Finance Business Act No. 42 of 2011 and the relevant Directions, Guidelines etc., issued by the Central Bank of Sri Lanka for licensed finance companies. The Directors also ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the Financial Statements have been prepared as aforesaid. They are also responsible for ensuring that the Company maintains adequate general supervision, control and administration of the affairs of the business to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. The Directors have instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and it has been under

regular review of the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the business in an orderly manner. The Directors are satisfied that proper accounting records have been maintained with proper internal controls being set up to prevent and detect frauds and irregularities in the Company operation to safeguard the assets of the Company.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion. To the best of the knowledge and belief of the Directors, the Company's Auditors, Messrs Ernst & Young, have carried out reviews and sample checks on the system of internal controls as they consider appropriate and necessary for expressing their opinion on the Financial Statements.

The Directors have provided the Auditor with all the financial records, related data and minutes of shareholders' and Directors' meetings and given them every opportunity to carry out and reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. Messrs Ernst & Young has examined the Financial Statements made available together with all other financial records, minutes of shareholders' and Directors' meetings and related information and have expressed their opinion which appears on page 112 of this Annual Report. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge all taxes, statutory dues and levies payable by the Company and the Group as at the Statement of Financial Position date relating to employees and the Government and other statutory bodies, have been paid or, where relevant, provided for.

By order of the Board,



BDO Secretaries (Pvt) Limited
Company Secretaries

27th May 2016

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of Sarvodaya Development Finance Limited ('the Company') and the consolidated Financial Statements of the Company and its Subsidiaries (the Group) as at 31st March 2016 are prepared and presented in conformity with the requirements of the followings:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Finance Business Act No. 42 of 2011 and amendments thereto and the Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka

The annual Audited Financial Statements and periodical Financial Statements are prepared and published in accordance with the formats prescribed by the Central Bank of Sri Lanka and the Sri Lanka Accounting Standards (SLFRSs /LKASs).

The Significant Accounting Policies have been constantly applied by the Group. Application of Significant Accounting Policies and Estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the Company's External Auditors. Comparative information has been reclassified where applicable to comply with the current presentation and material departures, if any, have been disclosed and explained.

We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report fairly present in all material respects; the financial condition, results of the operations and the cash flows of the Group during the year under review. We also confirm that the Group has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

The Board of Directors and the Management of the Company accept responsibility for establishing, implementing and managing Internal Controls and Procedures within the Company and its Subsidiary, 'Summit Finance PLC'. We confirm based on our evaluations that the estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis in order to ensure that the Financial Statements are reflected in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. To ensure this, we have taken proper and sufficient care in implementing effective Internal Controls and Procedures for ensuring that material information relating to the Group are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the Group for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or the operation of Internal Controls and Procedures to the best of our knowledge. The Internal Audit Departments of the Company and the Group conducts periodic reviews to provide reasonable assurance that the established

policies and the procedures of the Company and the Group were consistently followed.

The Company's Board Audit Committee, *inter alia*, reviewed all the internal and external audit and inspection programmes, the efficiency of Internal Control Systems and Procedures and also reviewed the quality of Significant Accounting Policies and their adherence to statutory and regulatory requirements, the details of which are given in the 'Board Audit Committee Report' on pages 65 and 66 of this Annual Report. The Board Audit Committee meets periodically with the internal audit team and the independent external Auditor to view their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on Internal Controls and Financial Reporting issues. To ensure complete independence, the External Auditor and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of Internal Controls and Procedures.

The Financial Statements of the Company and the Group were audited by Messrs Ernst & Young, Chartered Accountants and their Report is given on page 112 to this Annual Report. The Board Audit Committee pre-approves the audit and non-audit services provided by Messrs Ernst & Young in order to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka on permitted non-audit services or impair Ernst & Young's independence and objectivity.

We confirm to the best of our knowledge that –

- The Company and its subsidiary have complied with all applicable laws, regulations and prudential requirements;
- There are no material non-compliances;
- There are no material litigations that are pending against the Group other than those disclosed in the Note 41.1 on page 162 to the Financial Statements of this Annual Report; and
- All taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group as at the Reporting date have been paid, or where relevant provided for.



Mr. J C D de Alwis
DGM – Finance and Planning



Mr. Ravindra Ranjith
Chief Executive Officer

27th May 2016

Directors' Statement on Internal Control Over Financial Reporting

This statement is issued in compliance with Section 10 (2) (b) of the Central Bank's Direction No. 03 of 2008 to licensed finance companies, which requires the Board to include in its Annual Report a statement on the Company's internal Control over Financial Reporting.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal control mechanism in place in the Company. Recognising its responsibility in maintaining the safety and soundness of the Company and safeguarding its assets and resources, the Board has instituted an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and the process includes the system of internal control over financial reporting. The Board confirms that apart from regularly reviewing this process, it has also instituted systems and procedures which comply with relevant laws and regulations to keep abreast of industry norms. The Board also affirms that the Company's internal control mechanism has been designed to provide reasonable assurance with regard to the reliability of financial reporting and that the preparation of Financial Statements has been carried out according to the Sri Lanka Accounting Standards (SLFRSs/LKASs), which were first adopted by the Company in 2012.

Among the internal control procedures embedded within the Company are –

- An Integrated Risk Management (IRM) structure that involves the Board of Directors, Key Management Personnel, Heads of Divisions and the island-wide service network.
- A specialised Risk Management Unit, headed by the AGM – Risk Management and Compliance.
- The Internal Audit Division tasked with the ongoing evaluation of how the organisation has adapted to changes in the risk environment.
- Board Level Oversight Committees such as the Integrated Risk Management Committee (IRMC) and the Board Audit Committee (BAC) tasked with specific duties and responsibilities.
- Management Level Committees such as the Asset and Liability Committee (ALCO), Management Audit Committee (MAC), the Management Committee (ManCom) and the committees on Credit and Product Development.
- Implementation of a new web based management information system ('e-finance') and fully operationalising the same during the financial year to keep track of all financial operations real time and generate reports online.

The internal control system ensures, among others; transparency, segregation of duties, clear management reporting lines and adequate operating procedures in both its Head and Corporate Offices as well as in its service network of 30 branches and 28 customer service centres.

Confirmation

The Board is of the opinion that while it has complied with the aforementioned directives, it can only provide reasonable assurance and not absolute assurance against material misstatements, fraud and/or malpractice. The Board is also of the opinion while it has established the aforementioned internal control procedures, the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with the Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka.

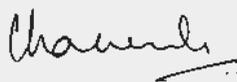
External Auditors' Certification

The External Auditors have submitted an Independent Assurance Report on the process adopted by the Directors on the system of internal controls over financial reporting. The External Auditors' Report is disclosed on page 111.

By order of the Board,



Mr. Eastman Narangoda
Chairman



Mr. Channa de Silva
Deputy Chairman/Chairman, Board Audit Committee

27th May 2016

Independent Assurance Report to the Board of Directors on Internal Control



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

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

WRHF/KHRC

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

Introduction

We were engaged by the Board of Directors of Sarvodaya Development Finance Limited., (“Company”) to provide assurance on the Directors’ Statement on Internal Control over Financial Reporting (“Statement”) included in the Annual Report for the year ended 31st March 2016.

Managements’ Responsibility

The Management is responsible for the preparation and presentation of the Statement.

Our Responsibilities and Compliance with SLSAE 3000

Our responsibility is to issue a report to the board on the Statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000.

Summary of Work Performed

We conducted our engagement 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 system of internal control over financial reporting for the Company.

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

SLSAE 3000 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 3000 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.

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.

27th May 2016
Colombo

Independent Auditors' Report



Building a better
working world

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

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

WRHF/KHRC/RS

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

Report on the Financial Statements

We have audited the accompanying Financial Statements of Sarvodaya Development Finance Limited, ("the Company"), and the Consolidated Financial Statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2016 and the statement of profit or loss and other comprehensive income/(expenses), statement of changes in equity and, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, set out on pages 113 to 182.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view 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 entity's internal control. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31st March 2016 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
 - 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,
 - The Financial Statement of the Company give a true and fair view of its financial position as at 31st March 2016 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
 - The Financial Statements of the Company and the Group comply with the requirements of section 151 and 153 of the Companies Act No. 07 of 2007.

27th May 2016
Colombo

Statement of Profit or Loss and Other Comprehensive Income/(Expenses)

For the Year Ended 31st March	Notes	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Income	6	1,014,753,642	752,992,948	1,311,666,151	899,209,526
Interest Income		922,993,919	652,411,316	1,212,582,970	798,713,064
Interest Expenses		(255,915,002)	(210,804,012)	(381,804,088)	(273,417,787)
Net Interest Income	7	667,078,917	441,607,304	830,778,882	525,295,277
Fee and Commission Income	8	15,177,472	14,117,131	19,541,556	14,213,105
Other Operating Income	9	76,582,251	86,464,501	79,541,625	86,283,358
Total Operating Income		758,838,640	542,188,936	929,862,063	625,791,739
Impairment (Charges)/Reversal for Loans and Other Losses	10	(61,294,116)	(67,331,561)	(73,107,699)	(109,472,294)
Net Operating Income		697,544,524	474,857,376	856,754,364	516,319,445
Operating Expenses					
Personnel Expenses	11	(314,185,138)	(271,105,385)	(353,411,869)	(286,227,662)
Depreciation of Property, Plant & Equipment	30	(34,771,373)	(15,892,839)	(42,710,349)	(19,857,689)
Amortisation of Intangible Assets	29	(10,662,306)	(10,576,364)	(11,456,160)	(10,971,122)
Other Operating Expenses	12	(212,142,771)	(175,505,858)	(275,123,007)	(210,741,356)
Operating Profit/(Loss) before Value Added Tax on Financial Services		125,782,936	1,776,931	174,052,978	(11,478,383)
Tax on Financial Services	13	(49,272,363)	(22,245,714)	(59,120,386)	(22,245,714)
Profit/(Loss) before Taxation		76,510,573	(20,468,783)	114,932,592	(33,724,096)
Income Tax Expenses	14	(30,368,790)	8,674,853	(33,824,837)	36,819,883
Profit/(Loss) for the Year		46,141,783	(11,793,930)	81,107,755	3,095,787
Attributable to:					
Equity Holders of the Company		46,141,783	(11,793,930)	72,555,311	(546,139)
Non-Controlling Interest		-	-	8,552,444	3,641,926
Profit/(Loss) for the Year		46,141,783	(11,793,930)	81,107,755	3,095,787
Other Comprehensive Income/(Expenses)					
Actuarial Gains/(Losses) on Defined Benefit Plans	35	(1,768,842)	3,881,249	(1,327,939)	3,636,435
Gain/(Loss) due to Changes in Assumptions	35	2,896,283	-	2,896,283	-
Income Tax (Charge)/Credit Relating to Components of Other Comprehensive Income		771,066	(2,083,170)	771,066	(2,083,170)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		1,898,507	1,798,079	2,339,410	1,553,265
Other Comprehensive Income for the Year, Net of Tax		1,898,507	1,798,079	2,339,410	1,553,265
Total Comprehensive Income/(Expenses) for the Year		48,040,290	(9,995,851)	83,447,165	4,649,052
Attributable to:					
Equity Holders of the Company		48,040,290	(9,995,851)	74,786,880	1,067,740
Non-Controlling Interest		-	-	8,660,286	3,581,312
Total Comprehensive Income/(Expenses) for the Year		48,040,290	(9,995,851)	83,447,165	4,649,052
Basic Earnings Per Share (Rs.)					
Earnings per Share – Basic	15	0.68	(0.19)	1.07	0.05
Dividend per Share*	16	0.25	-	-	-

Accounting Policies and Notes from pages 117 to 182 form an integral part of these Financial Statements.

* Calculated based on proposed dividend, which is to be approved at the Annual General Meeting.

Statement of Financial Position

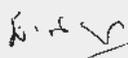
As at 31st March	Notes	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	Restated 2015 Rs.
Assets					
Cash and Cash Equivalents	18	306,766,105	208,620,885	382,595,165	263,953,307
Loans and Receivables	19	2,766,806,059	2,779,009,883	3,803,904,984	3,439,354,229
Lease Rentals Receivable & Stock-Out on Hire	20	-	-	132,126,602	193,936,429
Financial Investments – Held for Trading	21	-	-	700	1,356
Financial Investments – Available-for-Sale	22	-	-	56,300	56,300
Financial Investments – Held-to-Maturity	23	-	-	72,294,832	20,989,927
Financial Investments	24	243,177,150	201,843,587	259,780,030	264,760,967
Other Financial Assets	25	232,859,565	7,048,875	316,363,479	298,108,880
Inventories – Real Estate Stock	26	-	-	2,607,728	8,031,216
Investment in Subsidiary Companies	27	379,474,885	379,474,885	-	-
Other Non-Financial Assets	28	78,966,548	67,907,212	94,877,752	85,328,188
Income Tax Refund		-	7,051,210	2,279,020	7,051,210
Intangible Assets	29	30,443,303	38,248,008	262,696,229	271,294,788
Property, Plant & Equipment	30	281,535,732	241,143,145	303,808,015	258,048,059
Deferred Tax Asset	31	-	2,083,992	17,273,941	30,651,513
Total Assets		4,320,029,346	3,932,431,683	5,650,664,778	5,141,566,371
Liabilities					
Due to Banks	32	31,225,454	47,743,228	78,451,425	58,434,441
Due to Customers	33	3,070,417,410	2,776,238,605	4,176,075,391	3,811,217,071
Other Non-Financial Liabilities	34	96,909,412	53,841,982	113,170,002	81,046,584
Post Employment Benefit Liability	35	16,088,241	17,109,256	17,644,379	18,457,020
Current Tax Liabilities		9,471,585	-	9,471,585	6,424
Deferred Tax Liabilities	31	10,378,342	-	-	-
Total Liabilities		3,234,490,444	2,894,933,071	4,394,812,782	3,969,161,539
Shareholders' Funds					
Stated Capital	36	890,000,020	890,000,020	890,000,020	890,000,020
Retained Earnings	37	129,410,910	83,677,709	172,492,808	101,761,316
Reserves	38	66,127,972	63,820,883	74,038,494	69,983,106
Total Equity Attributable to Equity Holders of the Company		1,085,538,902	1,037,498,612	1,136,531,322	1,061,744,442
Non-Controlling Interest	39	-	-	119,320,674	110,660,389
Total Shareholders' Funds		1,085,538,902	1,037,498,612	1,255,851,996	1,172,404,831
Total Liabilities and Shareholders' Funds		4,320,029,346	3,932,431,683	5,650,664,778	5,141,566,371
Commitments and Contingencies	41	-	-	15,186,566	188,977,816

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



Mr. J C D de Alwis
DGM – Finance and Planning

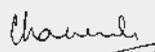
The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board of Directors by,



Mr. Eastman Narangoda
Chairman



Mr. W D K Ravindra Ranjith
Chief Executive Officer



Mr. G C A De Silva
Deputy Chairman

Accounting Policies and Notes from pages 117 to 182 form an integral part of these Financial Statements.

27th May 2016

Colombo

Statement of Changes in Equity

	Notes	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserves Rs.	Investment Fund Reserve Rs.	Revaluation Reserves Rs.	Total Equity Rs.
Company							
Balances as at 1st April 2014		540,000,020	89,197,737	18,076,058	4,475,823	45,744,825	697,494,463
Issue of Share		350,000,000	–	–	–	–	350,000,000
Loss for the Year		–	(11,793,930)	–	–	–	(11,793,930)
Other Comprehensive Income		–	1,798,079	–	–	–	1,798,079
Transfer from Investment Fund Reserve	38	–	4,475,823	–	(4,475,823)	–	–
Balances as at 31st March 2015		890,000,020	83,677,710	18,076,058	–	45,744,825	1,037,498,612
Issue of Shares		–	–	–	–	–	–
Profit for the Year		–	46,141,783	–	–	–	46,141,783
Other Comprehensive Income		–	1,898,507	–	–	–	1,898,507
Transfer to Statutory Reserves Fund	38	–	(2,307,089)	2,307,089	–	–	–
Balances as at 31st March 2016		890,000,020	129,410,911	20,383,147	–	45,744,825	1,085,538,902

	Notes	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserves Rs.	Investment Fund Reserve Rs.	Revaluation Reserves Rs.	Shareholders' Fund Rs.	Non- Controlling Interest Rs.	Total Equity Rs.
Group									
Company Balances as at the beginning		540,000,020	89,197,737	18,076,058	4,475,823	45,744,825	697,494,463	–	697,494,463
Issue of Share		350,000,000	–	–	–	–	350,000,000	–	350,000,000
Transferred from Acquisition of Subsidiary		–	–	6,162,223	7,020,017	–	13,182,240	107,079,077	120,261,317
Profit for the Year		–	(546,139)	–	–	–	(546,139)	3,641,926	3,095,787
Other Comprehensive Income		–	1,613,879	–	–	–	1,613,879	(60,614)	1,553,265
Transfer from Investment Fund Reserve	38	–	11,495,840	–	(11,495,840)	–	–	–	–
Balances as at 31st March 2015 (Restated)		890,000,020	101,761,317	24,238,281	–	45,744,825	1,061,744,443	110,660,389	1,172,404,831
Profit for the Year		–	72,555,311	–	–	–	72,555,311	8,552,444	81,107,755
Other Comprehensive Income		–	2,231,568	–	–	–	2,231,568	107,842	2,339,410
Transfer to Statutory Reserves Fund	38	–	(4,055,388)	4,055,388	–	–	–	–	–
Balances as at 31st March 2016		890,000,020	172,492,808	28,293,669	–	45,744,825	1,136,531,322	119,320,674	1,255,851,996

Accounting Policies and Notes from pages 117 to 182 form an integral part of these Financial Statements.

Statement of Cash Flow

For the Year Ended 31st March	Notes	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Cash Flows from/(used in) Operating Activities					
Profit before Income Tax Expense		76,510,573	(20,468,783)	114,932,593	(33,724,096)
Adjustments for:					
Impairment Provision	8	61,294,116	67,331,561	73,107,699	106,348,937
Interest Cost on Finance Lease		-	-	413,330	504,049
Loss/(Profit) from Sale of Investments		-	-	-	(890,262)
Diminution/(Appreciation) in Value of Investments		-	-	656	-
Reversal of Provision of Loan Risk Assurance Benefit Fund		(5,606,967)	-	(5,606,967)	-
Loss/(Profit) on Disposal of Property, Plant & Equipment	9	27,103	(438,264)	187,794	-
Provision for Defined Benefit Plans	26	4,754,295	4,430,654	5,626,548	6,130,833
Dividend Received		-	-	(54,006)	-
Depreciation of Property, Plant & Equipment		34,771,373	15,892,839	42,710,346	19,857,689
Amortisation of Intangible Assets		10,662,306	10,576,364	11,456,160	10,971,122
Notional Tax Credit on Interest on Treasury Bills		1,738,897	-	1,116,702	-
Operating Profit before Working Capital Changes		184,151,695	77,324,369	243,890,854	109,198,271
(Increase)/Decrease in Loans and Advances	19	(55,066,124)	(816,900,166)	(435,110,623)	(732,627,305)
(Increase)/Decrease in Lease Rentals Receivable & Stock-out on Hire		-	-	53,286,164	46,866,583
(Increase)/Decrease in Real Estate Stock		-	-	5,423,488	9,456,937
(Increase)/Decrease in Other Financial Assets	25	(225,810,690)	281,275,654	(17,367,378)	253,316,407
(Increase)/Decrease in Other Non-Financial Assets	28	(12,363,388)	3,916,967	(15,938,469)	17,237,898
Increase/(Decrease) in Amounts Due to Customers		294,178,805	611,236,303	364,858,319	533,323,779
Increase/(Decrease) in Other Non-Financial Liabilities		36,428,237	(50,654,001)	25,477,801	(17,556,207)
Cash Generated from Operations		221,518,536	106,199,126	224,520,157	219,216,363
Retirement Benefit Liabilities Paid		(5,775,310)	(2,904,959)	(5,998,286)	(3,645,003)
LRAB Premium Collected		18,221,991	-	18,221,991	-
Taxes Paid		-	-	-	-
Net Cash from/(used in) Operating Activities		233,965,217	103,294,167	236,743,862	215,571,360
Cash Flows from/(used in) Investing Activities					
Sales of Property, Plant & Equipment		1,305,204	370,037	1,448,377	(5)
Acquisition of Property, Plant & Equipment	30	(76,496,267)	(51,236,006)	(90,106,476)	(52,139,402)
Acquisition of Intangible Assets	29	(2,777,600)	(16,629,341)	(2,777,600)	(16,629,341)
Financial Investments	24	(41,333,564)	(1,843,720)	4,980,937	(1,843,720)
Financial Investments Held for Trading		-	-	-	876,288
Sale/(Purchase) of Financial Investments – Available-for-Sale		-	-	-	9,846,200
Sale/(Purchase) of Financial Investments – Held-to-Maturity		-	35,000,000	(51,304,905)	15,345,439
Net Cash Effect on Acquisition of Subsidiary		-	(379,474,885)	-	(311,672,511)
Dividend Received		-	-	54,006	-
Net Cash Flows from/(used in) Investing Activities		(119,302,226)	(413,813,915)	(137,705,660)	(356,217,047)
Cash Flows from/(used in) Financing Activities					
Issued Shares		-	350,000,000	-	350,000,000
Payment Under Finance Lease Liabilities		-	-	-	-
Net Cash Flow from Securitised Borrowings, Syndicated Loans and Other Bank Facilities		(6,878,629)	(29,862,428)	(8,153,896)	(30,654,145)
Net Cash Flow from Debt Issued and Other Borrowings		-	-	-	-
Dividends Paid		-	-	-	-
Net Cash Flows from/(used in) Financing Activities		(6,878,629)	320,137,572	(8,153,896)	319,345,855
Net Increase in Cash and Cash Equivalents		107,784,362	9,247,788	90,884,306	178,700,168
Cash and Cash Equivalents at the beginning of the Year		198,981,741	189,733,953	246,502,542	67,802,374
Cash and Cash Equivalents at the end of the Year	A	306,766,105	198,981,741	337,386,849	246,502,542
A Cash and Cash Equivalents at the beginning of the Year					
Favourable Cash and Cash Equivalents		306,766,105	208,620,885	382,595,165	263,953,307
Unfavourable Cash and Cash Equivalents		-	(9,639,144)	(45,208,316)	(17,450,765)
Total Cash and Cash Equivalents at the end of the Year		306,766,105	198,981,741	337,386,850	246,502,542

Notes to the Financial Statements

1. Corporate Information

1.1 General

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

The registered office of the Company is located at 'Arthadharm Kendraya', No. 45, Rawatawatte Road, Moratuwa and the principal place of business is situated at the same place.

