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FINANCIAL STATEMENTS



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KHRC/ AKM
Independent Auditor's Report
To The Shareholders Of Sarvodaya Development Finance Limited
Report on the Financial Statements

Opinion

We have audited the financial statements of Sarvodaya Development Finance Limited, which comprise the statement of financial position as at 31st March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

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



31 May 2018, Colombo

Partners: W R M Fernando FCA FCMA, M P D Cooray FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, Ms. Y A De Silva FCA, W K B S P Fernando FCA FCMA, Ms. K R M Fernando FCA FCMA, Ms. L K M L Fernando FCA, A P A Gunasekera FCA FCMA, A Harath FCA, D K Prasadarama FCA FCMA LLB (Lond), H M A Jayasinghe FCA FCMA, Ms. A Ludovick FCA FCMA, Ms. G S S Manjula FCA, Ms. P V N Sajewan FCA, M M Samarasinghe ACA, ACA, Ms. E Wijesinghe FCA FCMA

Principal: T P M Ruberu FCA FCMA

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Selected Performance Indicators (As Per Regulatory Reporting)

For year ended 31 March 2018

	As at 31.03.2018 (Audited)	As at 31.03.2017 (Audited)
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital), Rs.'000	1,077,073	1,001,030
Total Capital Base, Rs.'000	1,077,073	1,001,030
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 5%)	20.63	25.02
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 10%)	20.63	25.02
Capital Fund to Deposit Liabilities Ratio (Minimum requirement, 10%)	24.53	29.37
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Accommodation, Rs.'000	400,900	396,920
Gross Non-Performing Accommodation Ratio, %	6.20	9.80
Net-Non Performing Accommodation Ratio, %	2.61	4.50
Profitability %		
Interest Margin	13.40	13.02
Return on Assets (before Tax)	1.8	-0.9
Return on Equity (after Tax)	7.09	-3.3
Regulatory Liquidity (Rs.'000)		
Required minimum amount of Liquid Assets	540,702	409,738
Available amount of Liquid Assets	560,184	856,786
Required minimum amount of Government Security	250,386	237,550
Available amount of Government Security	273,029	255,841
Memorandum information		
Number of employees	508	541
Number of branches	30	30
Number of service centers	21	22

Statement of Profit or Loss

Year ended 31 March	2018 Rs.	2017 Rs.
Income	1,320,761,083	1,092,958,179
Interest Income	1,179,563,193	883,758,122
Interest Expenses	(416,598,838)	(280,902,184)
Net Interest Income	762,964,355	602,855,938
Net Fee and Commission Income	30,837,094	25,719,759
Other Operating Income	110,360,797	183,480,298
Total Operating Income	904,162,245	812,055,995
Impairment Charges for Loans and Other Losses	(89,116,323)	(172,259,081)
Net Operating Income	815,045,922	639,796,914
Operating Expenses		
Personnel Expenses	(322,738,479)	(361,457,648)
Depreciation of Property, Plant and Equipment	(46,923,650)	(40,736,446)
Amortisation of Intangible Assets	(11,263,143)	(6,683,064)
Other Operating Expenses	(249,265,028)	(226,251,183)
Operating Profit before Tax on Financial Services	184,855,622	4,168,574
Tax on Financial Services	(70,751,368)	(48,027,957)
Profit/(Loss) before Taxation	114,104,254	(43,859,383)
Income Tax Expenses	(33,619,018)	9,323,911
Profit/(Loss) for the Year	80,485,235	(34,535,473)
Other Comprehensive Income / (Expenses)		
Actuarial Gains/(Losses) on Defined Benefit Plans	(3,346,548)	(6,311,370)
Gain/(Loss) due to changes in Assumptions	(1,974,056)	-
Income Tax (Charge)/Credit Relating to Components of Other Comprehensive Income	1,489,769	2,082,867
Net Other Comprehensive Income not to be Reclassified to Profit or Loss	(3,830,835)	(4,228,503)
Surplus from revaluation of property, plant & equipment	11,794,414	-
Deferred tax effect on surplus from revaluation of property, plant & equipment	(611,972)	-
Net Other Comprehensive Income not to be Reclassified to Profit or Loss	11,182,442	-
Other Comprehensive Income for the Year, Net of Tax	7,351,608	(4,228,503)
Total Comprehensive Income/(Expenses) for the Year	87,836,843	(38,763,976)
Basic Earnings Per Share (Rs)		
Earning per share - Basic *	1.19	(0.51)
Dividend per share (Rs) **		
Dividend per share : Gross	0.53	-
Dividend per share : Net	0.46	-

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


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

Statement of Financial Position


As at 31 March	2018 Rs.	2017 Rs.
Assets		
Cash and Cash Equivalents	116,978,318	138,046,068
Loans and Receivables	4,697,449,566	3,477,040,068
Lease Rentals Receivables	611,054,718	283,558,784
Financial Investments	282,268,953	268,211,272
Other Financial Assets	207,371,048	282,577,503
Other Non Financial Assets	90,613,760	64,336,684
Income Tax Refund	-	29,768
Intangible Assets	35,134,360	36,694,563
Property, Plant and Equipment	308,724,162	321,409,381
Deferred Tax Asset	-	988,885
Total Assets	6,349,594,884	4,872,892,976
Liabilities		
Due to Banks and Other Institutions	463,277,223	75,855,963
Due to Customers	4,624,835,030	3,563,699,800
Other Non Financial Liabilities	73,488,805	165,765,352
Post Employment Benefit Liability	26,415,691	20,796,934
Current Tax Liabilities	11,051,013	-
Deferred Tax Liabilities	15,915,351	-
Total Liabilities	5,214,983,113	3,826,118,050
Shareholders' Funds		
Stated Capital	890,000,020	890,000,020
Retained Earnings	151,358,483	90,646,934
Reserves	93,253,268	66,127,972
Total Shareholders' Funds	1,134,611,771	1,046,774,926
Total Liabilities and Shareholders' Funds	6,349,594,884	4,872,892,976
Net assets value per share	16.8	15.5
Commitments and Contingencies	15,500,000	17,350,000

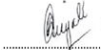
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.


Deshantha de Alwis
DGM - Finance & Planning


Dharmasiri Wickramatilleke
Chief Executive Officer

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


Channa de Silva
Chairman


Dr. Vinaya Ariyaratne,
Director

31 May 2018, Colombo