

THE FUTURE FORESEEN



SARVODAYA DEVELOPMENT FINANCE PLC
ANNUAL REPORT 2024/25

THE FUTURE FORESEEN

A stronger, more prosperous Sri Lanka begins with a vision one that sees beyond today's challenges to the possibilities of tomorrow. At Sarvodaya Development Finance, we don't just anticipate the future; we actively shape it, ensuring that progress reaches every corner of the nation.

By integrating financial inclusion with innovation, we empower individuals, businesses, and entire communities to move forward with confidence. From expanding access to finance in rural villages to supporting women-led enterprises and harnessing technology for greater economic participation, we create opportunities that ripple far beyond the present.

With deep connections to 5400 village societies, we understand that true transformation starts at the grassroots and we have built a network that uplifts communities, bridges gaps, and fuels grassroots entrepreneurship. Every loan, every investment, and every initiative is a step toward a future that is not only envisioned but made real where individuals thrive, businesses flourish, and the nation rises together.

At Sarvodaya Development Finance, the future we foresee is more than a strategy. It is a path we illuminate, a journey we embark on, and a promise we are committed to fulfilling.

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SDF is committed to fostering inclusive economic growth by empowering rural entrepreneurs, promoting women in leadership, and aligning its efforts with the Sarvodaya Movement to build a more equitable and sustainable development model for Sri Lanka. Through these initiatives, SDF strives to drive lasting social transformation, uplift underserved communities, and inspire the next generation of leaders across the nation.



CEO's Review

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Amidst Sri Lanka's continued economic recovery, characterised by easing inflation, greater macroeconomic stability, and steady interest rates, SDF recorded its strongest financial and operational performance to date. Our total assets surged by an impressive 51.3% to reach LKR 22 billion, positioning us as one of the fastest-growing financial institution in the NBFi sector. This achievement underscores our capacity to turn adversity into opportunity through a uniquely impactful business model rooted in community development.



Sustainability Report

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Welcome to
**Our 4th Integrated
Annual Report**

of Sarvodaya Development Finance PLC

About SDF

Sarvodaya Development Finance PLC (SDF) is a publicly listed company incorporated in Sri Lanka under the Companies Act No. 7 of 2007. It is a licensed finance company under the Finance Business Act No. 42 of 2011 and a registered finance leasing establishment in accordance with the Finance Leasing Act No. 56 of 2000. The company was listed on the Colombo Stock Exchange on 14 December 2021. In addition, SDF holds the status of an approved Credit Agency recognized under the Mortgage Act No. 6 of 1949 and the Trust Receipts Ordinance No. 12 of 1947 by the Department of Commerce.

Incorporated in 2010, SDF was founded with a vision deeply rooted in nation-building and community development, inspired by the "grassroots upwards" philosophy of the Sarvodaya Movement. Within a short period of time, SDF has grown to become a leading financial institution, offering innovative and technology enabled financial services through a diverse product portfolio tailored to meet the evolving needs of its customers.

The Sarvodaya Movement, established in 1958, is one of Sri Lanka's oldest and most respected non-governmental organizations, committed to uplifting and empowering rural communities for over six decades. Leveraging Sarvodaya's strong brand, community trust, and extensive network of village based societies, SDF has effectively expanded its services to reach underserved populations, particularly Micro, Small, and Medium Enterprises (MSMEs) across the island.

A core sector of focus for SDF is agriculture. The company provides targeted financial solutions to support village based customers in enhancing their agri-businesses. These efforts aim to modernize agricultural practices, increase productivity, and improve rural livelihoods contributing to broader economic and social development.

SDF is committed to drive inclusive economic growth by channelling financial resources and support services into sustainable, environmentally responsible business models. In doing so, SDF not only contributes to environmental preservation but also uplifts the quality of life in the communities it serves.

True to its values of sustainable development and responsible finance, SDF delivers value-added services alongside its core financial offerings. These include technical training, financial literacy programs, and market development initiatives designed to support MSMEs capacity building and access to market opportunities.

SDF's excellence in corporate reporting has been recognized with four Gold Awards for its Annual Report at the TAGS Awards organized by the CA Sri Lanka, reflecting the company's strong commitment to Transparency, Accountability, Governance, and Sustainability.

Furthermore, the company continues to leverage its international partnerships to amplify impact. SDF has successfully collaborated with global impact funding agencies and became the recipient of its first impact fund from the European Union. The company is also a recognized member of the Global Alliance for Banking on Values (GABV), further affirming its commitment to purpose driven finance and its globally recognized value proposition.

SDF is committed to drive inclusive economic growth by channeling financial resources and support services into sustainable, environmentally responsible business models.