1.2 Principal Activities of the Company and the Group

The principal activities of the Company consist Acceptance of Deposits, Granting Microfinance Loans, Mortgage Loans, Business Loans, Pawning and other credit facilities and related services.

Subsidiaries – Summit Finance PLC (Formerly, George Steuart Finance PLC)

The principal activities of the Subsidiary consist of Acceptance of Deposits, Granting Leasing Facility, Hire Purchases, Mortgage Loans, Vehicle Loans, Business Loans, Traders Loans, Real Estate Development and related services, Bill Discounting and other credit facilities and related services.

1.3 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31st March 2016 comprise the Company (Parent company) and its Subsidiary companies.

The Company's Parent undertaking is Sarvodaya Economic Enterprises Development Services (Gte) Limited (SEEDS), which is also the Company's Ultimate Parent of the Group.

1.4 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company as at 31st March 2016 which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income/(Expenses), Statement of Changes in Equity, Statement of Cash Flows, Accounting Policies and Notes, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of Financial Statements also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto.

1.5 Responsibility for the Financial Statements

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

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' on pages 102 to 110 respectively.

These Financial Statements Include

The Statement of Profit or Loss and Other Comprehensive Income/(Expenses) provides the information on the performance for the year under review (Refer page 113). Statement of Financial Position provides the information on the financial position of the Company and the Group as at the year end (Refer page 114). Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company and the Group (Refer page 115). Statement of Cash Flows provides the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs for entities to utilise those cash flows (Refer page 116) and Notes to the Financial Statements, which comprises the Accounting Policies and other explanatory notes and information (Refer pages 117 to 182).

1.6 Approval of the Financial Statements

The Financial Statements of the Company and the Group for the year ended 31st March 2016 (including comparatives) have been approved and authorised for issue by the Board of Directors on 27th May 2016.

2. Basis of Preparation of Financial Statements

2.1 Preparation of Financial Statements

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

- Financial assets and liabilities held for trading which are measured at fair value.
- Freehold land and building which are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values at the date of revaluation.

Notes to the Financial Statements

- Liabilities for defined benefit obligations which are recognised at the present value of the defined benefit obligations less the net totals of plan assets and unrecognised past service cost.

2.2 Presentation of Financial Statements

The Company and the Group present its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery and settlement within 12 months after the Reporting date (current) and more than 12 months after the Reporting date (non-current) is presented in Note 40 to these Financial Statements.

2.3 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard (LKAS) 01 – on ‘Presentation of Financial Statements’, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position of the Company and the Group 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 liabilities simultaneously.

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

2.4 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its Subsidiaries as at 31st March 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has –

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including –

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a Subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the Subsidiary. Assets, liabilities, income and expenses of a Subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the Subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of Subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a Subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit for loss. Any investment retained is recognised at fair value.

2.5 Functional and Presentation Currency

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

Going Concern

The Board of Directors of the Company and its Group companies has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the ability of the Company and its Group companies to continue as a going concern. Therefore, the Financial Statements of the Company and the Group continue to be prepared on the going concern basis.

3. General Accounting Policies

3.1 Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the accounting policies of the Company and the Group, management is required to make judgments, which may have significant effects on the amounts recognised 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 a material adjustments to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

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

- Allowance for Impairment Charges for Loans and Receivables (Details under Note 19.3)
- Deferred Taxation (Details under Note 31)
- Post-Employment Benefit Liability (Details under Note 35)
- Related Party Transactions (Details under Note 44)
- Fair Value of Financial Instruments (Details under Note 46)

3.2 Financial Instruments

Initial Recognition Date

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company and the Group becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per Sri Lanka Accounting Standard (LKAS) 39 – 'Financial Instruments: Recognition and Measurement'.

Classification and Subsequent Measurement of Financial Assets

At inception, a financial asset is classified into one of the following categories:

- At fair value through profit or Loss
 - Held for Trading; or
 - Designated at fair value through profit or loss.
- Loans and Receivables.
- Available-for-Sale; or
- Held-to-Maturity

The subsequent measurement of the financial assets depends on their classifications.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as 'held for trading' if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instruments entered into by the Company and the Group that are not designated as hedging instruments in hedge relationships as defined by Sri Lanka Accounting Standard (LKAS) 39 – 'Financial Instruments: Recognition and Measurement'.

Gains or losses on liabilities held-for-trading are recognised in the Statement of Comprehensive Income/(Expenses).

The Company and the Group has not designated any financial liabilities upon recognition, at fair value through profit or loss.

Other Financial Liabilities

Financial instruments issued by the Company and the Group that are not designated at fair value through profit or loss, are classified as 'other financial liabilities', where the substance of the contractual arrangement results in the Company and the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Other financial liabilities include, amounts due to banks, due to other customers, debt securities and other borrowed funds and subordinate debts.

After initial measurement, other financial liabilities are subsequently measured at amortised cost using the EIR.

Derecognition of Financial Assets and Financial Liabilities

(a) 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 have expired,
- The Company and the Group 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 and the Group has transferred substantially all the risks and rewards of the asset; or
- The Company and the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company and the Group 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 recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group 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 Group 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.

(b) Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the Statement of Profit or Loss.

Reclassification of Financial Assets and Liabilities

The Company and the Group reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held-to-maturity' categories as permitted by the Sri Lanka Accounting Standard (LKAS) 39 – 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company and the Group is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to the Statement of Profit or Loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Comprehensive Income/(Expenses).

The Company and the Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company and the Group subsequently increase its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate. Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company and the Group does not reclassify any financial instruments into the fair value through profit or loss category after initial recognition. Further, the Company and the Group does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

3.3 Impairment of Non-Financial Assets Other than Goodwill

The Company and the Group assesses at each Statement of Financial Position date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Company and the Group makes an estimate of 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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 the 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 prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each Statement of Financial Position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company and the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

3.4 Business Combinations and Goodwill

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Investments in Subsidiary companies are accounted for using the Acquisition Method of accounting in the Consolidated Financial Statements as per the requirement of Sri Lanka Accounting Standard (SLFRS) 03 – 'Business Combinations'. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the fair value of consideration transferred including the recognised amount of any non-controlling interest in the acquiree less the fair values of the identifiable net assets acquired and liabilities assumed, measured at the acquisition date, is recognised as goodwill. When the excess is negative, the discount on acquisition (negative goodwill) is recognised directly in the Statement of Profit or Loss in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration transferred over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Notes to the Financial Statements

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Carrying amount of the goodwill arising on acquisition of subsidiaries is presented as an intangible and the goodwill arising on an acquisition of an equity accounted investment such as investment in Associates, is included in the carrying values of the investment.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the Statement of Profit or Loss.

4. Standards Issued But Not Yet Effective

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Consolidated Financial Statements. Accordingly, the following Accounting Standards and interpretations have not been applied in preparing these Financial Statements and the Group plans to apply these Standards on the respective effective dates.

SLFRS 9 – Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 1st January 2015. However, the effective date has been deferred to 1st January 2018 subsequently.

Given the nature of the Company's and the Group's operations, this standard is expected to have a pervasive impact on the Group's Financial Statements, in particular, calculation of impairment of the financial instruments on an expected credit loss model is expected to result an increase in the overall level of impairment allowances. The impact on the Company's and the Group's Financial Statements from the implementation of the above Standard has not been quantified yet.

SLFRS 15 – Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It replaces the existing revenue recognition guidelines, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts'.

SLFRS 15 will become effective for annual Reporting periods beginning on or after 1st January 2018. The impact on the Company's and the Group's Financial Statements from the implementation of the above Standard has not been quantified yet.

5. Amendments to Existing Accounting Standards that became Effective from 1st January 2016

Amendments to the below detailed existing Accounting Standards with effect from 1st January 2016 as published by The Institute of Chartered Accountants of Sri Lanka are not expected to have an impact on the Consolidated Financial Statements of the Group.

LKAS 27 – Consolidated and Separate Financial Statements

The objective of this amendment to the Standard is to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate Financial Statements.

The amendment to the LKAS 27 is effective for annual reporting periods beginning on or after 1st January 2016.

6. 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 Group and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Interest Income	922,993,919	652,411,316	1,212,582,970	798,713,064
Fee and Commission Income	15,177,472	14,117,131	19,541,556	14,213,105
Other Operating Income (Net)	76,582,251	86,464,501	79,541,625	86,283,358
Total Income	1,014,753,642	752,992,948	1,311,666,151	899,209,526

7. Net Interest Income

Accounting Policy

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income or expense is recorded using the Effective Interest Rate.

The carrying amount of the financial assets or financial liabilities is adjusted if the Company and the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR. The amortised cost is calculated by taking into account any discount or premium on an acquisition and fees and costs that are an integral part of the EIR. The change in carrying amount is recorded as 'Interest income' for financial assets and interest expenses for financial liabilities.

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.

Interests from overdue rentals have been accounted for on a cash received basis.

Notes to the Financial Statements

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
7.1 Interest Income				
Loans and Receivables	880,258,554	616,742,111	1,096,998,260	723,566,870
Lease Rentals Receivable and Stock Out on Hire	–	–	32,577,051	22,789,087
Financial Investments	17,388,970	18,738,050	23,610,925	21,551,806
Savings Deposits	13,912,868	10,229,349	13,912,868	10,229,349
Other Financial Assets	11,433,527	6,701,806	45,483,866	20,575,951
Total Interest Income	922,993,919	652,411,316	1,212,582,970	798,713,064
7.2 Interest Expenses				
Due to Banks	3,347,711	6,245,709	3,869,321	6,537,201
Due to Customers	252,567,291	204,558,302	377,934,767	266,863,318
Other Financial Liabilities	–	–	–	17,267
Total Interest Expenses	255,915,002	210,804,012	381,804,088	273,417,787
7.3 Net Interest Income from Sri Lanka Government Securities				
Interest Income	15,650,073	16,864,245	21,249,833	19,396,626
Net Interest Income	15,650,073	16,864,245	21,249,833	19,396,626

7.4 Notional Tax Credit on Secondary Market Transactions

According to Section 137 of the Inland Revenue Act No. 10 of 2006, Net Interest Income of the Company derived from the secondary market transactions in Treasury Bills and Treasury Bonds (Interest income accrued or received on outright or reverse repurchase transactions on such securities, bonds or bills less interest expenses on repurchase transaction with Securities, Treasury Bonds or Treasury Bills from which such interest income was earned) for the period 1st April 2015 to 31st March 2016 has been grossed up by Rs. 1,738,897/- (2015 – Rs. 1,873,805/-) for the notional tax credit, consequent to the interest income on above instruments being subjected to withholding tax.

8. Fee and Commission Income**Accounting Policy****Income from Fee-Based Activities**

Fees for underwriting, documentation charges, service charges and all other fees and commissions are recognised on accrual basis. Fees charged on guarantee/bid bonds are recognised on an accrual basis over the period the service is performed.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Credit-Related Fees and Commissions	–	–	247,372	484,105
Documentation Charges	14,710,684	13,395,340	18,827,396	13,395,340
Service Charge	466,788	721,791	466,788	333,660
Total Net Fee and Commission Income	15,177,472	14,117,131	19,541,556	14,213,105

9. Other Operating Income

Accounting Policy

Other operating income includes recoveries of written down loans and advances, capital gains/(losses) and gains from property, plant & equipment.

Dividend Income

Dividend income from investments in Subsidiary companies and Associate companies and other investments in shares held for other than trading purposes, are recognised when the Company's and the Group's right to receive the payment, is established.

Capital Gains

Capital gains from sale of securities and group investments present the difference between the sales proceeds from sale of such investments and the carrying value of such investments.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Recoveries on Bad Debts	61,171,202	41,506,364	62,074,451	41,506,364
Profit/(Loss) on Disposal of Property, Plant & Equipment	27,103	(438,264)	(133,589)	(19,074)
Net Gain/(Loss) from Trading	-	-	(656)	(354,038)
Reversal of Provision of Loan Risk Assurance Benefit Fund	5,606,967	26,390,605	5,606,967	26,390,605
Other Sundry Income (Note 9.1)	9,776,979	19,005,796	11,994,451	18,759,501
Total Other Operating Income	76,582,251	86,464,501	79,541,625	86,283,358

9.1 This balance included Membership Fee Income, CRIB Income, Training Income, Insurance Commission Income, Pawning Penalty Income, Discount Received, Penalty Income, Termination Fee and other.

10. Impairment Charges/(Reversal) for Loans and Other Losses

Accounting Policy

The Company and the Group recognise the changes in the impairment provisions for loans and receivables to banks and other customers, which are assessed as per the (LKAS) 39 – 'Financial Instruments: Recognition and Measurement'. The methodology adopted by the Company and the Group is explained in Note 19.3 to these Financial Statements. The Company also makes provisions/write-backs for impairment of investments in Subsidiary and Associate companies and other financial assets when there is a permanent diminution in the carrying value of these investments.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Loans and Advances Receivable Excluding Pawning Advance	67,269,948	58,173,059	70,559,868	106,348,937
Finance Lease Rental Receivable	-	-	(107,868)	(5,488,749)
Stock Out on Hire	-	-	8,631,531	(546,396)
Pawning Advance	(5,975,833)	9,158,502	(5,975,833)	9,158,502
Total Impairment Charges for Loans and Other Losses	61,294,116	67,331,561	73,107,699	109,472,294

11. Personnel Expenses

Accounting Policy

Personnel costs include salaries and bonus, terminal benefit charges, share-based payments 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. Group Companies contribute 12% and 3% to Central Bank of Sri Lanka for eligible employees for Employees' Provident Fund contributions and Employees' Trust Fund contributions respectively.

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

Year Ended 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Salaries and Other Related Expenses	277,871,566	239,550,661	307,577,256	251,888,175
Employer's Contribution to Employees' Provident Fund	19,398,157	17,134,019	23,318,839	18,821,800
Employer's Contribution to Employees' Trust Fund	4,849,133	4,430,654	5,830,253	4,866,969
Gratuity Charge/(Reversals) for the Year	5,881,736	5,942,236	6,753,989	6,130,833
Other Staff-Related Expenses	6,184,546	4,047,816	9,931,532	4,519,886
Total Personnel Expenses	314,185,138	271,105,385	353,411,869	286,227,662

12. Other Operating Expenses

Accounting Policy

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. Consolidation expenses consist of the legal fee, professional fee and other document charges incurred for the consolidation process.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Directors' Emoluments	5,126,662	4,650,000	9,270,789	6,750,000
Auditors' Remuneration	1,821,649	1,188,810	2,590,282	1,788,810
Professional and Legal Expenses	10,318,285	6,629,023	13,127,281	10,122,025
Deposit Insurance Premium	4,533,905	2,848,536	4,533,905	3,602,755
General Insurance Expenses	1,908,753	1,464,581	1,908,753	1,464,581
Office Administration and Establishment Expenses	152,570,993	122,757,152	201,474,706	139,029,599
Travelling and Transport Expenses	10,815,742	9,591,302	10,815,742	18,150,970
Pawning Expenses	–	186,901	–	186,901
Other Expenses	3,145,186	3,947,185	8,600,472	7,403,347
Consolidation Expenses	–	11,582,731	–	11,582,731
Marketing Expenses	21,901,596	10,659,638	22,801,076	10,659,638
Total Other Operating Income	212,142,771	175,505,858	275,123,007	210,741,356

13. Tax on Financial Services

Accounting Policy

The base for the computation of Value Added Tax on financial services is the accounting profit before emoluments paid to employees and income tax, which is adjusted for the depreciation computed on the prescribed rates. The current regulatory tax rate is 11%.

The same base is also applied for the computation of the Nation Building Tax which was effective from 1st January 2014 and the regulatory tax rate is 2%.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Value Added Tax on the Supply of Financial Services	41,691,999	18,239,811	50,024,942	18,239,811
Nation Building Tax on Financial Services	7,580,364	4,005,902	9,095,444	4,005,902
	49,272,363	22,245,714	59,120,386	22,245,714

Notes to the Financial Statements

14. Income Tax Expenses

Accounting Policy

As per the Sri Lanka Accounting Standard (LKAS) 12 – on ‘Income Taxes’, the tax expense/tax income is the aggregate amount included in determination of profits or loss for the period in respect of income tax and deferred tax. The tax expense/income is recorded in the Statement of Profit or Loss except to the extent it relates to items recognised directly in Equity or Statement of Comprehensive Income (OCI), in which case it is recognised in Equity or OCI.

The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the Reporting date. The regulatory income tax rate for the year was 28% (2015 – 28%).

The components of the income tax expense for the years ended 31st March 2016 and 2015 are –

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Income Taxation				
Taxation Based on Profits for the Year (Note 14.1)	22,604,887	5,469,497	28,699,255	14,714,913
(Over)/Under Provision in Respect of 2014/15 (Note 14.2)	(5,469,497)	–	(9,023,056)	–
(Over)/Under provision in Respect of 2013/14	–	1,844,572	–	(3,909,364)
(Over)/Under Provision in Respect of 2011/12 (Note 14.3)	–	(12,200,875)	–	(12,200,875)
Deferred Taxation				
Transfers to/(from) Deferred Taxation (Note 31)	13,233,400	(3,788,047)	14,148,638	(35,424,557)
Total Tax Charge	30,368,790	(8,674,853)	33,824,837	(36,819,883)

14.1 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by Government of Sri Lanka’s tax rate for the years ended 31st March are as follows:

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit Before Tax	76,510,573	(20,468,783)	114,932,592	(33,724,096)
Add: Disallowable Expenses	167,657,372	128,523,678	222,103,524	216,802,588
WHT on Savings Interest Income	–	1,136,594	–	1,136,594
WHT on Financial Assets Interest Income	–	744,645	–	744,645
Less: Tax Deductible Expenses	(119,965,270)	(90,402,218)	(191,067,839)	(132,406,471)
Adjusted Profit/(Loss) for Tax Purposes	124,202,675	19,533,916	145,968,277	52,553,260
Assessable Income	124,202,675	19,533,916	145,968,277	52,553,260
Less: Allowable Losses	(43,470,936)	–	(43,470,936)	–
Taxable Income	80,731,739	19,533,916	102,497,341	52,553,260
Income Tax @ 28%	22,604,887	5,469,497	28,699,256	14,714,913
Income Tax on Current Year’s Profit	22,604,887	5,469,497	28,699,256	14,714,913
Effective Tax Rate	30%	NIL	25%	NIL

14.2 (Over)/Under Provision in Respect of 2014/15

The Company claimed an income tax over provision of Rs. 5,469,497/- in respect of the year 2014/15 from the income tax liability of the current year. This over provision arose as a result of claiming the allowable bad debt expenses of the written off contracts amounting to Rs. 197 Million in the year 2013/14 when filing the income tax return for the year of assessment 2013/14.

14.3 (Over)/Under Provision in Respect of 2011/12

The Company has acquired the business from Sarvodaya Economic Enterprise (Guarantee) Limited, (SEEDS) during 2011/12. Relevant taxes for 2011/12 has been paid by the SEEDS for that year of assessment and an additional provision has been made in the Company accounts for the same liability for prudence to meet any additional tax liabilities arising from the acquisition of business from SEEDS. Since no tax liability has been arising from the acquisition of business from SEEDS, the over provision of Rs. 12,200,875/- for income tax in respect of year 2011/12 has been reversed back to the Income Statement in the financial year 2015.

14.4 Applicable Income Tax Rates

	2016 %	2015 %
Sarvodaya Development Finance Limited.	28	28
Summith Finance PLC	28	28

15. Earnings Per Share

Accounting Policy

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as required by the Sri Lanka Accounting Standard (LKAS) 33 – on 'Earnings per Share':

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Amount Used as the Numerator				
Profit Attributed to Ordinary Shareholders	46,141,783	(11,793,930)	72,555,311	(546,139)
Amount Used as the Denominator				
Weighted Average Number of Ordinary Shares as at the Date of the Statement of Financial Position for Basic EPS Calculation	67,500,006	61,027,401	67,500,006	61,027,401
Weighted Average Basic Earnings per Share (Rs.)	0.68	(0.19)	1.07	(0.01)

Notes to the Financial Statements

16. Dividend Paid and Proposed

Provision for the final dividend is recognised at the time the dividend is recommended and declared by the Board of Directors and is approved by the shareholders in accordance with Section 56 (1) (b) of the Companies Act No. 07 of 2007.

	Gross Dividend Rs.	Dividend Tax Rs.	2016 Net Dividend Rs.
16.1 Final Dividend Proposed for the Year 2015/16			
Out of Current Year Profits	16,875,002	1,687,500	15,187,501
Out of Cash Dividend Received			
Cash Dividend Payable	16,875,002	1,687,500	15,187,501
Dividend per Ordinary Share	0.25		0.25

The Board of Directors of the Company has recommended the payment of a first and final cash dividend of Rs. 0.25 per share for the year ended 31st March 2016, amounting to a distribution of approximately Rs. 15,187,501/- net of 10% withholding tax. This will be paid as cash dividend.

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

Dividend for the year that are approved after the reporting date are disclosed as an event after the Reporting date in accordance with the Sri Lanka Accounting Standard (LKAS) 10 – 'Events after the reporting period'. Accordingly, above proposed final dividend has not been recognised as a liability as at the year end.

As per the letter dated 19th August 2014 of Central Bank of Sri Lanka has informed to Company not to pay any dividend until 31st December 2015. Therefore Company and the Group not proposed any dividend for the year ended 31st March 2015.

17. Analysis of Financial Instruments by Measurement Basis**17.1 Company**

	2016 Loans and Receivables Rs.	2016 Total Rs.	2015 Loans and Receivables Rs.	2015 Total Rs.
Assets				
Cash and Cash Equivalents	306,766,105	306,766,105	208,620,885	208,620,885
Loans and Receivables	2,766,806,059	2,766,806,059	2,779,009,883	2,779,009,883
Financial Investments	243,177,150	243,177,150	201,843,587	201,843,587
Other Financial Assets	232,859,565	232,859,565	7,048,875	7,048,875
Total Financial Assets	3,549,608,878	3,549,608,878	3,196,523,229	3,196,523,229

	2016 Amortised Cost Rs.	2016 Total Rs.	2015 Amortised Cost Rs.	2015 Total Rs.
Liabilities				
Due to Banks	31,225,454	31,225,454	47,743,228	47,743,228
Due to Customers	3,070,417,410	3,070,417,410	2,776,238,605	2,776,238,605
Total Financial Liabilities	3,101,642,864	3,101,642,864	2,823,981,832	2,823,981,832

17.2 Group

	2016				Total Rs.
	Held-to-Maturity at Amortised Cost Rs.	Available-for-Sale at Fair Value Rs.	Held for Trading at Fair Value Rs.	Loans and Receivables Rs.	
Assets					
Cash and Cash Equivalents	-	-	-	382,595,166	382,595,166
Loans and Receivables	-	-	-	3,803,904,984	3,803,904,984
Lease Rentals Receivable and Stock Out on Hire	-	-	-	132,126,602	132,126,602
Financial Investments – Held for Trading	-	-	700	-	700
Financial Investments – Available-for-Sale	-	56,300	-	-	56,300
Financial Investments – Held-to-Maturity	72,294,832	-	-	-	72,294,832
Financial Investments	-	-	-	259,780,030	259,780,030
Other Financial Assets	-	-	-	316,702,795	316,702,795
Total Financial Assets	72,294,832	56,300	700	4,895,109,576	4,967,461,408

	2016	
	Amortised Cost Rs.	Total Rs.
Liabilities		
Due to Banks	47,743,228	47,743,228
Due to Customers	2,776,238,605	2,776,238,605
Total Financial Liabilities	2,823,981,832	2,823,981,832

Notes to the Financial Statements

17.3 Group

	2015				Total Rs.
	Held-to-Maturity at Amortised Cost Rs.	Available-for-Sale at Fair Value Rs.	Held for Trading at Fair Value Rs.	Loans and Receivables Rs.	
Assets					
Cash and Cash Equivalents	–	–	–	263,953,307	263,953,307
Loans and Receivables	–	–	–	3,439,354,229	3,439,354,229
Lease Rentals Receivable and Stock Out on Hire	–	–	–	193,936,429	193,936,429
Financial Investments – Held for Trading	–	–	1,356	–	1,356
Financial Investments – Available-for-Sale	–	56,300	–	–	56,300
Financial Investments – Held-to-Maturity	20,989,927	–	–	–	20,989,927
Financial Investments	–	–	–	264,760,967	264,760,967
Other Financial Assets	–	–	–	298,108,880	298,108,880
Total Financial Assets	20,989,927	56,300	1,356	4,460,113,813	4,481,161,396

	2015	
	Amortised Cost Rs.	Total Rs.
Liabilities		
Due to Banks	58,434,441	58,434,441
Due to Customers	3,811,217,071	3,811,217,071
Total Financial Liabilities	3,869,651,512	3,869,651,512

18. Cash and Cash Equivalents

Accounting Policy

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

Year ended 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Cash in Hand	42,623,363	56,130,016	51,961,695	64,176,246
Cash and Bank Balances	264,142,742	149,033,021	330,633,471	196,319,213
Cash in Transit	–	3,457,848	–	3,457,848
Total Cash and Cash Equivalents	306,766,105	208,620,885	382,595,165	263,953,307

19. Loans and Receivables

Accounting Policy

Loans and receivables to other customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than –

Those that the Company and the Group intends to sell immediately or in the near term and those that the Company and the Group, upon initial recognition, designates as at fair value through profit or loss:

- Those that the Company and the Group, upon initial recognition, designates as available-for-sale.
- Those for which the Company and the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, 'loans and receivables to other customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. The amortisation is included in 'interest income' in the Statement of Profit or Loss account. The losses arising from impairment are recognised in the Statement of Profit or Loss as 'impairment for loans and receivables and other losses'.

Write-off of Loans and Receivables

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

Rescheduled Loan Facilities

Where possible, the Company and the Group seek to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been negotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral Valuation

The Company and the Group seeks to use collateral, where possible, to mitigate its risks on loans and receivables to other customers. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and other credit enhancements.

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

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Gross Loans and Receivables	2,914,388,763	2,859,322,639	4,035,587,426	3,655,815,221
(Less): Allowance for Impairment Charges for Loans and Receivables (Note 19.4)	(147,582,704)	(80,312,756)	(231,682,442)	(216,460,992)
Net Loans and Receivables to Other Customers	2,766,806,059	2,779,009,883	3,803,904,984	3,439,354,229

Notes to the Financial Statements

19.1 Loans and Receivables – By Province

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Western Province	620,251,697	499,969,437	1,656,226,204	1,232,120,283
Southern Province	350,041,238	405,939,581	350,041,238	405,939,581
Central Province	441,194,978	471,887,801	491,488,828	508,963,973
North Central Province	383,297,383	322,439,353	383,297,383	322,439,353
Uva Province	235,365,681	273,395,431	235,365,681	273,395,431
Sabaragamuwa Province	272,927,832	260,070,023	272,927,832	260,070,023
Eastern Province	197,077,633	195,474,721	197,077,633	195,474,721
North Western Province	282,304,407	295,698,763	317,234,714	323,956,485
Northern Province	131,927,914	134,447,528	131,927,914	133,455,369
	2,914,388,763	2,859,322,639	4,035,587,426	3,655,815,221

The province-wise disclosure is made based on the location of the branch from which the loan has been disbursed.

19.2 Loans and Receivables – By Industry

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Agriculture and Fishing	595,227,688	439,037,032	774,317,620	519,450,762
Manufacturing	429,296,458	525,545,984	542,935,782	613,272,077
Tourism	2,289,573	39,568,011	2,289,573	46,217,028
Transport	17,257,825	28,392,618	106,607,842	97,251,596
Constructions	601,370,571	850,695,788	637,023,137	880,982,467
Trades	711,232,237	646,288,072	903,176,902	788,410,144
New Economy	7,775,058	5,975,505	7,775,058	178,874,362
Financial and Business Services	1,392,245	2,433,157	10,843,359	11,203,344
Infrastructure	4,644,551	3,583,520	4,922,571	4,343,996
Other Services	288,821,637	59,736,625	790,614,664	115,769,838
Other Customers	255,080,920	258,066,327	255,080,920	400,039,607
	2,914,388,763	2,859,322,639	4,035,587,426	3,655,815,221

19.3 Allowance for Impairment Charges for Loans and Receivables

Accounting Policy

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

The Company and the Group review their individually significant loans and receivables at each Reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, the management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and receivables that have been assessed individually and found not to be impaired are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio such as loan ownership types, levels of arrears, industries etc. and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, inflation rate, interest rates and exchange rates).

Individually Assessed Financial Assets

The criteria used to determine that there is such objective evidence includes:

- Known cash flow difficulties experienced by the borrower;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial realisation; and
- A significant downgrading in credit rating by an external credit rating agency.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'interest income'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collectively Assessed Loans and Receivables

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the credit risk characteristics such as asset type, industry, past due status and other relevant factors.

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and individually significant.
- For homogeneous groups of loans that is not considered.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes to the Financial Statements

19.4 Allowance for Impairment Losses

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance as at beginning of the Year	80,312,756	219,916,849	216,460,992	–
Company Balances as at beginning of the Period	–	–	–	219,916,849
Increase in Collective Impairment Allowance from Acquisition of Subsidiary	–	–	–	87,972,358
Charge for the Year	67,269,948	58,173,059	70,559,868	106,348,937
Amounts Written off	–	(197,777,152)	(55,338,417)	(197,777,152)
Balance as at end of the Year	147,582,704	80,312,756	231,682,442	216,460,992
Individual Impairment	–	–	22,060,480	–
Collective Impairment	147,582,704	80,312,756	209,621,962	216,460,992
Total	147,582,704	80,312,756	231,682,442	216,460,992

20. Lease Rentals Receivable and Stock Out on Hire

	Group	
	2016 Rs.	2015 Rs.
20.1 Lease and Hire Purchase Rentals Receivable		
Gross Lease Rental Receivables	106,868,325	96,451,499
Gross Hire Purchase Rental Receivables	119,027,362	197,833,084
Rentals Received in Advance	(245,181)	(245,181)
Less: Unearned Income	(36,869,761)	(51,972,493)
Total Lease and Hire Purchase Rentals Receivables	188,780,745	242,066,909
(Less): Allowance for Impairment Charges (Note 20.2)	(56,654,143)	(48,130,480)
Net Lease and Hire Purchase Rental Receivables	132,126,602	193,936,429
20.2 Allowance for Impairment Losses on Lease and Hire Purchase		
Balance as at beginning of the Year	48,130,480	–
Increase in Collective Impairment Allowance from Acquisition of Subsidiary	–	54,165,625
Charge/(Reversal) for the Year	8,523,663	(6,035,145)
Amounts Written off	–	–
Balance as at end of the Year	56,654,143	48,130,480
Individual Impairment	1,615,217	–
Collective Impairment	55,038,926	48,130,480
Total	56,654,143	48,130,480

20.3 Maturity of Lease and Hire Purchase Rentals Receivables

	Group	
	2016 Rs.	2015 Rs.
20.3 (a) Maturity of Lease and Hire Purchase Rental Receivables within One Year		
Total Rental Receivables	121,533,981	85,773,852
(Less): Allowance for Impairment Charges	(30,513,575)	(14,405,702)
Unearned Income	(19,153,433)	(2,826,559)
Net Rentals Receivables	71,866,974	68,541,592
20.3 (b) Maturity of Lease and Hire Purchase Rental Receivables after One Year		
Total Rental Receivables	104,116,524	206,031,888
(Less): Allowance for Impairment Charges	(26,140,569)	(33,724,778)
Unearned Income	(17,716,327)	(49,145,934)
Net Rentals Receivables	60,259,628	123,161,176

21. Financial Investments – Held for Trading**Accounting Policy**

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Quoted Equity Securities (Note 21.1)	–	–	700	1,356
Total Investments – Held for Trading	–	–	700	1,356

21.1 Quoted Equity Securities

	31.03.2016			31.03.2015		
	No. of Shares	Cost of Investments Rs.	Market Value Rs.	No. of Shares	Cost of Investments Rs.	Market Value Rs.
The Bukit Darah PLC	2	1,569	700	2	1,569	1,356
Total	2	1,569	700	2	1,569	1,356

Notes to the Financial Statements

22. Financial Investments – Available-for-Sale

Accounting Policy

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Company has not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the 'available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or Loss in 'Other Operating Income'. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the Statement of Profit or Loss as 'Other Operating Income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'.

Unquoted equity securities – CRIB are recorded at cost since it is the most reasonable value available to represent the market value of these investments as at the Reporting date.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Unquoted Equity Securities – CRIB	–	–	56,300	56,300
Total Financial Investment – Available-for-Sale	–	–	56,300	56,300

23. Financial Investments – Held-to-Maturity

Accounting Policy

Held-to-maturity financial investments are financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial investments are measured at amortised cost using the Effective Interest Rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss line 'Impairment (Charges)/Reversal for loans and other losses'.

If the Company and the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held-to-maturity during the following two years:

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Sri Lanka Government Securities – Treasury Bonds	–	–	71,258,914	1,021,404
Sri Lanka Government Securities – Treasury Bills	–	–	1,035,918	19,968,523
Total Investments – Held-to-Maturity	–	–	72,294,832	20,989,927

24. Financial Investments

Accounting Policy

Financial investments – Loans and receivables include Government Securities, unquoted debt instruments and securities purchased under resale agreements. After initial measurement, these are subsequently measured at amortised cost using the EIR, less provision for impairment. The amortisation is included in interest income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss account in impairment charges for loans and receivables.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Sri Lanka Government Securities – REPO	243,177,150	201,843,587	259,780,030	264,760,967
Total Financial Investment	243,177,150	201,843,587	259,780,030	264,760,967

25. Other Financial Assets

Accounting Policy

Other financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company and the Group have not the intention and ability to hold-to-maturity. After initial measurement, other financial assets are subsequently measured at amortised cost using the EIR, less impairment. The amortisation is included in 'Interest Income' in the Statement of Profit or Loss.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Fixed Deposits	232,859,565	7,048,875	316,363,479	298,108,880
Total Other Financial Assets	232,859,565	7,048,875	316,363,479	298,108,880

26. Inventories – Real Estate Stock

Accounting Policy

Real estate inventories are stated at cost or net realisable value whichever is lower. These costs include cost of purchases of the land and expenses on development that are capitalised.

Revenue from the real estate sale is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

	2016 Rs.	2015 Rs.
Real Estate Stock	2,607,728	8,031,216
Total Inventories – Real Estate Stock	2,607,728	8,031,216
26.1 Real Estate Stock		
Balance at the beginning of the Year	8,137,157	–
Increase in Real Estate Stock from Acquisition of Subsidiary	–	17,594,094
Provision for Impairment	79,099	46,425
Disposal during the Year	(5,590,016)	(9,503,362)
	2,626,240	8,137,157
Less: Project Provision	(18,512)	(105,941)
Balance as at the Year	2,607,728	8,031,216

27. Investments in Subsidiary Companies

Accounting Policy

Investment in subsidiaries is accounted at cost less impairment in the Financial Statements of the Company. The net assets of each Subsidiary Company are reviewed at each Reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

	Company			
	Percentage Holding	2016 Cost Rs.	Percentage Holding	2015 Cost Rs.
Summit Finance PLC (Formerly, George Steuart Finance PLC)	75	379,474,885	75	379,474,885
Total Investments in Subsidiary Companies		379,474,885		379,474,885

27.1 Summarised Financial Information of Subsidiary Summit Finance PLC (Formerly, George Steuart Finance PLC)

As at 31st March	Subsidiary	
	2016 Rs.	2015 Rs.
Loans and Advances	1,037,086,922	660,344,346
Lease Rentals Receivable and Stock Out on Hire	132,138,605	193,936,429
Other Financial Assets	83,843,230	292,286,542
Intangible Assets	1,647,606	2,441,461
Property, Plant & Equipment	22,272,282	16,904,913
Other Assets	211,607,405	192,090,561
Total Assets	1,488,596,050	1,358,004,253
Due to Customers	1,105,657,981	1,034,978,467
Other Liability	65,042,696	39,250,004
Total Liabilities	1,170,700,677	1,074,228,470
Total Equity	317,895,371	283,775,783
Total Equity and Liability	1,488,596,048	1,358,004,253

For the Year ended 31st March	2016 Rs.	2015 Rs.
Net Operating Income	159,209,840	164,198,554
Profit/(Loss) before Income Tax	38,422,020	(72,885,799)
Less Income Tax (Reversal)	4,743,335	28,145,030
Total Comprehensive Expenses	440,903	(244,814)

28. Other Non-Financial Assets

Accounting Policy

The Company and the Group classify all its other assets as other non-financial assets and other financial assets, its mainly comprises of deposits and prepayments, unamortised staff costs and Inventories & Receivables. Deposits are carried at historical cost less provision for impairment. Prepayments are amortised during the period in which it is utilised and is carried at historical cost less provision for impairment.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Inventories	5,458,569	8,503,419	5,458,569	8,503,419
Other Advances	11,414,759	4,139,160	15,086,193	13,400,644
Rent Deposits	30,313,767	33,118,034	38,577,767	33,118,034
Other Receivables	31,779,453	22,146,599	35,755,223	30,306,092
Total Other Non-Financial Assets	78,966,548	67,907,212	94,877,752	85,328,188

29. Intangible Assets

Accounting Policy

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

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group 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.

29.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss in such investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. Any gain on bargain purchase is recognised immediately in profit or loss.

29.2 Software

All computer software costs incurred, licensed for use by the Group, 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.

29.3 License

The amount that would be required to obtain a license to operate a registered finance business is recognised as license in the Financial Statements.

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the year ended 31st March 2016 and 2015 is given below:

	Company	Subsidiary
Computer Software	3 Years	5 Years
Computer Software – E-Finance	5 Years	

Intangible assets are derecognised on disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset is included in the Statement of Profit or Loss in the year the asset is derecognised.

The Company derecognised a computer software (SENOVA system) during the year which carried a net book value of 'Zero' as at 31st March 2016. This derecognition took place as a result of SENOVA system retiring from its active use during the year due to the Company migrating into a new computer software (E-Finance system) during the year under review. The gain/(loss) arising from the derecognition of this computer software has been recognised under 'Profit/(Loss) on Disposal of property, plant & equipment'.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
29.4 Computer Software				
Cost				
Cost as at beginning of the Year	31,976,002	31,976,002	38,302,999	-
Company Balance as at the beginning	-	-	-	31,976,002
Assets Acquired through Acquisition of Subsidiary	-	-	-	6,326,997
Additions and Improvements	30,446,941	-	30,446,941	-
Disposal during the Year	(31,976,002)	-	(31,976,002)	-
Cost as at end of the Year	30,446,941	31,976,002	36,773,938	38,302,999
29.5 Amortisation and Impairment				
Amortisation as at beginning of the Year	21,317,335	10,740,971	25,202,871	-
Company Balance as at the beginning	-	-	-	10,740,971
Intangible Assets Acquired through Acquisition of Subsidiary	-	-	-	3,490,778
Charge for the Year	10,662,305	10,576,364	11,456,160	10,971,122
Disposal during the Year	(31,976,002)	-	(31,976,002)	-
Amortisation as at end of the Year	3,638	21,317,335	4,683,028	25,202,871
Net Book Value as at end of the Year	30,443,303	10,658,667	32,090,910	13,100,128
29.6 Computer Software Under Development				
Cost				
Balance as at beginning of the Year	27,589,341	10,960,000	27,589,341	-
Company Balance as at the beginning	-	-	-	10,960,000
Assets Acquired through Acquisition of Subsidiary	-	-	-	-
Additions during the Year	2,777,600	16,629,341	2,777,600	16,629,341
Transfers/Adjustments	(30,366,941)	-	(30,366,941)	-
Balance as at end of the Year	-	27,589,341	-	27,589,341
29.7 Goodwill and License				
Goodwill	-	-	130,605,319	130,605,319
License	-	-	100,000,000	100,000,000
Total Goodwill and License end of the Year	-	-	230,605,319	230,605,319
Net Book Value of Total Intangible Assets	30,443,303	38,248,008	262,696,229	271,294,788

Notes to the Financial Statements

29.8 Purchase Consideration Allocation

The acquisition of Summit Finance PLC (Formerly, George Steuart Finance PLC) had the following effect on the Group's assets and liabilities on acquisition date.

	Pre-Acquisition Carrying Amounts Rs.	Fair Value Adjustment Rs.	Restated Recognised Values on Acquisition Rs.
Cash and Cash Equivalents	69,738,415	–	69,738,415
Financial Investments – Held for Trading	961,182	–	961,182
Loans and Advances	785,214,776	(34,326,227)	750,888,549
Lease Rental Receivables and Stock-Out on Hire	259,791,287	–	259,791,287
Financial Investments – Available-for-Sale	10,173,000	–	10,173,000
Financial Investments – Held-to-Maturity	1,014,735	–	1,014,735
Financial Investments	201,143,016	–	201,143,016
Other Financial Assets	67,211,500	–	67,211,500
Inventories – Real Estate Stock	17,488,153	1,301,847	18,790,000
Other Non-Financial Assets	28,953,935	–	28,953,935
Intangible Assets – License	–	100,000,000	100,000,000
Intangible Assets – Software	2,836,219	–	2,836,219
Property, Plant & Equipment	19,966,366	–	19,966,366
Due to Banks	(5,350,673)	–	(5,350,673)
Due to Customers	(1,112,890,991)	–	(1,112,890,991)
Other Financial Liabilities	(2,308,023)	–	(2,308,023)
Other Non-Financial Liabilities	(37,300,449)	–	(37,300,449)
Post-Employment Benefit Liability	(1,654,397)	–	(1,654,397)
Deferred Tax Liabilities	(3,068,987)	–	(3,068,987)
Statutory Reserve Fund	(6,162,223)	–	(6,162,223)
Investment Fund Reserves	(7,020,017)	–	(7,020,017)
	288,736,822	66,975,620	355,712,442
Non-Controlling Interest			(107,079,077)
Net Identifiable Assets and Liabilities			248,633,365
Goodwill on Acquisition			130,605,319
Consideration Paid in Cash			379,238,684
Cash Acquired			(69,738,415)
Net Cash Outflow – Group			309,500,269

Pre-acquisition carrying amounts were determined based on applicable SLFRSs immediately before the acquisition and the goodwill recognised on the acquisition is attributable mainly to the skills and service quality of the acquired business workforce gained through being in the finance and leasing for long period.

30. Property, Plant & Equipment

Accounting Policies

Basis of Recognition

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the Group 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 capitalised as part of computer equipment.