Our Vision

To be a Catalyst in Creating
an Economically Progressive
Society, Living in Dignity

Our Mission

To Foster Sustainable Development
Through the Provision of Ethical
Financial Services and Fulfil
Expectations of all Stakeholders

Our Values

Purity in Service
Diligent and Caring
Transparent and Honest
Passionately Committed

54.6%



SEEDS Guarantee Ltd

Lanka Jathika Sarvodaya Shramadana
Sangamaya

1,279

Sarvodaya Shramadana Societies

Other Shareholders



Sarvodaya related entities hold 54.6% ownership in SDF, fully dedicating their returns to various social empowerment initiatives aligned with the Sarvodaya philosophy. This unique business model ensures that 54.6% of dividends directly support community development, rather than individual gain. Such a structure highlights the profound societal impact of SDF's operations, reflecting the visionary model established by the late Dr. A.T. Ariyaratne, aimed at awakening and uplifting society as a whole

Why we are Unique



Inclusive Reach:
Serves non-bankable communities through 1,200+ Sarvodaya Shramadana Societies that invest in and partner with SDF.



Purpose-Driven Ownership: 54% owned by a social development institution, with an equal share of dividends reinvested into community development.



Sustainable Finance Ethos: Guided by the founder's philosophy, promoting ethical, people-centered financial solutions.



Global Recognition:
The only finance company in Sri Lanka to have obtained membership from the Global Alliance for Banking on Values.

About this Report

We are pleased to present the fourth Integrated Annual Report of Sarvodaya Development Finance PLC (SDF) for the year ended 31 March 2025. This report provides a comprehensive and accurate account of the Company's performance during the year. Its primary purpose is to meet the information needs of investors, while also addressing the interests of other key stakeholders.

As a socially responsible brand, SDF is committed to promoting greater transparency by reporting on both financial and non-financial performance, including Environmental, Social, and Governance (ESG) impacts. This report continues that commitment by aligning with the Integrated Reporting Framework and the Global Reporting Initiative (GRI) Standards.

The objectives of the SDF Annual Report for 2024-25 are:

1. To disclose our business operations by voluntarily adopting ESG reporting. The GRI Standards have been used to guide us in this respect.
2. To disclose material and critical information regarding our capitals where the Integrated Reporting (IR) Framework 2021 has been used for this purpose.
3. To ensure that the Company maximises its positive impacts while identifying and minimising any negative impact.

The Compliance Framework for this Report

Financial reporting:

1. Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.
2. Companies Act No.07 of 2007.
3. Finance Business Act No. 42 of 2011.

Corporate Governance reporting

1. Finance Business Act Direction No.5 of 2021 on Corporate Governance, issued by Central Bank of Sri Lanka
2. Listing Rules of the Colombo Stock Exchange.
3. Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka.
4. Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and subsequent amendments thereto
5. GRI Standards 2021.



Assurance

1. Sri Lanka Auditing Standards (SLAuSs)
2. Sri Lanka Standard on Assurance Engagements (SLSAE) 3000: Assurance Engagements other than Audits or Review of Historical Financial Information, issued by CA Sri Lanka.

United Nations SDGs

We have voluntarily adopted SDG Reporting Guidelines, in addition to the above statutory reporting guidelines.



2021/22



2022/23



2023/24



2024/25



Recipient of the prestigious Gold Award for Annual Reporting for three consecutive years, affirming our commitment to transparency, accountability, governance and sustainability.

Navigation Icons

Capital Icons

Financial
CapitalManufactured
CapitalHuman
CapitalSocial &
Relationship
CapitalIntellectual
CapitalNatural
Capital

Stakeholders



Customers



Shareholders



Employees



Regulators

Business
Partners

Rating Agency



Investors

Sarvodaya
Shramadana Societies
(SSS) Members

ESG



Environment



Social



Governance

GRI Disclosure

GRI 2-2

Entities included in the organisation's sustainability reporting

GRI 2-3

Reporting period and frequency

GRI 2-3

Accessing this report and feedback

GRI 2-4

Restatement of information

GRI 2-5

External assurance

GRI 2-5

(i) Reference to the external assurance report(s)

GRI 2-5

(ii) What has been assured and on what basis, and assurance standards used, the level of assurance obtained, and any limitations of the assurance process;

GRI 2-5

(iii) Relationship between the organization and the assurance provider.

Response

All entities in this report are included in the audited financial statements presented in this report. Also discussed about Sarvodaya Movement with regards to the sustainability and its impact

This report covers the 12-month period 1 April 2024 to 31 March 2025 and will be continued as an annual reporting activity.

This report can be downloaded from our website <http://www.sarvodayafinance.lk>, which is also mobile phone enabled, or scan the QR code to be directed to the page.

Please send your feedback on this report to:

Head of Strategic Planning

Sarvodaya Development Finance PLC
No: 155/ A, Dr. Danister De Silva Mawatha
Colombo 08
Sri Lanka.
Tel: +94 115 444 666

There has been no requirement for restatement of any information from our previous annual report.

The sustainability reporting component of this report has received external assurance from Messrs. Deloitte Associates (Chartered Accountants).

External Assurance Report for sustainability reporting is contained in this report.

Assurance is provided for the information for the period April 1 April 2024 to 31 March 2025 with reference to the GRI Standards 2021, with:

- Reasonable assurance on the information on financial performance
- Limited assurance on other information, prepared in accordance with the GRI Standards 2021.