Cost Model

The Company and the Group applies the 'Cost Model' to all property, plant & equipment other than freehold 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 and the Group 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 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 and the Group 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 and the Group engages an Independent Valuer to determine the fair value of freehold land and buildings. In estimating the fair values, the Independent Valuer considers current market prices of similar assets.

Subsequent Cost

These are costs that are recognised 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 the Group 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 Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

Derecognition

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year the asset is derecognised.

Notes to the Financial Statements

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 and the Group 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 so they are subject to uncertainty.

The estimated useful lives of the assets for the year ended 31st March 2016 and 2015, are as follows:

Assets Category	Company	Subsidiary
Buildings	40 Years	–
Office Equipment	5 Years	3 Years
Other Equipment	–	3 Years
Computer Equipment	5 Years	5 Years
Fixtures and Fittings	–	4 Years
Furniture and Fittings	10 Years	–
Plant and Machinery	8 Years	10 Years
Motor Vehicles	5 Years	4 Years/8 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.

	Balance as at 01.04.2015 Rs.	Additions during the Year Rs.	Transfers during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2016 Rs.
30.1 The Movement in Property, Plant & Equipment – Company					
30.1.1 Cost or Valuation					
Freehold Assets					
Land	51,840,000	15,941,200	–	–	67,781,200
Building	72,347,825	–	–	–	72,347,825
Furniture and Fittings	29,009,398	14,052,858	9,277,865	1,447,537	50,892,583
Office Equipment	49,436,275	18,256,387	(24,791,067)	18,551	42,883,043
Other Equipment	5,473,510	–	(5,473,510)	–	–
Computer Equipment	31,006,476	9,236,232	21,399,985	–	61,642,693
Fixtures and Fittings	8,045,649	–	(8,045,649)	–	–
Plant and Machinery	–	11,270,669	7,632,376	–	18,903,044
Motor Vehicle	17,999,500	7,738,922	–	–	25,738,422
Total Cost or Valuation	265,158,632	76,496,267	–	1,466,088	340,188,811

	Balance as at 01.04.2015 Rs.	Charge during the Year Rs.	Transfers during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2016 Rs.
30.1.2 Depreciation					
Freehold Assets					
Building	1,944,335	2,218,143	-	-	4,162,478
Furniture and Fittings	5,056,744	4,247,865	1,094,742	115,230	10,284,120
Office Equipment	9,662,649	10,544,966	(4,274,550)	18,551	15,914,514
Other Equipment	683,663	-	(683,663)	-	-
Computer Equipment	4,132,859	10,342,465	4,958,213	-	19,433,537
Fixtures and Fittings	1,094,742	-	(1,094,742)	-	-
Plant and Machinery	-	579,667	1,526,475	-	2,106,142
Motor Vehicle	1,440,495	5,311,793	-	-	6,752,288
Total Depreciation	24,015,487	34,771,374	-	133,781	58,653,079

30.1.3 Transfers of property, plant & equipment to their respective categories has been carried out to comply with the current year presentation. The increase/(decrease) in depreciation that has resulted due to these transfers has been charged to the Statement of Profit or Loss of the current year.

	2016 Rs.	2015 Rs.
30.1.4 Net Book Value		
Land	67,781,200	51,840,000
Building	68,185,347	70,403,490
Furniture and Fittings	40,608,463	23,952,654
Office Equipment	26,968,529	39,773,625
Other Equipment at Cost	-	4,789,847
Computer Equipment	42,209,156	26,873,617
Fixtures and Fittings	-	6,950,906
Plant and Machinery	16,796,902	-
Motor Vehicle	18,986,134	16,559,005
Total Net Book Value	281,535,732	241,143,145

30.2 The Company had revalued its land and building in financial year 2014. The valuation had been performed by P V Kalugalagedara & Associates, Chartered Valuation Surveyor and estate agent in 31st December 2013. Accordingly, a revaluation surplus amounting to Rs. 45,744,825/- had been credited to the revaluation reserve account in financial year 2014.

Notes to the Financial Statements

30.2.1 The carrying amount of the Company revalued land and building, if they were carried at cost less accumulated depreciation, would be as follows:

As at 31st March	2016			2015		
	Cost Rs.	Accumulated Depreciation Rs.	Carrying Value Rs.	Cost Rs.	Accumulated Depreciation Rs.	Carrying Value Rs.
Land	17,027,000	–	17,027,000	17,027,000	–	17,027,000
Building	61,416,000	4,162,478	57,253,522	61,416,000	1,944,335	59,471,665
Total	78,443,000	4,162,478	74,280,522	78,443,000	1,944,335	76,498,665

30.3 The Movement in Property, Plant & Equipment – Group

30.3.1 Cost or Valuation

	Balance as at 01.04.2015 Rs.	Additions during the Year Rs.	Transfers during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2016 Rs.
Freehold Assets					
Land	51,840,000	15,941,200	–	–	67,781,200
Building	72,347,825	–	–	–	72,347,825
Furniture and Fittings	39,384,519	19,545,902	9,277,865	2,461,804	65,746,481
Office Equipment	62,844,616	25,979,260	(24,791,067)	184,320	63,848,490
Other Equipment	8,110,954	–	(5,473,510)	385,407	2,252,037
Computer Equipment	31,006,476	9,236,232	21,399,985	–	61,642,693
Fixtures and Fittings	8,045,649	–	(8,045,649)	–	–
Plant and Machinery	–	11,270,669	7,632,376	–	18,903,044
Motor Vehicle	26,714,871	8,133,214	–	148,800	34,699,285
Total Freehold Assets	300,294,910	90,106,476	0.00	3,180,331	387,221,055
Leasehold Assets					
Motor Vehicle	3,886,596	–	–	–	3,886,596
Machinery	1,047,018	–	–	–	1,047,018
Total Leasehold Assets	4,933,614	–	–	–	4,933,614
Total Cost or Valuation	305,228,524	90,106,476	0.00	3,180,331	392,154,669

30.3.2 Depreciation

	Balance as at 01.04.2015 Rs.	Charge during the Year Rs.	Transfers during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2016 Rs.
Freehold Assets					
Buildings	1,944,335	2,218,143	–	–	4,162,478
Furniture and Fittings	10,815,672	5,430,243	1,094,742	964,296	16,376,360
Office Equipment	19,625,591	13,556,742	(4,274,550)	184,326	28,723,457
Other Equipment	2,782,538	455,685	(683,663)	362,520	2,192,040
Computer Equipment	4,132,859	10,342,465	4,958,213	–	19,433,537
Fixtures and Fittings	1,094,742	–	(1,094,742)	–	–
Plant and Machinery	–	579,667	1,526,475	–	2,106,142
Motor Vehicle	4,939,161	7,521,628	–	33,017	12,427,772
Total Depreciation on Freehold Assets	45,334,898	41,631,048	–	1,544,159	85,421,785
Leasehold Assets					
Motor Vehicle	1,493,417	974,316	–	–	2,467,733
Machinery	352,150	104,986	–	–	457,136
Total Depreciation on Leasehold Assets	1,845,567	1,079,302	–	–	2,924,869
	47,180,465	42,710,349	–	1,544,159	88,346,654

30.3.3 Net Book Value

	2016 Rs.	2015 Rs.
Freehold Assets		
Land	67,781,200	51,840,000
Building	68,185,347	70,403,490
Furniture and Fittings	49,370,121	28,568,847
Office Equipment	35,125,033	43,219,025
Other Equipment	59,997	5,328,416
Computer Equipment	42,209,156	26,873,617
Fixtures and Fittings	–	6,950,906
Plant and Machinery	16,796,902	–
Motor Vehicle	22,271,513	21,775,709
Total Net Book Value of Freehold Assets	301,799,270	254,960,012
Leasehold Assets		
Motor Vehicle	1,418,864	2,393,179
Machinery	589,881	694,868
Total Net Book Value of Leasehold Assets	2,008,745	3,088,047
Total Net Book Value	303,808,015	258,048,059

30.4 Title Restriction on Property, Plant & Equipment

There were no restrictions on the title of property, plant & equipment as at 31st March 2016 and 31st March 2015.

30.5 Compensation from Third Parties for Items of Property, Plant & Equipment

There were no compensation received during the year from third parties for items of property, plant & equipment that were impaired, lost or given up (2015: Nil).

30.6 Temporarily Idle of Property, Plant & Equipment

There were no property, plant & equipment idle as at 31st March 2016 and 31st March 2015.

30.7 Property, Plant & Equipment Retired from Active Use

There were no property, plant & equipment retired from active use as at 31st March 2016 and 31st March 2015, other than those disclosed under Note 29 – 'Intangible Assets' on page 142.

31. Deferred Taxation

Accounting Policy

Deferred tax is provided on temporary differences at the date of the Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of taxable temporary differences associated with investments in Subsidiaries and Associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except –

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the Statement of Financial Position.

31.1 Statement of Financial Position

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<i>For the Year Ended 31st March</i>				
Deferred Tax Liabilities				
Accelerated Depreciation for Tax Purposes	28,604,955	13,553,333	30,579,299	15,059,756
	28,604,955	13,553,333	30,579,299	15,059,756
Deferred Tax Assets				
Defined Benefit Plans – Profit or Loss	4,820,391	5,877,341	5,256,110	6,254,715
Defined Benefit Plans – Other Comprehensive Income	(315,683)	(1,086,750)	(315,683)	(1,086,750)
Carry Forward Loss	13,721,906	–	13,721,906	–
Allowance for Impairment Charges	–	10,846,734	29,190,909	40,543,305
	18,226,613	15,637,325	47,853,241	45,711,270
Net Deferred Tax Liabilities/(Assets)	10,378,342	(2,083,992)	(17,273,941)	(30,651,513)

31.2 Statement of Profit or Loss

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<i>For the Year Ended 31st March</i>				
Deferred Tax Liabilities				
Accelerated Depreciation for Tax Purposes	15,051,623	8,905,648	15,519,543	7,014,252
	15,051,623	8,905,648	15,519,543	7,014,252
Deferred Tax Assets				
Defined Benefit Plans – Profit or Loss	1,056,950	(1,846,961)	998,605	(1,895,504)
Defined Benefit Plans – Other Comprehensive Income	(771,066)	2,083,170	(771,066)	2,083,170
Carry Forward Loss on Leasing Business	(13,721,906)	–	(13,721,906)	–
Allowance for Impairment Charges	10,846,734	(10,846,734)	11,352,396	(40,543,305)
	(2,589,288)	(10,610,525)	(2,141,971)	(40,355,639)
Deferred Income Tax Income/(Expense) – Statement of Profit or Loss	13,233,401	(3,788,047)	14,148,638	(35,424,557)
Deferred Income Tax Income/(Expense) – Statement of Other Comprehensive Income	(771,066)	2,083,170	(771,066)	2,083,170

Notes to the Financial Statements

32. Due to Banks and 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 amortised cost using the EIR method. Interest paid/payable on these dues are recognised in the Statement of Profit or Loss Account under 'Interest Expenses'.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Bank Overdrafts	–	9,639,144	45,208,316	17,450,765
Loans and Other Bank Facilities (Note 32.1) and (Note 32.2)	31,225,454	38,104,083	33,243,109	40,983,675
Total Due to Banks and Other Institutions	31,225,454	47,743,228	78,451,425	58,434,441

32.1 Loans and Other Bank Facilities – Company

	As at 01.04.2015 Rs.	Loans Obtained Rs.	Repayments Capital Rs.	As at 31.03.2016 Rs.
People's Bank	7,500,002	–	(7,500,002)	–
NDB Loan	12,572,600	–	(2,272,563)	10,300,037
Rotary Loan	17,031,482	9,523,652	(7,691,667)	18,863,467
Other Borrowings	1,000,000	1,061,950	–	2,061,950
Total Loans and Other Bank Facilities	38,104,083	10,585,602	(17,464,231)	31,225,454

32.2 Loans and Other Bank Facilities – Group

	As at 01.04.2015 Rs.	Loans Obtained Rs.	Repayments Capital Rs.	As at 31.03.2016 Rs.
Interest-Bearing Loans				
People's Bank	7,500,002	–	(7,500,002)	–
NDB Loan	12,572,600	–	(2,272,563)	10,300,037
Rotary Loan	17,031,482	9,523,652	(7,691,667)	18,863,467
Other Borrowings	1,000,000	1,061,950	–	2,061,950
Total Interest-Bearing Loans	38,104,083	10,585,602	(17,464,231)	31,225,454
Interest-Bearing Leases (Note 32.3)				
HNB Lease	174,597	–	(174,597)	–
Less: Finance Charges	(6,710)	–	6,710	–
Union Bank Lease	3,577,158	–	(1,100,664)	2,476,494
Less: Finance Charges	(865,453)	–	406,614	(458,839)
Total Interest-Bearing Lease	2,879,592	–	(861,937)	2,017,655
Total Loans and Other Bank Facilities	40,983,675	10,585,602	(18,326,168)	33,243,109

32.3 Maturity of the Interest-Bearing Lease

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Not Later Than 1 Year	–	–	1,100,664	1,275,261
Later Than 1 Year and Not Later Than 5 Years	–	–	1,375,830	2,476,494
Later Than 5 Years	–	–	–	–
	–	–	2,476,494	3,751,755
Less – Finance Charges	–	–	(458,839)	(872,163)
Total	–	–	2,017,655	2,879,592

33. Due to Customers

Accounting Policies

Due to other customers include non-interest bearing deposits, savings deposits, term deposits, margins and other deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the EIR method. Interest paid/payable on deposits are recognised in the statement of profit or loss under 'Interest Expenses'.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Fixed Deposits	1,483,446,679	1,287,230,956	2,558,960,871	2,296,798,683
Savings Deposits	1,585,565,955	1,484,222,353	1,615,709,744	1,509,633,092
Inactive Society – Savings	1,404,776	4,785,296	1,404,776	4,785,296
Total Due to Customers	3,070,417,410	2,776,238,605	4,176,075,391	3,811,217,071

34. Other Non-Financial Liabilities

Accounting Policy

Other liabilities include fees, expenses and other amounts payable for deposit insurance, loan risk assurance payable, dividend payable and other provisions.

These liabilities are recorded as amounts expected to be payable at the reporting date.

Provisions are recognised when the Company and the Group 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 recognised 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 Group.

Notes to the Financial Statements

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’.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Accrued Expenses	27,933,776	14,852,258	28,155,726	24,833,050
Others (Note 34.1)	50,413,223	27,152,162	64,626,734	37,150,515
Pawning Contingency Provision	937,887	6,913,719	937,887	6,913,719
Loan Risk Assurance Fund (Note 34.2)	17,223,000	4,607,976	17,223,000	4,607,976
Advance on Real Estate	–	–	1,825,128	7,225,456
Amount Due to Related Parties	401,526	315,868	401,526	315,868
Total Other Non-Financial Liabilities	96,909,412	53,841,982	113,170,002	81,046,584

34.1 This balance included Staff Welfare Fund, Unidentified Deposit, Recovery Collection Account, Auto Loan Creditors for Auto Loan Equipment and Opening Control Balances.

34.2 The Company obtained an actuarial valuation on its ‘Loan Risk Assurance Fund’ as at 31st March 2016. The actuarial valuation was performed by Piyal S. Goonetilleke and Associates, Professional Actuary. The reversal of provision that resulted from the actuarial valuation has been recognised as income under ‘Other Operating Income’. All loan customers who enrolled with this assurance programme will be eligible for total payment of the outstanding loan amounts at the time of death or total disability. The actuarial valuation will serve as the basis for calculating the liability adequate test for the Company’s loan customers (with a loan less than or equalling Rs. 250,000/-) term insurance covering the outstanding loan amount in the event of a participant death or a total disability.

35. Post-Employment Benefit Obligations

Accounting Policy

Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity

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

Basis of Measurement

The cost of the defined benefit plans (gratuity) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties. 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, the 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 and the Group’s policy on salary revisions.

35.1 Provision for Retirement Gratuity

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance at the Beginning of the Year	17,109,256	17,952,857	18,457,020	–
Company Balance as at the Beginning	–	–	–	17,952,857
Transferred from Accusation of Subsidiary	–	–	–	1,654,397
Amount Charged/(Reversed) for the Year	5,881,736	5,942,606	6,753,989	6,131,204
Actuarial Gains and Losses	1,768,842	(3,881,249)	1,327,939	(3,636,435)
(Gain)/Loss due to Changes in Assumptions	(2,896,283)	–	(2,896,283)	–
Payments Made During the Year	(5,775,310)	(2,904,959)	(5,998,286)	(3,645,003)
Balance at the end of the Year	16,088,241	17,109,256	17,644,379	18,457,020

35.2 Expenses on Defined Benefit Plan

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Current Service Cost for the Year	4,170,811	4,147,358	4,908,288	4,335,956
Interest Cost for the Year	1,710,925	1,795,248	1,845,701	1,795,248
Actuarial Gains and Losses (Note 35.5)	1,768,842	(3,881,249)	1,327,939	(3,636,435)
(Gain)/Loss due to Changes in Assumptions	(2,896,283)	–	(2,896,283)	–
Total Expenses on Defined Benefit Plan	4,754,295	2,061,357	5,185,645	2,494,769

35.3 Assumptions and the Sensitivity of the Assumptions Used for the Provision of Retirement Gratuity

An actuarial valuation of the retirement gratuity liability was carried out as at 31st March 2016 and 31st March 2015 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'.

Notes to the Financial Statements

35.4 Actuarial Assumptions

	Company		Subsidiary	
	2016	2015	2016	2015
Discount Rate	12.0%	10.0%	11.5%	10.0%
Salary Scale	10.0%	10.0%	10.0%	10.0%
Staff Turnover				
20 to 30 Years	10.0%	10.0%	10.0%	10.0%
35 Years	7.5%	7.5%	7.5%	7.5%
40 Years	5.0%	5.0%	5.0%	5.0%
45 Years	2.5%	2.5%	2.5%	2.5%
50 Years	1.0%	1.0%	1.0%	1.0%
Average Future Working Life	10.2% Years	10.0% Years	10.6% Years	10.3% Years
Mortality	GA 1983 Mortality Table		GA 1983 Mortality Table	
Disability	Long-Term 1987 Soc. Sec. Table.		Long-Term 1987 Soc. Sec. Table.	
Retirement Age	Retirement age of 55 Years		Retirement age of 55 Years	

35.5 Actuarial Gains and Losses

As per actuarial valuation, actuarial gain and loss has arisen during the year by increasing 56 new participants and the salary increased by 6.9% (vs. 10% assumed).

35.6 Sensitivity of Assumptions Employed on Actuarial Valuation – Company

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in the Statement of Comprehensive Income and the 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 31st March 2016.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income Increase/(Decrease) in Results for the Year Rs.	Sensitivity Effect on Pension Fund Surplus Increase/(Decrease) Rs.
+1%		1,185,448	(1,185,448)
(-1%)		(1,350,306)	1,350,306
	+1%	(1,316,090)	1,316,090
	(-1%)	1,176,192	(1,176,192)

35.7 Sensitivity of Assumptions Employed on Actuarial Valuation – Subsidiary

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in the Statement of Comprehensive Income and the 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 31st March 2016.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income Increase/(Decrease) in Results for the Year Rs.	Sensitivity Effect on Pension Fund Surplus Increase/(Decrease) Rs.
+1%		175,652	(175,652)
(-1%)		(207,102)	207,102
	+1%	(203,781)	203,781
	(-1%)	176,033	(176,033)

36. Stated Capital

36.1 Company

Issued and Fully-Paid – Ordinary Shares

	Number of Shares	2016 Rs.	Number of Shares	2015 Rs.
At the Beginning of the Year	67,500,006	890,000,020	54,000,002	540,000,020
Issued During the Year	–	–	13,500,004	350,000,000
At the End of the Year	67,500,006	890,000,020	67,500,006	890,000,020

36.2 Group

Issued and Fully Paid – Ordinary Shares

	Number of Shares	2016 Rs.	Number of Shares	2015 Rs.
At the Beginning of the Year	67,500,006	890,000,020	54,000,002	540,000,020
Issued During the Year	–	–	13,500,004	350,000,000
At the End of the Year	67,500,006	890,000,020	67,500,006	890,000,020

36.3 Rights of Shareholders

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

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

37. Retained Earnings

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance as at Beginning of the Year	83,677,709	89,197,737	101,761,316	–
Company Balance as at Beginning	–	–	–	89,197,737
Profit for the Year	46,141,783	(11,793,930)	72,555,311	(546,139)
Other Comprehensive Income	1,898,507	1,798,079	2,231,568	1,613,879
Transfers to Statutory Reserve Fund	(2,307,089)	–	(4,055,388)	–
Transfers from Investment Fund Account (Note 38)	–	4,475,823	–	11,495,840
Balance as at End of the Year	129,410,910	83,677,709	172,492,808	101,761,316

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

38. Reserves

38.1 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.

38.2 Investment Fund Account

Transfers to Investment Fund Account

As proposed in the 2011 Government Budget, as and when taxes are paid after 1st January 2011, licensed finance companies must make transfers to the Investment Fund Account to build up a permanent fund within the Company: Accordingly, such account has been established and operated based on the guideline on the operation of the investment fund account issued by Central Bank of Sri Lanka on 29th April 2011 with the concurrence of the Commissioner General of Inland Revenue .

- (i) 8% of the profit calculated for the payment of Value Added Tax (VAT) on Financial Services on dates as specified in the VAT Act for payment of VAT.
- (ii) 5% of the profit before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self-assessment payment of tax.

However, as per the circular issued by the Central Bank of Sri Lanka dated 31st July 2014, the operation of the Fund was ceased with effect from 1st October 2014 and therefore the balance available in the Investment Fund Account was transferred to the retained earnings by the Company at the year ended 31st March 2015.

	Statutory Reserve Rs.	Investment Fund Reserve Rs.	Revaluation Reserve Rs.	Total Rs.
Company				
As at 1st April 2014	18,076,058	4,475,823	45,744,825	68,296,706
Transfers to/(from) During the Year	-	-	-	-
Transferred to Retaining Earnings	-	(4,475,823)	-	(4,475,823)
As at 31st March 2015	18,076,058	-	45,744,825	63,820,883
Transfers to/(from) During the Year	2,307,089	-	-	2,307,089
As at 31st March 2016	20,383,147	-	45,744,825	66,127,972

	Statutory Reserve Rs.	Investment Fund Reserve Rs.	Revaluation Reserve Rs.	Total Rs.
Group				
Company Balances at the beginning	18,076,058	4,475,823	45,744,825	68,296,706
Transferred from Acquisition of Subsidiary	6,162,223	7,020,017	-	13,182,240
Transferred to Retaining Earnings	-	(11,495,840)	-	(11,495,840)
As at 1st April 2015	24,238,281	-	45,744,825	69,983,106
Transfers from During the year	4,055,388	-	-	4,055,388
As at 31st March 2016	28,293,669	-	45,744,825	74,038,494

38.3 Reserve Fund is a capital reserve which contains profits transferred as required by Section 3 (b) (ii) of Central Bank Direction No. 1 of 2003.

39. Non-Controlling Interest

Accounting Policy

Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries not owned directly or indirectly by the Company. The non-controlling interest is presented in the Consolidated Statement of Financial Position within equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interest in the profit or loss of the Group is disclosed separately in the Consolidated Statement of Comprehensive Income.

Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in a deficit balance. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. Upon the loss of control, the Group derecognises the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of Changes in Equity. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

Notes to the Financial Statements

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Company in the form of cash dividends or repayment of loans and advances. All subsidiaries of the Company as at the reporting date have been incorporated in Sri Lanka.

	Group	
	2016 Rs.	2015 Rs.
Balance as at beginning of the Year	110,660,389	–
Acquisition of Summit Finance PLC (Formerly, George Steuart Finance PLC)	–	107,079,077
Profit for the Year	8,552,444	3,641,926
Other Comprehensive Income, Net of Tax	107,842	(60,614)
Balance as at End of the Year	119,320,674	110,660,389

40. Current and Non-Current Analysis of Assets and Liabilities

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

Company

	Within 12 Months 2016 Rs.	After 12 Months 2016 Rs.	Total 2016 Rs.	Within 12 Months 2015 Rs.	After 12 Months 2015 Rs.	Total 2015 Rs.
Assets						
Cash and Cash Equivalents	306,766,105	–	306,766,105	208,620,885	–	208,620,885
Loans and Receivables	1,910,447,169	856,358,890	2,766,806,059	1,951,888,328	827,121,555	2,779,009,883
Financial Investments – Held-to-Maturity						
Financial Investments	243,177,150	–	243,177,150	201,843,587	–	201,843,587
Other Financial Assets	232,859,565	–	232,859,565	7,048,875	–	7,048,875
Investment in Subsidiary Companies	–	379,474,885	379,474,885	–	379,474,885	379,474,885
Other Non-Financial Assets	47,379,929	31,586,619	78,966,548	40,744,327	27,162,885	67,907,212
Income Tax Refund	–	–	–	7,051,210	–	7,051,210
Intangible Assets	–	30,443,303	30,443,303	–	38,248,008	38,248,008
Property, Plant & Equipment	–	281,535,732	281,535,732	–	241,143,145	241,143,145
Deferred Tax Asset	–	–	–	–	2,083,992	2,083,992
Total Assets	2,740,629,917	1,579,399,429	4,320,029,346	2,417,197,211	1,515,234,471	3,932,431,683
Liabilities						
Due to Banks	13,825,557	17,399,897	31,225,454	27,036,430	20,706,798	47,743,228
Due to Customers	2,780,822,847	289,594,563	3,070,417,410	2,487,788,006	288,450,599	2,776,238,605
Other Non-Financial Liabilities	53,300,177	43,609,235	96,909,412	29,613,090	24,228,892	53,841,982
Post-Employment Benefit Liability	–	16,088,241	16,088,241	–	17,109,256	17,109,256
Current Tax Liabilities	9,471,585	–	9,471,585	–	–	–
Deferred Tax Liabilities	–	10,378,342	10,378,342	–	–	–
Total Liabilities	2,857,420,166	377,070,278	3,234,490,444	2,544,437,526	350,495,544	2,894,933,071
Net Assets/(Liability)	(116,790,249)	1,202,329,151	1,085,538,902	(127,240,315)	1,164,738,927	1,037,498,612

Group

	Within 12 Months 2016 Rs.	After 12 Months 2016 Rs.	Total 2016 Rs.	Within 12 Months 2015 Rs.	After 12 Months 2015 Rs.	Total 2015 Rs.
Assets						
Cash and Cash Equivalents	382,595,165	–	382,595,165	263,953,307	–	263,953,307
Loans and Receivables	2,661,949,305	1,141,943,676	3,803,904,984	2,497,657,212	941,697,017	3,439,354,229
Lease Rentals Receivable and Stock Out on Hire	60,187,019	71,951,586	132,126,602	103,473,556	90,462,873	193,936,429
Financial Investments – Held-for-Trading	700	–	700	1,356	–	1,356
Financial Investments – Available-for-Sale	–	56,300	56,300	–	56,300	56,300
Financial Investments – Held-to-Maturity	71,258,914	1,035,918	72,294,832	19,968,523	1,021,404	20,989,927
Financial Investments	259,780,030	–	259,780,030	264,760,967	–	264,760,967
Other Financial Assets	316,702,794	–	316,363,479	195,247,267	104,088,150	298,108,880
Inventories – Real Estate Stock	2,607,728	–	2,607,728	8,031,216	–	8,031,216
Other Non-Financial Assets	60,538,530	38,153,919	94,877,752	55,463,467	28,638,185	85,328,188
Income Tax Refund	–	–	2,279,020	7,051,210	–	7,051,210
Intangible Assets	–	262,696,229	262,696,229	–	271,294,788	271,294,788
Property, Plant & Equipment	–	303,808,015	303,808,015	–	258,048,059	258,048,059
Deferred Tax Asset	–	34,868,346	17,273,941	–	30,651,513	30,651,513
Total Assets	3,815,620,185	1,854,513,988	5,650,664,777	3,415,608,081	1,725,958,289	5,141,566,371
Liabilities						
Due to Banks	59,845,270	18,606,155	78,451,425	35,709,964	22,724,476	58,434,441
Due to Customers	3,721,629,662	454,445,728	4,176,075,391	3,352,189,448	459,027,624	3,811,217,071
Other Non-Financial Liabilities	69,560,764	43,609,235	113,170,002	56,824,116	24,228,892	81,046,584
Post Employment Benefit Liability	–	17,644,379	17,644,379	–	18,457,020	18,457,020
Current Tax Liabilities	9,471,585	–	9,471,585	6,424	–	6,424
Deferred Tax Liabilities	–	10,378,342	–	–	–	–
Total Liabilities	3,860,507,282	534,305,497	4,394,812,782	3,444,729,952	524,438,012	3,969,161,539
Net Assets/(Liability)	(44,887,096)	1,320,208,491	1,255,851,996	(29,121,871)	1,201,520,277	1,172,404,831

Notes to the Financial Statements

41. Commitments and Contingencies

41.1 Contingent Liabilities

The Company did not have contingent liabilities are possible obligations, where existence will be confirm only by uncertain future economics benefits is not probable or cannot be readily 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.

41.2 Commitments

The Company did not have significant capital commitments as at the Statement of Financial Position date other than following Group commitment:

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Commitment for Unutilised Facilities	–	–	15,186,566	188,977,816
Total Commitments and Contingencies	–	–	15,186,566	188,977,816

42. Assets Pledge

The following assets have been pledged as security for liabilities:

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2016 Rs.	2015 Rs.	
Company				
Motor Vehicle	Vehicle Loan	7,738,922	13,499,500	Two Motor Vehicles
		7,738,922	13,499,500	
Subsidiary				
Fixed Deposits	Overdrafts	53,860,251	56,223,178	Deposits with Banks and Other Financial Institutions
		53,860,251	56,223,178	

43. Events Occurring After the Reporting Date

Subsequent to the Reporting date, no circumstances have arisen which would require adjustment to or disclosure in the Financial Statements, other than those disclosed below.

Proposed Dividends

The Board of Directors of the Company has proposed a first and final dividend of Rs. 0.25 per share for the Ordinary Shareholders of the Company for the year ended 31st March 2016. This will be declared at the Annual General Meeting to be held on 24th June 2016, upon approval of the Shareholders.

In accordance with Sri Lanka Accounting Standards (LKAS) 10 – (Events after the Reporting Period), this proposed first and final dividend has not been recognised as a liability as at 31st March 2016. As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company has satisfied the 'Solvency Test' in accordance with Section 57 of the Companies Act No. 07 of 2007, having obtained a certificate from the Auditor, prior to recommending the first and final dividend for the year under review.

44. 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 arm’s length basis at commercial rate.

Details of related party transactions which the Company had during the year are as follows:

44.1 Transactions with Key Managerial Personnels (KMPs)

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

44.1.1 Key Management Personnel Compensation

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Short-Term Employment Benefits	4,200,000	2,695,000	4,200,000	2,695,000
Directors Fees and Expenses	5,126,662	4,650,000	9,270,789	9,384,000
Total Key Management Personnel Compensation	9,326,662	7,345,000	13,470,789	12,079,000

In addition to the 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.

44.1.2 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.

Transaction with KMPs and their Close Members of the Family

	Company	
	2016 Rs.	2015 Rs.
Items in Statement of Financial Position		
Deposit Accepted During the Period	3,500,000	–
Interest Payable on Deposits	16,541	–
	3,516,541	–
Items in Statement of Profit or Loss		
Interest Accrued During the Period	116,890	–
	116,890	–

44.1.3 Transactions, Arrangements and Agreements Involving Entities which are Controlled, and/or Jointly Controlled by the KMPs and Their CFMs or Shareholders

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

44.1.4 Transactions with Group Entities

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

	Company	
	2016 Rs.	2015 Rs.
44.1.4.1 Transactions with Parent Company Sarvodaya Economic Enterprises Development (Gte) Limited		
Statement of Financial Position		
Transaction Made During the Year		
Rent Due on Eight Buildings Leased from SEEDS (Gte) Limited	323,750	–
Stationery Purchased	–	–
Transport Charges, Share of Electricity, Water, Telephone and Security Bills	8,092	(1,394,029)
Purchase of Land and Building	4,679,000	–
Rent Received from SEEDS (Gte) Limited	740,100	2,104,840
Vehicle Purchase from SEEDS (Gte) Limited	–	–
Reimbursement of Salary Cost of SEEDS (Gte) Limited Employees	288,220	374,313
Amount Settled to SEEDS (Gte) Limited	–	(9,700,000)
Welfare Fund Received from SEEDS (Gte) Limited Related with DDFC Staff	(5,953,502)	(3,991,731)
	85,659	(12,606,607)

	Company	
	2016 Rs.	2015 Rs.
44.1.4.2 Transactions with Shareholders Gentosa Total Assets Inc.		
Items in Statement of Financial Position		
Deposit Accepted During the Period	107,657,262	–
Deposit Repayment During the Period	(5,000,000)	–
Interest Payable on Deposits	112,264	–
	102,769,526	–
Items in Statement of Profit or Loss		
Interest Accrued During the Period	6,598,377	–
	6,598,377	–
44.1.4.3 Transactions with Subsidiary Company Summit Finance PLC (Formally, George Steuart Finance PLC)		
Items in Statement of Financial Position		
Deposit Accepted During the period	155,000,000	80,000,000
Deposit Repayment During the Period	(235,328,630)	–
Interest Payable on Deposits	–	328,630
	(80,328,630)	80,328,630
Items in Statement of Profit or Loss		
Interest Expenses	–	1,003,630
	–	1,003,630

44.1.4.4 Transactions with Lanka Jathika Sarvodaya Shramadana Sangamaya (LJSSS)

The immediate parent of the Company is SEEDS (Gte) Limited which is LJSSS owned entity. The Company enters into transactions, arrangements and agreements with LJSSS and its related entities. The significant dealings during the year under review and as at the Reporting date are as follows.

	Company	
	2016 Rs.	2015 Rs.
Items in Statement of Financial Position		
Deposit Accepted During the Period	103,000,000	-
Interest Payable on Deposits	-	-
Purchase of Land	11,262,200	-
Loan Granted During the Period	5,000,000	-
Loan Repayment and Amounts Settled During the Period	(20,763,953)	-
	98,498,247	-
Items in Statement of Profit or Loss		
Interest Expenses	7,286,989	-
Loan Interest Income	367,121	-
Rent Expenses	2,354,013	-
	10,008,123	-

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 maximise shareholders' value.

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 Group's estimate of assumptions that a market participant would make when valuing the instruments.

46.1 Determination of Fair Value and Fair Value Hierarchy

Set out below is the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments 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.

Notes to the Financial Statements

	Quoted Prices in Active Markets Level 1 Rs.	Significant Observable Inputs Level 2 Rs.	Significant Unobservable Inputs Level 3 Rs.	Total Fair Value Rs.	Carrying Value at Amortised Cost 31.03.2016
46.1.1 Company					
Financial Assets					
Cash and Cash Equivalents	306,766,105	–	–	306,766,105	306,766,105
Loans and Receivable	–	–	2,486,362,012	2,486,362,012	2,766,806,059
Financial Investments	–	245,757,551	–	245,757,551	243,177,150
Other Financial Assets	–	234,371,785	–	234,371,785	232,859,565
Total Finance Assets	306,766,105	480,129,336	2,486,362,012	3,273,257,453	3,549,608,878
Financial Liabilities					
Due to Banks	–	31,225,454	–	31,225,454	31,225,454
Due to Customers	–	–	3,070,417,410	3,070,417,410	3,070,417,410
Total Finance Liabilities	–	31,225,454	3,070,417,410	3,101,642,864	3,101,642,864

	Quoted Prices in Active Markets Level 1 Rs.	Significant Observable Inputs Level 2 Rs.	Significant Unobservable Inputs Level 3 Rs.	Total Fair Value Rs.	Carrying Value at Amortised Cost 31.03.2015
46.1.2 Company					
Financial Assets					
Cash and Cash Equivalents	208,620,885	–	–	208,620,885	208,620,885
Loans and Receivables	–	–	2,497,328,854	2,497,328,854	2,779,009,883
Financial Investments	–	201,843,587	–	201,843,587	201,843,587
Other Financial Assets	–	7,048,875	–	7,048,875	7,048,875
Total Finance Assets	208,620,885	208,892,462	2,497,328,854	2,914,842,201	3,196,523,229
Financial Liabilities					
Due to Banks	–	47,743,228	–	47,743,228	47,743,228
Due to Customers	–	–	2,776,238,605	2,776,238,605	2,776,238,605
Total Finance Liabilities	–	47,743,228	2,776,238,605	2,823,981,832	2,823,981,832

	Quoted Prices in Active Markets Level 1 Rs.	Significant Observable Inputs Level 2 Rs.	Significant Unobservable Inputs Level 3 Rs.	Total Fair Value Rs.	Carrying Value at Amortised Cost 31.03.2016
46.1.3 Group					
Financial Assets					
Cash and Cash Equivalents	382,595,165	–	–	382,595,165	382,595,165
Loans and Receivables	–	–	3,481,951,378	3,481,951,378	3,803,892,981
Lease Rentals Receivable and Stock out on Hire	–	–	145,774,188	145,774,188	132,138,605
Financial Investments – Held-to-Maturity	72,241,288	–	–	72,241,288	72,294,832
Financial Investments	–	262,360,431	–	262,360,431	259,780,030
Other Financial Assets	–	317,875,699	339,316	318,215,014	316,702,794
Total Finance Assets	454,836,453	580,236,130	3,628,064,881	4,663,137,464	4,967,404,408
Financial Liabilities					
Due to Banks	–	78,451,425	–	78,451,425	78,451,425
Due to Customers	–	–	4,176,227,481	4,176,227,481	4,176,075,391
Total Finance Liabilities	–	78,451,425	4,176,227,481	4,254,678,906	4,254,526,816

	Quoted Prices in Active Markets Level 1 Rs.	Significant Observable Inputs Level 2 Rs.	Significant Unobservable Inputs Level 3 Rs.	Total Fair Value Rs.	Carrying Value at Amortised Cost 31.03.2015
46.1.4 Group					
Financial Assets					
Cash and Cash Equivalents	263,953,307	–	–	263,953,307	263,953,307
Loans and Receivables	–	–	3,427,360,625	3,427,360,625	3,439,354,229
Lease Rentals Receivable and Stock Out on Hire	–	–	196,128,995	196,128,995	193,936,429
Financial Investments – Held-to-Maturity	21,081,652	–	–	21,081,652	20,989,927
Financial Investments	–	264,760,968	–	264,760,968	264,760,967
Other Financial Assets	–	298,108,880	1,226,537	299,335,417	298,108,880
Total Finance Assets	285,034,959	562,869,848	3,624,716,157	4,472,620,963	4,481,103,740
Financial Liabilities					
Due to Banks	–	31,225,454	–	31,225,454	31,225,454
Due to Customers	–	–	3,070,417,410	3,070,417,410	3,070,417,410
Total Finance Liabilities	–	31,225,454	3,070,417,410	3,101,642,864	2,823,981,832

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

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

Notes to the Financial Statements

Assets and Liabilities for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to fixed deposits and savings deposits which doesn't have a specific maturity. Long-term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books. (Cash and Cash Equivalents, Financial Investments, Other Financial Assets and Amounts Due to Related Parties).

Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short-term credit facilities. There is a significant difference between carrying value and fair value of Reverse Repurchase Agreements and Repurchase Agreements with original tenors above one year. In fair valuing held-to-maturity securities, rates published by the CBSL for similar trading securities were used. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the Reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the Reporting year.

Lease Rentals Receivable and Stock-Out on Hire

Lease rentals receivable and stock out on hire with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the Reporting year.

Reclassification of Financial Assets

The Financial assets reclassified during the financial year 2015/16 and discussed under Note 46 to the Financial Statement.

47. Comparative Information

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

	As Reported Previously Rs.	Reclassified Rs.	Current Presentation Rs.	
Statement of Financial Position				
Other Non-Financial Assets – Company				
Stationery Stock	8,503,419	(8,503,419)		
		8,503,419	8,503,419	Inventories (a)
Equity – Group				
Retaining Earnings	98,322,611	3,438,705	101,761,316	Retaining Earnings (b)
Reserves	63,820,883	6,162,223	69,983,106	Reserves (b)
Non-Controlling Interest	120,261,317	(9,600,928)	110,660,389	Non-Controlling Interest (b)
Notes to the Financial Statement – Company				
Other Operating Expenses				
Office Administration and Establishment Expenses	133,416,790	(10,659,638)	122,757,152	Office Administration and Establishment Expenses (c)
		10,659,638	10,659,638	Marketing Expenses (c)

- (a) During the financial year, stationery stock was reclassified as inventories for better presentation.
- (b) During the financial year, the profit share appropriate to the Non-Controlling Interest has been transferred from Retaining Earnings and disclosed under Non-Controlling Interest for better presentation.
- (c) Marketing Expenses which has been classified and presented under 'Office Administration and Establishment Expenses' has been re-classified and presented under 'Marketing Expenses' to ensure the compatibility with the current year.

48. Risk Management

48.1 Introduction

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

Risk Management Framework

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

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

Sarvodaya Development Finance Company is aware of a wide spectrum of risks that it is exposed to and provides attention to each and every risk factor that could hinder the achievement of the Company's overall objectives. The risk management function strives therefore to manage the integrated risks by developing a company-wide risk appetite and measures and controls to ensure that the risk taken is within the set limits.

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

Three Lines of Defense

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

Risk Profile Dashboard

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

Sarvodaya Development Finance Company's Risk Appetite Framework

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

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

Integrated Risk Management Unit (IRMU)

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

Risk Measurement and Reporting

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

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

Assets and Liability Management Committee (ALCO)

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

Credit Committee

There are two Credit Committees, namely Board Credit Committee (BCC) and Internal Credit Committee (ICC). BCC is comprised of three Non-Executive Board Members including the Chairman and two Directors and the ICC is comprised of the CEO, AGM – Credit, AGM – Risk Management and Compliance and AGM – Branch Operation and Marketing. BCC is the supreme authority to approve credit facilities and formulate credit policies for the Company and ICC is the supreme management level approving authority beyond the delegated authority of the CEO.

48.2 Credit Risk

Overview

Credit risk is the risk of financial loss to SDF if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the SDF's loans and advances to customers. The exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Credit Risk Management

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The credit department and recoveries department are responsible for management of the Companies' credit risk, including the formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to respective officers with the DA of the CEO.

Individually impaired loans are loans and advances for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan. Past due but not impaired loan other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but SDF believes that impairment is not appropriate on the basis of collateral available and/or the stage of collection of amounts owed to the Company.

Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the Company act as a possible secondary recourse. Collateral generally include cash, marketable securities, properties, stocks, trade debtors, other receivables machinery and equipment and other physical or financial assets.

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

Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialised. 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 FI and credit-worthy bodies as collateral for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

48.2.1 Credit Quality by Class of Financial Assets

<i>As at 31st March 2016</i>	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
48.2.1.1 Company				
Assets				
Cash and Cash Equivalents	306,766,105	-	-	306,766,105
Loans and Receivable (Gross)	1,598,909,365	1,315,479,398	-	2,914,388,763
Financial Investments	243,177,150	-	-	243,177,150
Other Financial Assets	232,859,565	-	-	232,859,565
Total Financial Assets	2,381,712,185	1,315,479,398	-	3,697,191,583

Notes to the Financial Statements

48.2.1.1 Ageing Analysis of past due (i.e facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Less than 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Receivable (Gross)	430,862,330	275,053,039	156,984,198	452,579,831	1,315,479,398
	430,862,330	275,053,039	156,984,198	452,579,831	1,315,479,398

As at 31st March 2015	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
48.2.1.2 Company				
Assets				
Cash and Cash Equivalents	208,620,885	–	–	208,620,885
Loans and Receivable (Gross)	2,142,171,310	717,151,329	–	2,859,322,639
Financial Investments	201,843,587	–	–	201,843,587
Other Financial Assets	7,048,875	–	–	7,048,875
Total Financial Assets	2,559,684,657	717,151,329	–	3,276,835,986

48.2.1.2 Ageing Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Less than 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Receivable (Gross)	401,621,015	42,812,561	31,768,144	240,949,609	717,151,329
	401,621,015	42,812,561	31,768,144	240,949,609	717,151,329

As at 31st March 2016	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
48.2.1.3 Group				
Assets				
Cash and Cash Equivalents	382,595,165	–	–	382,595,165
Loans and Receivables	2,278,766,133	1,756,821,293	–	3,803,904,984
Lease Rentals Receivable and Stock Out on Hire	62,753,152	126,027,594	–	132,126,602
Financial Investments – Held for Trading	700	–	–	700
Financial Investments – Available-for-Sales	56,300	–	–	56,300
Financial Investments – Held-to-Maturity	72,294,832	–	–	72,294,832
Financial Investments	259,780,030	–	–	259,780,030
Other Financial Assets	316,702,794	–	–	316,363,479
Total Financial Assets	3,372,949,107	1,882,848,887	–	4,967,122,092

48.2.1.3 Ageing Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Less than 30 days Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 91 days Rs.	Total Rs.
Loans and Receivables	511,006,325	304,004,393	319,851,299	621,959,275	1,756,821,293
Lease Rentals Receivable and Stock-Out on Hire	14,976,869	22,495,423	18,556,457	69,998,845	126,027,594
	525,983,194	326,499,816	338,407,756	691,958,120	1,882,848,887

As at 31st March 2015	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
48.2.1.4 Group				
Assets				
Cash and Cash Equivalents	263,953,307	–	–	263,953,307
Loans and Receivables	2,260,213,997	1,395,601,224	–	3,439,354,229
Lease Rentals Receivable and Stock-Out on Hire	45,315,807	196,751,103	–	193,936,429
Financial Investments – Held for Trading	1,356	–	–	1,356
Financial Investments – Available-for-Sale	56,300	–	–	56,300
Financial Investments – Held-to-Maturity	20,989,927	–	–	20,989,927
Financial Investments	264,760,967	–	–	264,760,967
Other Financial Assets	299,335,417	–	–	298,108,880
Total Financial Assets	3,154,627,078	1,592,352,327	–	4,481,161,396

48.2.1.4 Ageing Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Less than 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Receivables	622,081,541	90,195,367	59,364,889	623,959,427	1,395,601,224
Lease Rentals Receivable and Stock-Out on Hire	35,560,746	26,759,916	23,353,562	111,076,879	196,751,103
	657,642,287	116,955,283	82,718,451	735,036,306	1,592,352,327

Notes to the Financial Statements

48.2.2 Analysis of Risk Concentration**48.2.2.1 Industry Analysis**

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

<i>As at 31st March 2016</i>	Cash and Cash Equivalents Rs.	Loans and Receivable Rs.	Financial Investments Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
48.2.2.1.1 Company					
Sector-wise Breakdown					
Agriculture and Fishing	–	570,603,403	–	–	570,603,403
Manufacturing	–	408,561,392	–	–	408,561,392
Tourism	–	2,267,866	–	–	2,267,866
Transport	–	15,843,875	–	–	15,843,875
Construction	–	569,018,537	–	–	569,018,537
Trades	–	674,953,202	–	–	674,953,202
New Economy	–	7,711,049	–	–	7,711,049
Financial and Business Services	306,766,105	1,355,436	–	232,859,565	540,981,105
Infrastructure	–	4,637,184	–	–	4,637,184
Government	–	–	243,177,150	–	243,177,150
Other Services	–	511,854,116	–	–	511,854,116
Total	306,766,105	2,766,806,059	243,177,150	232,859,565	3,549,608,878

<i>As at 31st March 2015</i>	Cash and Cash Equivalents Rs.	Loans and Receivable Rs.	Financial Investments Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
48.2.2.1.2 Company					
Sector-wise Breakdown					
Agriculture and Fishing	–	426,705,344	–	–	426,705,344
Manufacturing	–	510,784,430	–	–	510,784,430
Tourism	–	38,456,623	–	–	38,456,623
Transport	–	27,595,125	–	–	27,595,125
Construction	–	826,801,414	–	–	826,801,414
Trades	–	628,135,110	–	–	628,135,110
New Economy	–	5,807,665	–	–	5,807,665
Financial and Business Services	208,620,885	2,364,814	–	7,048,875	218,034,574
Infrastructure	–	3,482,866	–	–	3,482,866
Government	–	–	201,843,587	–	201,843,587
Other Services	–	308,876,491	–	–	308,876,491
Total	208,620,885	2,779,009,883	201,843,587	7,048,875	3,196,523,229

As at 31st March 2016	Cash and Cash Equivalents	Financial Investments Held for Trading	Loans and Receivable	Lease Rentals Receivable & Stock Out on Hire	Investments Available-for-Sale	Financial Investments Held-to-Maturity	Financial Investments	Other Financial Assets	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
48.2.2.1.3 Group Sector-wise Breakdown									
Agriculture and Fishing	-	700	749,693,334	16,493,043	-	-	-	-	766,187,077
Manufacturing	-	-	522,200,716	20,420,424	-	-	-	-	542,621,140
Tourism	-	-	2,267,866	-	-	-	-	-	2,267,866
Transport	-	-	105,193,893	4,741,783	-	-	-	-	109,935,676
Constructions	-	-	604,671,102	2,786,468	-	-	-	-	607,457,571
Trades	-	-	866,897,866	31,453,731	-	-	-	-	898,351,597
New Economy	-	-	7,711,049	-	-	-	-	-	7,711,049
Financial and Business Services	382,595,165	-	10,806,550	4,119,043	-	-	-	316,363,479	713,884,237
Infrastructure	-	-	4,915,204	209,011	-	-	-	-	5,124,214
Government	-	-	-	-	-	72,294,832	259,780,030	-	332,074,862
Other Services	-	-	929,547,404	51,903,099	56,300	-	-	-	981,506,803
Total	382,595,165	700	3,803,904,984	132,126,602	56,300	72,294,832	259,780,030	316,363,479	4,967,122,093

As at 31st March 2015	Cash and Cash Equivalents	Financial Investments Held for Trading	Loans and Receivable	Lease Rentals Receivable & Stock Out on Hire	Investments Available-for-Sale	Financial Investments Held-to-Maturity	Financial Investments	Other Financial Assets	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
48.2.2.1.4 Group Sector-wise Breakdown									
Agriculture and Fishing	-	1,356	506,773,794	9,905,848	-	-	-	-	516,680,998
Manufacturing	-	-	574,477,933	36,200,319	-	-	-	-	610,678,252
Tourism	-	-	40,861,043	704,935	-	-	-	-	41,565,978
Transport	-	-	100,824,584	8,161,749	-	-	-	-	108,986,333
Constructions	-	-	853,607,936	7,277,958	-	-	-	-	860,885,894
Trades	-	-	760,927,299	47,421,814	-	-	-	-	808,349,113
New Economy	-	-	5,807,665	-	-	-	-	-	5,807,665
Financial and Business Services	263,953,307	-	8,032,698	4,376,504	-	-	-	298,108,880	574,471,389
Infrastructure	-	-	4,327,177	-	-	-	-	-	4,327,177
Government	-	-	-	-	-	20,989,927	264,760,968	-	285,750,895
Other Services	-	-	583,714,099	79,887,302	56,300	-	-	1,226,537	664,884,238
Total	263,953,307	1,356	3,439,354,229	193,936,429	56,300	20,989,927	264,760,968	299,335,417	4,482,387,932

Notes to the Financial Statements

48.3 Liquidity Risk and Funding Management

Liquidity risk refers to the possibility of the Company not having sufficient cash to meet its payment obligations mainly committed disbursements and deposit maturities. This arises primarily due to mismatches in the maturity profile of the Company's assets and liabilities and inability to manage cash flows well. Adequate liquidity is critical to meet the Company's financial commitment and to accommodate additional funding needs of the growing business volumes.

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

ALCO meets at least once in two months and as and when necessary. ALCO is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity position.

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

48.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

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

As at 31st March 2016	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
48.3.1.1 Company						
Financial Assets						
Cash and Cash Equivalents	306,766,105	–	–	–	–	306,766,105
Loans and Receivables	441,162,599	614,255,933	1,306,200,858	1,034,545,460	252,750	3,396,417,600
Financial Investments	–	243,177,150	–	–	–	243,177,150
Other Financial Assets	–	200,000,000	32,859,565	–	–	232,859,565
Total Financial Assets	747,928,704	1,057,433,083	1,339,060,422	1,034,545,460	252,750	4,179,220,420
Financial Liabilities						
Due to Banks	–	2,666,161	11,159,397	17,399,897	–	31,225,455
Due to Customers	1,589,977,917	487,853,251	703,965,186	289,542,316	–	3,071,338,670
Total Financial Liabilities	1,589,977,917	490,519,412	715,124,583	306,942,213	–	3,102,564,125
Total Net Financial Assets/ (Liabilities)	(842,049,213)	566,913,672	623,935,839	727,603,247	252,750	1,076,656,295

As at 31st March 2015	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
48.3.1.2 Company						
Financial Assets						
Cash and Cash Equivalents	208,620,885	–	–	–	–	208,620,885
Loans and Receivables	–	747,770,623	1,204,117,704	826,820,146	301,409	2,779,009,883
Financial Investments	–	–	201,843,587	–	–	201,843,587
Other Financial Assets	–	–	7,048,875	–	–	7,048,875
Total Financial Assets	208,620,885	747,770,623	1,413,010,166	826,820,146	301,409	3,196,523,229
Financial Liabilities						
Due to Banks	–	9,639,144	17,397,286	20,706,798	–	47,743,228
Due to Customers	1,484,222,353	551,459,130	487,579,215	252,977,906	–	2,776,238,605
Total Financial Liabilities	1,484,222,353	561,098,275	504,976,501	273,684,705	–	2,823,981,833
Total Net Financial Assets/ (Liabilities)	(1,275,601,468)	186,672,349	908,033,665	553,135,442	301,409	372,541,397

As at 31st March 2016	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
48.3.1.3 Group						
Financial Assets						
Cash and Cash Equivalents	382,595,165	–	–	–	–	382,595,165
Loans and Receivables	576,074,017	871,613,021	1,890,358,158	1,416,316,786	252,750	4,754,614,732
Lease Rentals Receivable and Stock Out on Hire	22,098,235	20,052,371	46,708,882	131,150,658	–	220,010,146
Financial Investments – Held for Trading	700	–	–	–	–	700
Financial Investments – Available-for-Sale	–	–	–	–	56,300	56,300
Financial Investments – Held-to-Maturity	–	67,244,986	4,442,833	1,545,500	–	73,233,319
Financial Investments	–	260,033,592	–	–	–	260,033,592
Other Financial Assets	–	237,558,675	81,831,940	–	–	319,390,615
Total Financial Assets	980,768,117	1,456,502,644	2,023,341,813	1,549,012,944	309,050	6,009,934,569
Financial Liabilities						
Due to Banks	45,208,316	2,941,327	11,984,895	18,959,171	–	79,093,708
Due to Customers	1,622,674,473	835,118,754	1,324,384,765	476,748,919	–	4,258,926,911
Total Financial Liabilities	1,667,882,788	838,060,081	1,336,369,660	495,708,091	–	4,338,020,619
Total Net Financial Assets/ (Liabilities)	(687,114,671)	618,442,563	686,972,154	1,053,304,854	309,050	1,671,913,949

Notes to the Financial Statements

As at 31st March 2015	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
48.3.1.4 Group						
Financial Assets						
Cash and Cash Equivalents	263,953,307	–	–	–	–	263,953,307
Loans and Receivables	250,998,273	896,753,360	1,528,493,513	994,700,266	301,409	3,671,246,822
Lease Rentals Receivable and Stock Out on Hire	30,842,212	70,591,676	75,436,472	117,116,928	411,159	294,398,447
Financial Investments – Held for Trading	1,356					1,356
Financial Investments – Available-for-Sale	–	–	–	–	56,300	56,300
Financial Investments – Held-to-Maturity		16,199,500	4,161,309	396,000	1,248,500	22,005,309
Financial Investments	–	–	265,956,787	–	–	265,956,787
Other Financial Assets	1,226,537	147,385,173	64,602,033	143,310,670	–	356,524,413
Total Financial Assets	547,021,685	1,130,929,709	1,938,650,114	1,255,523,864	2,017,368	4,874,142,740
Financial Liabilities						
Due to Banks	7,811,621	9,989,145	18,322,564	23,366,736	–	59,490,066
Due to Customers	1,515,589,585	839,127,362	1,116,148,647	435,890,098	–	3,906,755,692
Total Financial Liabilities	1,523,401,206	849,116,507	1,134,471,211	459,256,834	–	3,966,245,758
Total Net Financial Assets/ (Liabilities)	(976,379,521)	281,813,202	804,178,903	796,267,030	2,017,368	907,896,982

48.3.2 Contractual Maturities of Commitments and Contingencies

There are no significant contingencies and significant capital commitments as at 31st March 2016.

48.4 Operational Risk

Overview

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

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

SDF is in the process of developing 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.

48.5 Market Risk

Overview

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

Market Risk Management

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

Upon recognising various sources of risks, their characteristics and possible outcomes resulting from transactions undertaken by the Company risk management process functions in compliance with the Investment Policy and Asset and Liability Policy. Investment Policy and Asset and Liability Policy, IRMF and Stress Testing Policy also define exposure limits and procedures within which such transactions are required to be undertaken. Market risk limits set out in the above policies are regularly reviewed by Asset and Liability Committee (ALCO) and Integrated Risk Management Committee (IRMC).

ALCO is the core Management Committee that regularly monitors market risk exposures and initiates appropriate action to optimise overall market risk exposures within the overall risk appetite of the Company. In this regard, the major functions carried out by ALCO include –

- Proactive managing of liquidity risk profile of SDF
- Articulating interest rate review of the SDF

Monitoring asset and liability gaps and rate shock results on Net Interest Income (NII) to initiate appropriate measures such as changing interest rate structure.

Notes to the Financial Statements

Functionalities of Market Risk Management

The Market Risk Management is done by Finance and Planning which is responsible for co-ordinating and performing Market Risk Management activities including measuring, monitoring and reporting of market risk exposures and reviewing SDF's market risk related policies and exposure limits at least annually. It also provides independent reviews on market risks associated with new investment proposals and products, thus facilitating efficient decision-making through optimising risk return trade-off.

48.5.1 Interest Rate Risk

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

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

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

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

Interest rate risk is managed principally through minimising interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and reprices its assets accordingly.

48.5.2 Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non-Interest Bearing Rs.	Total as at 31.03.2016 Rs.
Company							
Assets							
Cash and Cash Equivalents	264,142,742	–	–	–	–	42,623,363	306,766,105
Loans and Receivables	892,296,738	1,018,150,431	765,166,236	90,973,861	218,792	–	2,766,806,059
Financial Investments	243,177,150	–	–	–	–	–	243,177,150
Other Financial Assets	200,000,000	32,859,565	–	–	–	–	232,859,565
Total Financial Assets	1,599,616,630	1,051,009,996	765,166,236	90,973,861	218,792	42,623,363	3,549,608,878
Financial Liabilities							
Due to Banks	2,666,161	11,159,397	13,374,218	4,025,679	–	–	31,225,454
Due to Customers	1,589,056,656	1,191,766,191	223,193,591	66,400,971	–	–	3,070,417,410
Total Financial Liabilities	1,591,722,817	1,202,925,588	236,567,810	70,426,650	–	–	3,101,642,864
Interest Sensitivity Gap	7,893,813	(151,915,592)	528,598,426	20,547,212	218,792	42,623,363	447,966,014

	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non-Interest Bearing Rs.	Total as at 31.03.2015 Rs.
Company							
Assets							
Cash and Cash Equivalents	130,695,430	–	–	–	–	77,925,455	208,620,885
Loans and Receivables	747,770,623	1,204,117,704	644,028,665	182,791,481	301,409	–	2,779,009,883
Financial Investments	–	201,843,587	–	–	–	–	201,843,587
Other Financial Assets	–	7,048,875	–	–	–	–	7,048,875
Total Financial Assets	878,466,053	1,413,010,166	644,028,665	182,791,481	301,409	77,925,455	3,196,523,229
Financial Liabilities							
Due to Banks	9,639,144	17,397,286	17,011,809	2,694,989	–	1,000,000	47,743,228
Due to Customers	2,035,681,483	452,106,523	194,480,103	58,497,803	–	35,472,692	2,776,238,605
Total Financial Liabilities	2,045,320,627	469,503,809	211,491,913	61,192,792	–	36,472,692	2,823,981,832
Interest Sensitivity Gap	(1,166,854,574)	943,506,357	432,536,752	121,598,689	301,409	41,452,763	372,541,397

	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non-Interest Bearing Rs.	Total as at 31.03.2016 Rs.
Group							
Assets							
Cash and Cash Equivalents	325,831,216	–	–	–	–	56,763,949	382,595,165
Loans and Receivables	1,012,987,663	1,405,825,888	1,066,789,908	318,082,734	218,792	–	3,803,904,984
Lease Rentals Receivable and Stock Out on Hire	5,153,974	11,630,725	43,800,155	71,541,748	–	–	132,126,602
Financial Investments – Held for Trading	–	–	–	–	–	700	700
Financial Investments – Available-for-Sales	–	–	–	–	–	56,300	56,300
Financial Investments – Held-to-Maturity	66,973,656	4,285,258	–	–	1,035,918	–	72,294,832
Financial Investments	243,177,150	16,602,880	–	–	–	–	259,780,030
Other Financial Assets	237,409,905	79,292,889	–	–	–	–	316,363,479
Total Financial Assets	1,891,533,565	1,517,637,639	1,110,590,062	389,624,482	1,254,710	56,820,949	4,967,122,092
Financial Liabilities							
Due to Banks	47,874,477	11,159,397	15,391,873	4,025,679	–	–	78,451,425
Due to Customers	1,953,383,442	1,817,722,331	320,288,867	84,680,751	–	–	4,176,075,391
Total Financial Liabilities	2,001,257,919	1,828,881,727	335,680,741	88,706,429	–	–	4,254,526,816
Interest Sensitivity Gap	(109,724,353)	(311,244,088)	774,909,322	300,918,053	1,254,710	56,820,949	712,595,277

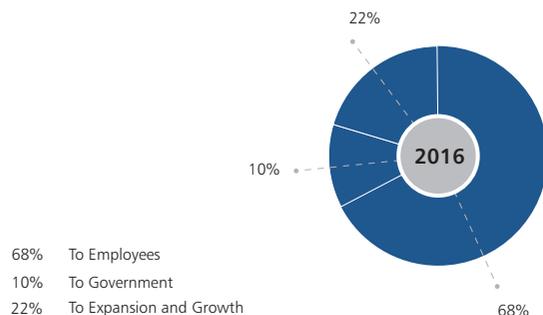
Notes to the Financial Statements

	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non-Interest Bearing Rs.	Total as at 31.03.2015 Rs.
Group							
Assets							
Cash and Cash Equivalents	175,058,872	–	–	–	–	88,894,436	263,953,307
Loans and Receivables	992,698,777	1,435,292,486	759,112,272	251,949,285	301,409	–	3,439,354,229
Lease Rentals Receivable and Stock Out on Hire	48,519,730	53,189,464	69,033,587	20,575,750	373,898	2,243,999	193,936,429
Financial Investments – Held for Trading	–	–	–	–	–	1,356	1,356
Financial Investments – Available-for-Sales	–	–	–	–	–	56,300	56,300
Financial Investments – Held-to-Maturity	15,945,049	4,023,475	–	–	1,021,404	–	20,989,927
Financial Investments	–	264,760,967	–	–	–	–	264,760,967
Other Financial Assets	142,581,007	51,439,724	14,088,150	90,000,000	–	–	298,108,880
Total Financial Assets	1,374,803,434	1,808,706,116	842,234,009	362,525,034	1,696,712	91,196,091	4,481,161,396
Financial Liabilities							
Due to Banks	17,684,768	18,025,196	18,771,793	2,952,685	–	1,000,000	58,434,441
Due to Customers	2,340,469,780	1,011,719,667	293,490,393	130,064,538	–	35,472,692	3,811,217,071
Total Financial Liabilities	2,358,154,549	1,029,744,863	312,262,186	133,017,223	–	36,472,692	3,869,651,512
Interest Sensitivity Gap	(983,351,114)	778,961,253	529,971,823	229,507,812	1,696,712	54,723,399	611,509,884

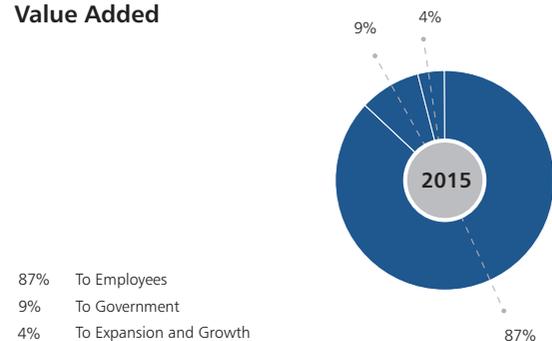
Value Added Statement

For the Year Ended 31st March	2016 Rs.	%	2015 Rs.	%	2014 Rs.	%
Value Added						
Interest Income	922,993,919		652,411,316		616,478,140	
Interest Expenses	(255,915,002)		(210,804,012)		(183,543,351)	
Cost of Services	(238,707,459)		(163,037,281)		(213,509,282)	
Value Added by Financial Service	428,371,458		278,570,024		219,425,507	
Other Income	91,759,723		100,581,632		12,494,881	
Impairment Charges	(61,294,116)		(67,331,561)		57,615,716	
Total	458,837,065		311,820,095		289,536,104	
Distribution of Value Added						
To Employees						
Salaries and Other Benefits	314,185,138		271,105,385		231,498,153	
Total to Employees	314,185,138	68	271,105,385	87	231,498,153	80
To Providers of Capital						
Dividend to Ordinary Shareholders	–		–		–	
Total to Providers of Capital	–	0	–	0	–	0
To the Government						
Income Tax	–		–		–	
VAT on Financial Service	45,304,164		28,029,406		32,691,098	
Total to Government	45,304,164	10	28,029,406	9	32,691,098	11
To Expansion and Growth						
Retained Profits	40,680,684		(9,995,851)		(6,288,435)	
Depreciation and Amortisation	45,433,679		26,469,202		18,976,767	
Deferred Taxation	13,233,400		(3,788,047)		12,658,521	
Total to Expansion and Growth	99,347,763	22	12,685,304	4	25,346,853	9
	458,837,065	100	311,820,095	100	289,536,104	100

Distribution of Value Added



Distribution of Value Added

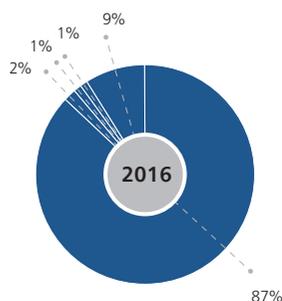


Sources and Utilisation of Income

For the Year Ended 31st March						
	2016 Rs.	%	2015 Rs.	%	2014 Rs.	%
Sources of Income						
Loans and Receivables	880,258,554	87	616,742,111	82	522,928,176	83
Financial Investments	17,388,970	2	18,738,050	2	24,204,669	4
Savings Interest	13,912,868	1	10,229,349	1	13,175,866	2
Other Financial Assets	11,433,527	1	6,701,806	1	56,169,428	9
Other Income	91,759,723	9	100,581,632	13	12,494,881	2
Total	1,014,753,642	100	752,992,948	100	628,973,022	100
Utilisation of Income						
To Employees						
Personnel Expenses	314,185,138		271,105,385		231,498,153	
Total to Employees	314,185,138	31	271,105,385	36	231,498,153	37
To Suppliers						
Interest Paid	255,915,002		210,804,012		183,543,351	
Other Expenses	212,142,771		173,707,779		221,233,212	
Depreciation	45,433,679		26,469,202		18,976,767	
Loan Losses and Impairment	61,294,116		67,331,561		(57,615,716)	
Total to Suppliers	574,785,569	57	478,312,554	64	366,137,614	58
To the Government						
Income Tax	30,368,790		(8,674,853)		14,006,429	
VAT on Financial Service	49,272,363		22,245,714		23,619,260	
Total to Government	79,641,153	8	13,570,861	2	37,625,689	6
To Expansion and Growth						
Retained Profits	43,834,694		(9,995,851)		(7,083,720)	
Statutory Reserve	2,307,089				795,286	
Total to Expansion and Growth	46,141,783	5	(9,995,851)	-1	(6,288,434)	-1
	1,014,753,642	100	752,992,948	100	628,973,022	100

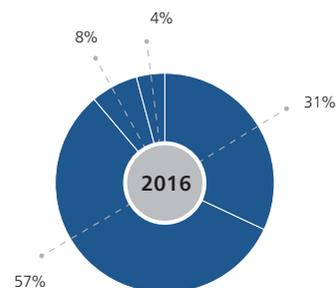
Sources of Income

87%	Loans and Receivables
2%	Financial Investments
1%	Savings Interest
1%	Other Financial Assets
9%	Other Income



Utilisation of Income

31%	To Employees
57%	To Suppliers
8%	To Government
4%	To Expansion and Growth



Capital Adequacy

	Balance (Restated)				Risk-Weighted Factor %	Risk-Weighted Balance (Restated)			
	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000		2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000
On-Balance Sheet – Total Assets	4,301,031	3,932,432	3,078,280	3,732,556		3,249,111	3,234,319	1,930,975	2,036,730
Cash and Current Accounts with Banks	78,189	208,621	223,666	420,903	0	–	–	–	–
Deposits with Banks	461,437	7,049	288,325	452,208	20	92,287	1,410	57,665	90,442
Deposit with Finance Companies	–	–	–	–	20	–	–	–	–
Due from Central Bank of Sri Lanka	–	–	–	–	0	–	–	–	–
Sri Lanka Government Treasury Bills	243,177	201,844	235,000	200,000	0	–	–	–	–
Sri Lanka Government/Central Bank Securities	–	–	–	–	0	–	–	–	–
Other Securities Guaranteed by Sri Lanka Government	–	–	–	–	0	–	–	–	–
Loans and Advances:	159,770	226,803	365,608	590,074		–	–	–	–
Against Deposits with the Company	159,770	226,803	365,608	590,074	0	–	–	–	–
Against SL Government Guarantee/ Securities	–	–	–	–	0	–	–	–	–
Against Dues/Securities/Guarantees of Central Bank of Sri Lanka	–	–	–	–	0	–	–	–	–
Against Deposits with Banks	–	–	–	–	20	–	–	–	–
Against Deposits with Finance Companies	–	–	–	–	20	–	–	–	–
Staff Loans Secured by Provident Fund Balances	–	–	–	–	0	–	–	–	–
Loans against Gold and Gold Jewellery	46,237	55,206	92,371	123,083	0	–	–	–	–
Less than 10% in Total Advances	46,237	55,206	92,371	123,083	0	–	–	–	–
Between 10%-50% in Total Advances	–	–	–	–	10	–	–	–	–
Greater than 50% in Total Advances	–	–	–	–	25	–	–	–	–
Loans against Real Estates (Performing)	310,793	–	–	–	50	155,397	–	–	–
Other Loans and Advances	2,231,007	2,497,001	1,562,304	1,773,405	100	2,231,007	2,497,001	1,562,304	1,773,405
Other Investments (Excluding Items Deducted from the Total Capital)					100	–	–	–	–
Fixed Assets	281,536	279,391	238,803	77,858	100	281,536	279,391	238,803	77,858
Other Assets	488,885	456,517	72,203	95,025	100	488,885	456,517	72,203	95,025

Capital Adequacy

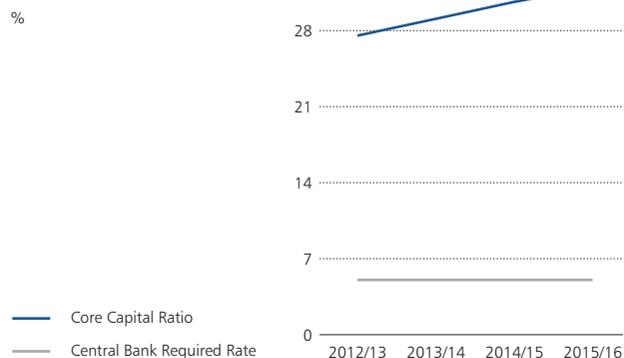
Capital Base	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000
Tier 1: Core Capital				
Paid-up Share Capital	890,000	890,000	540,000	540,000
Statutory Reserve Fund	20,383	18,076	22,551	21,756
Published Retaining Earnings	129,411	83,678	–	–
General Reserves	–	–	–	–
Total Tier 1: Capital	1,039,794	991,754	562,551	561,756
Tier 2: Supplementary Capital				
Capital Reserves (Revaluation)	–	–	–	–
Bonus Shares	–	–	–	–
Total Tier 2: Capital	379,475	379,475	–	–
Equity Investment in Unconsolidated Banking and Financial Subsidiaries	379,475	379,475	–	–
Capital Base	660,319	612,279	562,551	561,756

Note – Total of Tier 2 Capital should not exceed the total of Tier 1 Core Capital for Capital Adequacy Calculations.

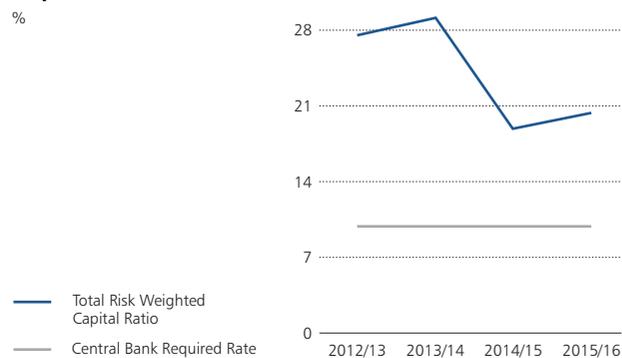
Capital Ratios	2016 %	2015 %	2014 %	2013 %
Core Capital Ratio				
Core Capital Ratio	32.0	30.7	29.1	27.6
Central Bank Required Rate	5.0	5.0	5.0	5.0
Total Risk-Weighted Capital Ratio				
Total Risk-Weighted Capital Ratio	20.3	18.9	29.1	27.6
Central Bank Required Rate	10.0	10.0	10.0	10.0

Note – During the financial year, on balance sheet item narations renamed in line with Central Bank classification for better classification and presentation.

Core Capital Ratio



Total Risk Weighted Capital Ratio

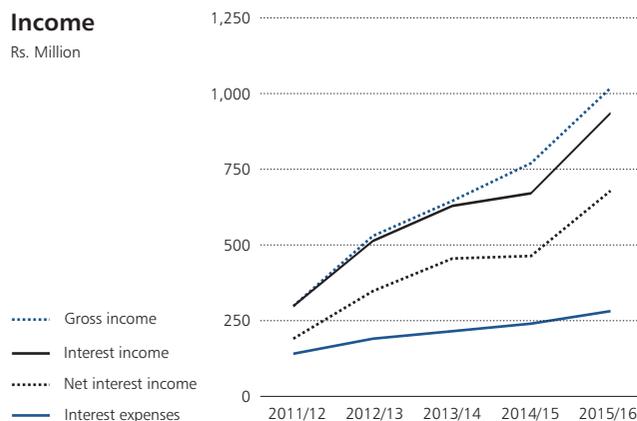


Five Year Summary

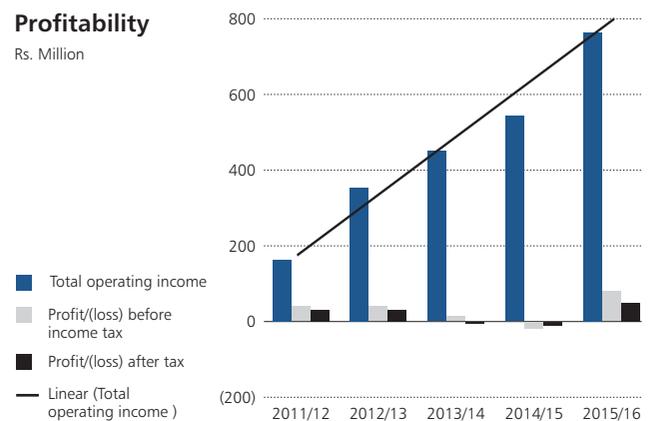
For the Year Ended 31st March	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Operating Results					
Gross Income	1,014,753,642	752,992,948	628,973,021	512,763,776	271,214,536
Interest Income	922,993,919	652,411,316	616,478,140	488,947,317	271,214,536
Interest Expenses	255,915,002	210,804,012	183,543,351	163,075,825	111,075,824
Net Interest Income	667,078,917	441,607,304	432,934,789	325,871,492	159,590,856
Other Income	91,759,723	100,581,632	12,494,881	23,816,459	–
Total Operating Income	758,838,640	542,188,936	445,429,670	349,687,951	159,590,856
Operating Expenses	571,761,588	473,080,446	469,145,908	242,493,330	85,734,529
Impairment Losses	61,294,116	67,331,561	(57,615,716)	62,244,955	29,940,088
Profit/(Loss) Before Income Tax	76,510,573	(20,468,783)	10,280,218	38,819,254	38,624,690
Income Tax Expenses/(Reversal)	30,368,790	(8,674,853)	14,006,429	8,655,559	10,908,698
Profit/(Loss) After Tax	46,141,783	(11,793,930)	(3,726,211)	30,163,695	27,715,992

Income

Rs. Million

**Profitability**

Rs. Million



For the Year Ended 31st March	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Assets					
Cash and Cash Equivalents	306,766,105	208,620,885	223,666,256	420,902,938	4,854,143
Loans and Receivables	2,766,806,059	2,779,009,883	2,020,282,776	2,486,561,652	1,041,806,452
Financial Investments	243,177,150	201,843,587	199,999,867	199,999,983	–
Other Financial Assets	232,859,565	7,048,875	288,324,529	452,208,451	568,000,000
Investment in Subsidiary Companies	379,474,885	379,474,885	77,857,927	–	–
Property, Plant & Equipment	281,535,732	241,143,145	206,608,279	–	–
Other Assets	109,409,852	115,290,422	139,398,326	95,024,920	1,260,123,381
Total Assets	4,320,029,346	3,932,431,683	3,078,280,032	3,732,555,871	2,874,783,976

Five Year Summary

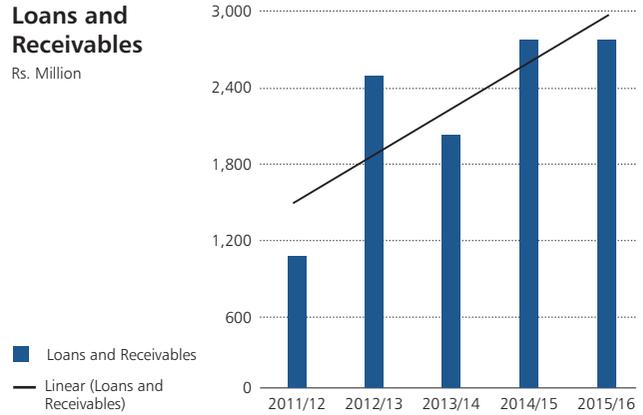
Assets

Rs. Million



Loans and Receivables

Rs. Million

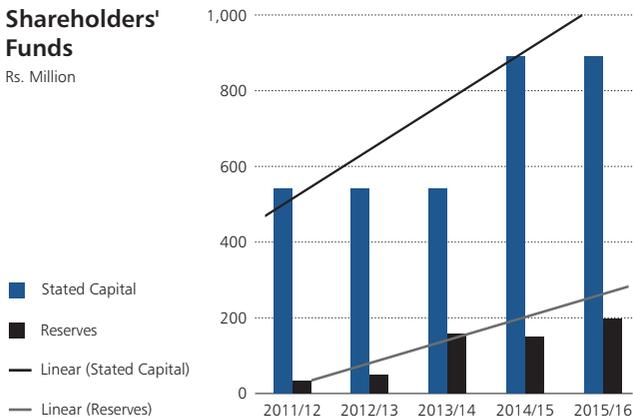


For the Year ended 31st March

	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Liabilities					
Due to Banks	31,225,454	47,743,228	101,898,813	288,496,354	–
Due to Customers	3,070,417,410	2,776,238,605	2,165,002,302	2,691,252,460	2,279,732,022
Other Non-Financial Liabilities	96,909,412	53,841,982	93,922,901	125,819,688	5,541,549
Post Employment Benefit Liability	16,088,241	17,109,256	17,952,857	–	–
Other Liability	19,849,927	–	2,008,696	40,472,631	15,519,679
Total Liabilities	3,234,490,444	2,894,933,071	2,380,785,569	3,146,041,133	2,300,793,250
Shareholders' Funds					
Stated Capital	890,000,020	890,000,020	540,000,020	540,000,020	540,000,020
Reserves	195,538,882	147,498,592	157,494,443	46,514,717	33,990,706

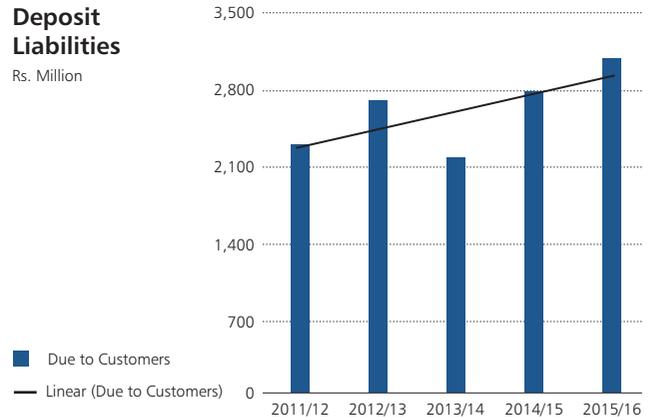
Shareholders' Funds

Rs. Million



Deposit Liabilities

Rs. Million

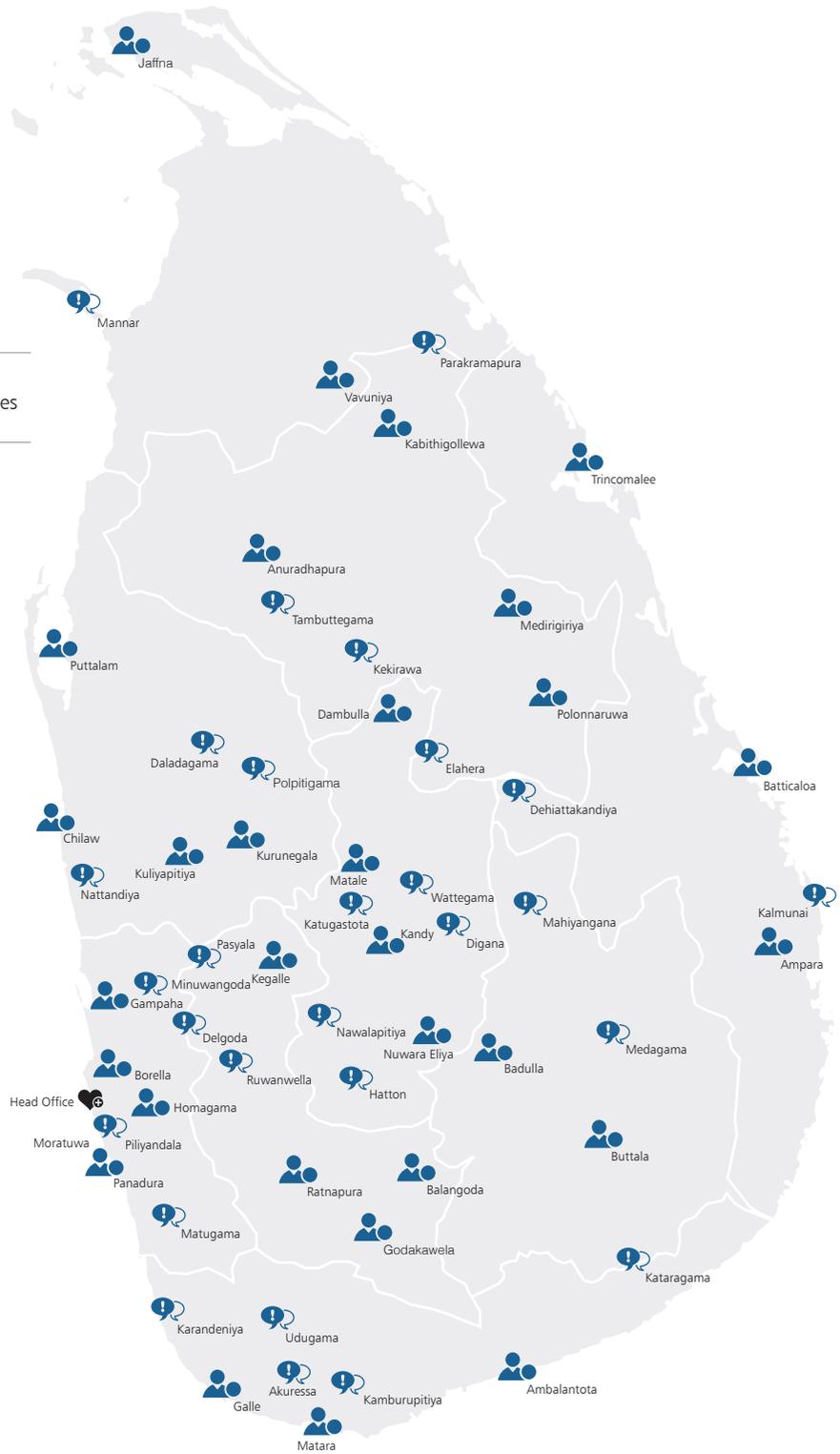


For the Year Ended 31st March	2016	2015	2014	2013	2012
Other Information					
Number of Staff	602	572	543	216	216
Number of Branches	30	30	30	30	30
Number of CSCs	28	32	32	32	32
Profit Before Tax Per Employee	127,094	(35,785)	18,932	179,719	178,818
Profit After Tax Per Employee	76,647	(20,619)	(6,862)	139,647	128,315
Total Assets Per Employee	7,176,128	6,874,881	5,669,024	17,280,351	13,309,185
Employees Per Branch/CSC	8	8	7	6	6
Capital Adequacy Ratio (%)					
Tier I	32.00%	30.66%	29.13%	27.58%	NIL
Tier II	20.32%	18.93%	29.13%	27.58%	NIL
Financial Performance Indicators					
Return on Assets (ROA)	1.12%	-0.34%	-0.11%	0.91%	0.96%
Return on Equity (ROE)	4.35%	-1.36%	-0.58%	5.20%	4.83%
Equity to Assets	25.13%	26.38%	22.66%	15.71%	19.97%
Net Assets Per Share (Rs.)	16.08	15.37	12.92	10.86	10.63
Dividend Per Share (Rs.)	0.25	NIL	NIL	NIL	NIL
Return on Interest Earning Assets	21.78%	21.14%	16.76%	15.46%	14.13%
Cost of Funds	8.64%	8.28%	7.00%	6.20%	4.90%
Interest Spread	13.15%	12.86%	9.76%	9.26%	9.23%
Portfolio Yield	31.74%	25.70%	23.21%	22.65%	22.00%
Staff Cost: Net Income	41.4%	50.0%	52.0%	35.3%	22.3%
Cost: Net Income	81.8%	91.4%	109.4%	71.1%	57.0%
Debt: Equity	285.7%	272.2%	319.7%	508.0%	397.2%
Earnings Per Share (Rs.)	0.68	(0.19)	0.17	0.56	0.51
Net Assets Per Share (Rs.)	16.08	15.37	13.13	10.86	10.63
Shareholders' Funds to Deposits	37.1%	42.0%	29.2%	23.6%	25.2%
Liquid Assets Ratio	26.2%	16.5%	30.0%	42.5%	24.9%
Assets Quality Indicators					
Gross NPA Ratio	8.0%	5.0%	12.9%	31.9%	N/A
Net NPA Ratio	3.1%	2.8%	3.1%	18.4%	N/A
NPA to Assets	5.5%	3.7%	9.4%	28.5%	N/A
Provision to Advances	5.1%	3.1%	9.8%	16.5%	N/A
Provision Cover	63.0%	60.8%	76.0%	51.8%	N/A

Branch and Customer Service Centre Network

30  Branches

28  Customer Service Centres



Branches

Region	Branch	Telephone Number	Address	Fax No.	E-mail Address
Region 01	Borella	011 5 942 666-7	Nagarodaya Centre, No. 155/1, Baseline Road, Borella, Colombo 8	011 2 693 845	borella@sdf.lk
	Balangoda	045 5 111 666-7	No. 133/A, Barnes Ratwatte Mawatha, Balangoda	045 2 286 168	balangoda@sdf.lk
	Godakawela	045 5 112 666-7	No. 58 G1/1, Main Street, Godakawela	045 2 240 350	godakawela@sdf.lk
	Homagama	011 5 944 666-7	No. 79/1, Highlevel Road, Homagama	011 2 895 506	homagama@sdf.lk
	Panadura	038 5 111 666-7	No. 322, Galle Road, Panadura	038 2 233 400	panadura@sdf.lk
	Ratnapura	045 5 113 666-7	No. 177, Main Street, Ratnapura	045 2 230 182	ratnapura@sdf.lk
Region 02	Ambalantota	047 5 111 666-7	No. 141/2, Tissa Road, Ambalantota	047 2 225 210	ambalantota@sdf.lk
	Buttala	055 5 115 666-7	No. 100, Main Street, Buttala	055 2 273 789	buttala@sdf.lk
	Galle	091 5 111 666-7	No. 110, Olcott Mawatha, Galle	091 2 227 096	galle@sdf.lk
	Matara	041 5 111 666-7	No. 451, Anagarika Dharmapala Mawatha, Pamburana, Matara	041 2 234 998	matara@sdf.lk
Region 03	Badulla	055 5 111 666-7	No. 377, Passara Road, Viharagoda, Badulla	055 2 229 391	badulla@sdf.lk
	Kandy	081 5 111 666-7	No. 64, Colombo Street, Kandy	081 2 204 584	kandy@sdf.lk
	Kegalle	035 5 111 666-7	No. 332, Kandy Road, Kegalle	035 2 222 712	kegalle@sdf.lk
	Nuwara-Eliya	052 5 111 666-7	No. 29/1, Lawson Street, Nuwara-Eliya	052 2 235 031	nuwaraeliya@sdf.lk
Region 04	Ampara	063 5 111 666-7	No. 20, 6th Lane, Ampara	063 2 224 962	ampara@sdf.lk
	Batticaloa	065 5 111 666-7	No. 132, Trinco Road, Batticaloa	065 2 223 977	batticaloa@sdf.lk
	Kebithigollewa	025 5 112 666-7	Horowpothana Road, Kebithigollewa	025 2 298 643	kebithigollewa@sdf.lk
	Trincomalee	026 5 111 666-7	No. 31B, Kandy Road, Linger Nagar, Trincomalee	026 2 050 241	trinco@sdf.lk
	Jaffna	021 5 111 666-7	No. 62/20A, Stanley Road, Jaffna	021 2 219 542	jaffna@sdf.lk
	Vavuniya	024 5 111 666-7	No. 28, 30, 2nd Cross Street, Vavuniya	024 2 224 949	vavuniya@sdf.lk
Region 05	Chilaw	032 5 111 666-7	No. 66, Kurunegala Road, Chilaw	032 2 222 453	chilaw@sdf.lk
	Gampaha	033 5 111 666-7	No. 35A, Mary Biso Mawatha, Gampaha	033 2 222 075	gampaha@sdf.lk
	Kuliyapitiya	037 5 111 666-7	No. 82, Kurunegala Road, Kuliyapitiya	037 2 282 144	kuliyapitiya@sdf.lk
	Kurunegala	037 5 112 666-7	No. 272/1, 1st Floor, Negombo Road, Kurunegala	037 2 221 422	kurunegala@sdf.lk
Region 06	Anuradhapura	025 5 111 666-7	No. 561/B-39, 4th Lane, Near New Bus Stand, Anuradhapura	025 2 224 954	anuradhapura@sdf.lk
	Dambulla	066 5 111 666-7	No. 707, Anuradhapura Road, Dambulla	066 2 283 354	dambulla@sdf.lk
	Matale	066 5 112 666-7	No. 630, Trincomalee Street, Matale	066 2 224 801	matale@sdf.lk
	Medirigiriya	027 5 111 666-7	No. 18, Main Street, Medirigiriya	027 2 248 777	medirigiriya@sdf.lk
	Polonnaruwa	027 5 112 666-7	500 Acres, New Town, Polonnaruwa	027 2 223 473	polonnaruwa@sdf.lk
	Puttalam	032 5 111 666-7	No. 116, Kurunegala Road, Puttalam	032 2 266 043	puttalam@sdf.lk

Branch and Customer Service Centre Network

Customer Service Centres

Region	CSC	Telephone Number	Address	Fax No.	E-mail Address
Region 01	Piliyandala	011 5 945 666-7	No. 161, Horana Road, Piliyandala	011 2 606 727	piliyandalacsc@sdf.lk
	Mathugama	034 5 111 666-7	No. 246/1, Aluthgama Road, Mathugama	034 2 247 056	matugamacsc@sdf.lk
Region 02	Akuressa	041 5 114 666-7	No. 93, Matara Road, Akuressa	041 2 284 100	akuressacsc@sdf.lk
	Kamburupitiya	041 5 116 666-7	Pathirana Building, Kirinda Road, Kamburupitiya	041 2 294 603	kamburupitiyacsc@sdf.lk
	Karandeniya	091 5 112 666-7	4th Mile Post, Maha Edanda, Karandeniya	091 2 291 434	karandeniycsc@sdf.lk
	Kataragama	047 5 112 666-7	No. 55/C, Saddhathissa Mw., New Town, Kataragama	047 2 236 303	kataragamacsc@sdf.lk
	Medagama	055 5 113 666-7	No. 21, Opposite Mosque, Bibila Road, Medagama	055 2 266 048	medagamacsc@sdf.lk
	Udugama	091 5 113 666-7	New Pasans Building, Bar Junction, Udugama	091 2 285 611	udugamacsc@sdf.lk
Region 03	Digana	081 5 112 666-7	No. 15 /1, New Town, Digana, Rajawella	081 2 375 481	diganacsc@sdf.lk
	Hatton	051 5 111 666-7	No. 03, Dimbula Road, Hatton	051 2 223 375	hattoncsc@sdf.lk
	Katugastota	081 5 113 666-7	No. 154/C, 1st Floor, Hewage Super Market, Kurunegala Road, Katugastota	081 2 499 662	katugastotacsc@sdf.lk
	Mahiyanganaya	055 5 112 666-7	No. 112/8, Girandurukotte Road, Mahiyanganaya	055 2 257 215	mahiyanganacsc@sdf.lk
	Nawalapitiya	054 5 111 666-7	No. 100/1, Gampola Road, Nawalapitiya	054 2 222 463	nawalapitiyacsc@sdf.lk
	Ruwanwella	036 5 111 666-7	No. 122, Main Street, Ruwanwella	036 2 267 920	ruwanwellacsc@sdf.lk
	Wattegama	081 5 114 666-7	No. 71/1C, Kandy Road, Wattegama	081 2 475 125	wattegamacsc@sdf.lk
Region 04	Kalmunai	067 5 111 666-7	No. 218, Batticaloa Road, Kalmunai	067 2 222 512	kalmunaicsc@sdf.lk
	Mannar	023 5 111 666-7	No. 10/4, Convent Road, Sinnakadai, Mannar	023 2 250 758	mannarcsc@sdf.lk
	Parakkramapura	025 5 115 666-7	Kodithuwakku Building, Padaviya Road, Parakkramapura	025 2 254 335	parakkramapuracsc@sdf.lk
Region 05	Daladagama	037 5 113 666-7	No. 202, Atawarala, Maho Road, Daladagama	037 2 275 050	daladagamacsc@sdf.lk
	Delgoda	011 5 941 666-7	No. 328/B, New Kandy Road, Delgoda	011 2 403 054	delgodacsc@sdf.lk
	Minuwangoda	033 5 113 666-7	No. 87/1/1, Kurunegala Road, Minuwangoda	011 2 281 625	minuwangodacsc@sdf.lk
	Nattandiya	032 5 112 666-7	Near Dhammissara Vidyalyaya, Marawila Road, Nattandiya	032 2 253 172	nattandiyacsc@sdf.lk
	Pasyala	033 5 112 666-7	No. 178/8/3, Usaviya Wattha, Pasyala	033 2 284 054	pasyalacsc@sdf.lk
	Polpithigama	037 5 114 666-7	Madagalla Road, Polpithigama	037 2 273 008	polpithigamacsc@sdf.lk
Region 06	Dehiattakandiya	027 5 113 666-7	No. 62/1E, New Town, Dehiattakandiya	027 2 250 009	dehiattakandiyacsc@sdf.lk
	Elahera	066 5 113 666-7	No. 558, Co-Operative Mw., Bakamuna	066 2 256 008	elaheracsc@sdf.lk
	Kekirawa	025 5 113 666-7	No. 27, Yakkala Road, Kekirawa	025 2 265 329	kekirawacsc@sdf.lk
	Tambuttegama	025 5 114 666-7	No. 137, Rajina Junction, Anuradhapura Road, Tambuttegama	025 2 275 530	tambuttegamacsc@sdf.lk

Glossary

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Available-for-Sale Financial Assets

All assets not in the three categories namely, loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

C

Cash Basis

Recognising the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.

Capital Adequacy Ratio

The relationship between capital and risk-weighted assets as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Inflows and outflows of cash and cash equivalents.

Cash Reserve

Cash and cash equivalents expressed as a percentage of average customer deposits.

Collective Impairment Provision

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Commitments

Credit facilities approved but not yet utilised by the customers as at the date of the Statement of Financial Position.

Consolidated Financial Statements

Financial Statements of a holding Company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation existing on the Reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Cost to Income Ratio

The operating expenses, including tax on financial services but excluding the impairment (charge)/reversal for loans and other losses, as a percentage of net income.

Cost of Funds

Interest expenses expressed as a percentage of average interest-bearing liabilities.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Debt to Equity

Interest-bearing liabilities expressed as a percentage of average equity attributable to the equity holders of the Company.

Debt to Equity (Excluding Deposits)

Interest-bearing liabilities excluding public deposits expressed as a percentage of average equity attributable to the equity holders of the Company.

Deferred Tax

Sum set aside for tax in the Financial Statements for taxation that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rule and accounting conventions.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

The removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Discount rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Glossary

E

Earnings per Share

Profits attributable to ordinary shareholders divided by the ordinary shares in issue.

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

F

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Fair Value through Profit or Loss

A financial asset/liability: Acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or a derivative (except for a derivative that is a financial guarantee contract).

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

G

Group

A Group is a parent and all its subsidiaries.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Gross NPA Ratio

Non-performing loans and receivables expressed as a percentage of average loans and receivables portfolio.

Gross Portfolio

Total rental instalment receivable of the advances granted to customers under leasing, hire purchase, instalment sales and loan facilities.

H

HTM (Held to Maturity) Investments

Non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold till maturity.

I

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Intangible Asset

An identifiable non-monetary asset without physical substance.

Interest Margin

Net interest income expressed as a percentage of average interest earnings assets

Interest Spread

This represents the difference between the average interest rate earned on the interest earning assets and the average interest rate paid on the interest-bearing liabilities.

Investment Properties

Property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Impairment Allowance for Loans and Receivables

Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

K

Key Management Personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L**Liquid Assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and Treasury Bills & Bonds.

Liquid Assets Ratio

Liquid assets expressed as a percentage of average deposits liability and short-term liabilities.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans Payable

Financial liabilities, other than short-term trade payables on normal credit terms.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

M**Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N**Net Assets per Share**

Equity attributable to the equity holders of the Company divided by the average number of ordinary share in issue during the year.

Net Interest Income (NII)

The difference between incomes earned from interest earning assets and cost incurred on financial instrument/ facilities used for funding the interest earning assets.

Net Losses Ratio

Bad debts written off expressed as a percentage of average loans and receivables.

Net NPA Ratio

Non-performing loans and receivables net of accumulated impairment charge expressed as a percentage of average loans and receivables portfolio net of impairment charge.

Non-Controlling Interest

The equity in a subsidiary not attributable, directly or indirectly to a parent.

Non-Performing Advances

Rentals receivables in arrears for more than six rentals have been categorised as non-performing. Only the post-reschedulement rentals in arrears have been taken in calculating the NPA of the rescheduled contracts. The gold loan portfolio where the contract period has already been expired, has not been included in calculating NPA.

NPA to Assets

Non-performing loans and receivables expressed as a percentage of average total asset.

O**Operational Risk**

The risk of loss incurring from inadequate or failed internal processes, people and systems or from external events.

P**Parent**

An entity that controls one or more subsidiaries.

Provision to Advances

Allowance for impairment charges for loans and receivables expressed as a percentage of loans and receivables portfolio.

Portfolio Yield

Interest earned on loans and receivables expressed as a percentage of the average loans and receivables.

Provision

Amounts set aside against possible losses on net receivable of facilities granted to customers, as a result of them becoming partly or wholly uncollectible.

Provision Cover

Impairment charge for loan losses expressed as a percentage of net non-performing loans and receivables before discounting for allowance for impairment charge on non-performing loans and receivables.

R**Related Parties**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on Assets (ROA)

Profit after Tax (PAT) expressed as a percentage of the average assets.

Return on Interest Earning Assets

Interest income expressed as a percentage of average Interest earning assets.

Risk Weighted Assets

The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk-weighted factors.

Return on Equity (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average equity attributable to the equity holders of the Company.

Glossary**S****Shareholders' Funds**

This consists of issued and fully-paid up ordinary shares, redeemable preference shares and other reserves.

Shareholder Funds to Deposits

Equity attributable to the equity holders of the Company expressed as a percentage of average deposits liability.

Staff Cost to Net Income

Staff cost expressed as a percentage of total operating income.

Stated Capital

All amounts received by the Company or due and payable to the Company – (a) in respect of the issue of shares, (b) in respect of calls on shares.

Statutory Reserve Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

Subsidiary

An entity including an unincorporated entity such as a partnership, which is controlled by another entity known as the Parent.

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Company.

Solvency Ratio

Profit for the year plus depreciation expressed as a percentage of average total liabilities.

T**Tier I Capital**

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term-debts.

V**Value Added**

Value of wealth created by providing financial services and other related services considering the cost of providing such services.

Arthadharmā Geethaya

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Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Sarvodaya Development Finance Limited will be held on 24th June 2016 at 4.00 p.m. at the Company Head Office at 'Arthadharma Kendraya', No. 45, Rawathawatta Road, Moratuwa for the following purposes:

Agenda

1. The Notice convening the Meeting.
2. To receive and adopt the Annual Report of the Board of Directors along with the Financial Statements of the Company for the financial year ended 31st March 2016 and the Auditors' report thereon.
3. To reappoint Mr. Bodiyaabaduge Shevon Charles Perera Gooneratne, Mr. Kokkawita Liyanage Gunawardena and Mr. Masayoshi Yamashita, Directors of the Company who retire by rotation in terms of the Articles of Association of the Company.
4. To reappoint Messrs Ernst & Young, Chartered Accountants as External Auditors and to authorise the Directors to determine their remuneration.
5. To declare a dividend as recommended by Directors.
6. To receive and consider any other business of which due notice has been given.

By Order of the Board,



BDO Secretaries (Pvt) Limited
Secretaries

Note

By order of the Board a member entitled to attend and vote at the meeting is entitled to appoint a Proxy (whether a member or not) to attend and vote instead of him. A Form of Proxy is enclosed with the Report for this purpose and shareholders who are unable to attend in person are requested to kindly complete and return such Form of Proxy in due time, in accordance with the instructions noted on the Form of Proxy.

Colombo
27th May 2016

Form of Proxy

I/We
 (NIC No./Com. Reg. No.) of
 being a Shareholder/s* of

Sarvodaya Development Finance Limited, hereby appoint:

Mr. Eastman Narangoda	of Colombo or Failing Him*
Mr. Channa De Silva	of Colombo or Failing Him*
Dr. Vinya Shanthidas Ariyaratne	of Colombo or Failing Him*
Mr. Weliwattage Shakila Perera Wijewardena	of Colombo or Failing Him*
Mr. Bodiyaabaduge Shevon Charles Perera Gooneratne	of Colombo or Failing Him*
Mr. Kokkawita Liyanage Gunawardena	of Colombo or Failing Him*
Dr. Richard Vokes	of U.K. or Failing Him*
Mr. Masayoshi Yamashita	of Japan or Failing Him*
Dr. Janaki Kuruppu	of Colombo or Failing Her*

..... of as my/our* proxy to represent me/us* and to vote
 as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 24th June 2016 at
 4.00 p.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. To receive and adopt the Annual Report of the Board of Directors along with the Financial Statements of the Company for the Financial Year ended 31st March 2016 and the Auditors' report thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To reappoint Mr. Bodiyaabaduge Shevon Charles Perera Gooneratne, Mr. Kokkawita Liyanage Gunawardena and Mr. Masayoshi Yamashita, Directors of the Company who retire by rotation in terms of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint Messrs Ernst & Young, Chartered Accountants as External Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To declare a dividend as recommended by Directors.	<input type="checkbox"/>	<input type="checkbox"/>
5. To receive and consider any other business of which due notice has been given.	<input type="checkbox"/>	<input type="checkbox"/>

In witness I/we place my/our* hands hereunto this day of June, Two Thousand and Sixteen.

.....
 Signature

Notes:

*Please delete inappropriate word/s.

Instructions as to Completion

1. Kindly perfect the Form of Proxy, by filling it legibly your full name and address, signing in the space provided and filling in the date of signature.
2. Please indicate clearly how your proxy is to vote. If no indication is given, the proxy in his discretion will vote as he thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of Sarvodaya Development Finance Limited, at 'Arthadharma Kendraya', No. 45, Rawathawatta Road, Moratuwa, 48 hours before the time appointed for the holding of the meeting.

Corporate Information

Name of Company

Sarvodaya Development Finance Limited

Parent Company

Sarvodaya Economic Enterprises Development Services (Guarantee) Limited

Subsidiary Company

Summit Finance PLC (Formerly George Steuart Finance PLC)

Legal Form

Incorporated on 1st January 2010 as a public limited liability company under the Companies Act No. 07 of 2007.

Commenced business operations effective 19th December 2012, as a Licensed Finance Company (LFC) regulated by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

Approved Credit Agency under Mortgage Act No. 6 of 1949 and Trust Receipts Ordinance No. 12 of 1947 by the Department of Commerce

Company Registration Number

PB 3795

Central Bank Registration Number

047

Tax Payer Identity Number (TIN)

134037954

Registered Office and Head Office

"Arthadharma Kendraya"

45, Rawatawatte Road, Moratuwa,
Sri Lanka

Telephone No.: 011 5 444 666

Fax No.: 011 2 655 122

E-mail: info@sdf.lk

Website: www.sarvodayafinance.lk

Share Capital

Rs. 890,000,020/-

Shareholding

Sarvodaya Economic Enterprises Development Services (Guarantee) Limited	54,000,000
Gentosha Total Asset Consulting Inc., Japan	13,500,004
Dr. Vinya Ariyaratne	1
Mr. Shakila Wijewardena	1
Total	67,500,006

Accounting Year-end

31st March

Board of Directors

Eastman Narangoda – Chairman

Channa de Silva – Deputy Chairman

Dr. Vinya Ariyaratne

Shakila Wijewardena

K L Gunawardana

Shevon Gooneratne

Dr. Richard Vokes

Dr. Indrajit Coomaraswamy – Resigned w.e.f. 26th February 2016

Masayoshi Yamashita

Dr. Janaki Kuruppu – Appointed w.e.f. 22nd December 2015

Company Secretary

BDO Secretaries (Pvt) Limited,
Corporate Secretarial Services,
"Charter House"

65/2, Sir Chittampalam A Gardiner Mawatha,
Colombo 2

External Auditors

Messrs Ernst & Young,
Chartered Accountants,
201, De Saram Place,
Colombo 10

Legal Adviser

Nithya Partners

Bankers

Hatton National Bank PLC

People's Bank

Bank of Ceylon

Seylan Bank PLC

DFCC Bank PLC



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Sarvodaya Development Finance Limited

"Arthadharma Kendraya"

45, Rawatawatte Road, Moratuwa,

Sri Lanka.

Tel: +94 11 5444 666

Fax: +94 11 2655 122

E-mail: info@sdf.lk

Web: www.sarvodayafinance.lk