Relationship with assurance provider is, as an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements



Scan for Digital Version



About this Report


Organisational Details

GRI 2-1

Legal name	Sarvodaya Development Finance PLC
Nature of ownership and legal form	A Public Quoted Company incorporated in Sri Lanka under the Companies Act No. 7 of 2007. A Licensed Finance Company under the Finance Business Act No. 42 of 2011. A registered Financed Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000. The Company was admitted to the official List of the Colombo Stock Exchange on 14 December 2021.
Location of its headquarters	No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka
Countries of operation	Sri Lanka

(a) Activities, value chain and other business relationships

GRI 2-6

Sector(s) in which the company is active	<p>SDF is active in the non-bank financial services sector as a licensed finance company. The principal activities of the Company consist of lending and accepting deposits. Our lending activities extend to:</p> <ul style="list-style-type: none"> • Granting Microfinance Loans • SME Loans • Leasing • Housing Loans • Society Bulk Loans • Gold Loans • Other credit facilities and related services. <p> Please refer to the Social Capital chapter for a full list of our products.</p>
Relevant business relationships	<ul style="list-style-type: none"> • SDF works with Sarvodaya Shramadana Societies as a lending channel to rural communities, and to attract customer deposits. • We have agreements with the below companies to supply agricultural equipment for our customers under lease agreements. <ul style="list-style-type: none"> - DIMO - Hayleys Agriculture - Browns Agri Solutions (Pvt) Ltd. • SDF contracted with EDFI Management Company, Belgium for an impact fund for sustainable agriculture funded by the European Union.
Significant changes compared to the previous reporting period	There are no significant changes to SDF's business activities and business relationships compared to the previous financial year.

Statement of Responsibility

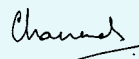
The Board of Directors of Sarvodaya Development Finance PLC (SDF) takes full responsibility for the integrity and completeness of this Integrated Annual Report for the FY 2024-25. In addition to describing our value creation process and the status of our capitals during the reporting period, we have also used the GRI Standards to guide us in identifying the most material topics for disclosure and to describe our stakeholder engagement process, and our plans and strategies. To the best of our knowledge this report complies with the IR Framework 2021.

In addition, we provide the following statements:


- Directors' Responsibility for Financial Reporting
- Directors' Statement on Internal Control over Financial Reporting

- Chief Executive Officer's and Chief Financial Officer's Responsibility Statement
- Independent Assurance Report to the Board of Directors of Sarvodaya Development Finance PLC

In addition, the financial statements presented in this report have received assurance from our External Auditors, Messrs. Deloitte Associates (Chartered Accountants).



Channa de Silva
Chairman



Dhammika Ganegama
Senior Director

28 May 2025

Our Journey



2010

- Registered as a public limited company by the name of Deshodaya Development Finance Company Limited



2013

- Received the financial licence from the Central Bank of Sri Lanka to commence finance business



2014

- Acquired the assets and liabilities of the microfinance division of the parent company



2015

- Acquired 75.54% of George Stuart Finance PLC under the Central Bank's Consolidation Programme
- Changed the company name to Sarvodaya Development Finance Ltd
- Enhanced the share capital by LKR 340 Mn and received a certificate of compliance from CA Sri Lanka for our Annual Report 2015



2016

- Introduced a fully-integrated, centralised and a real-time core-banking system for all our business operations. Rationalised the branch network by re-branding and relocating branches



2017

- Introduced Western Union for money transfers
- Introduced mCash for loan collection
- Diversified business strategy from micro finance, to assets-backed lending by introducing leasing and SME loans



2018

- Joined LankaClear and connected to over 4,000 ATMs through LankaPay platform
- Received a Silver Award from CA Sri Lanka for our Annual Report



2019

- Shifted the Head Office to Colombo for greater visibility and brand positioning
- Installed our first ATM
- Commenced digital content marketing



2020

- Received Gold Award from CA Sri Lanka for our Annual Report
- Achieved a milestone profit target of LKR 100 Mn
- Introduced smart PoS machines to facilitate customers loan installment and utility bill payments
- Introduced new integrated workflow management system



2021

- Awarded the Fastest Growing Development Finance Company in Sri Lanka 2021 by the Global Banking and Finance Review - UK.
- Raised new share capital of LKR 806 Mn from private placement



2022

- Raised LKR 1 Bn from IPO on 23 November 2021 and listed on the Main Board of the Colombo Stock Exchange on 14 December 2021
- Converted 21 customer service centers in to branches
- Staff strengths over 500
- Introduced ESG (GRI Standards) to the Annual Report
- Introduced Common Electronic Fund Transfer Switch



2023

- Received Gold Award from CA Sri Lanka TAGS Awards 2022
- Upgraded the credit rating to BB stable



2024

- Received Gold Award from CA Sri Lanka TAGS award 2023 for the 3rd time and 2nd consecutive year.
- Opened 5 new branches



2025

- Achieved the highest-ever asset growth of 51.3% for the financial year
- Won the Gold Award for the fourth time for the Annual Report from CA Sri Lanka TAGS Awards 2024
- Received permanent membership from Global Alliance for Banking Values (GABV)



The Paanama South Sarvodaya Shramadana Society provides financial support to empower village women entrepreneurs to craft unique carry bags made from *pan* leaves, transforming them into eco-friendly products that promote sustainability and local innovation.

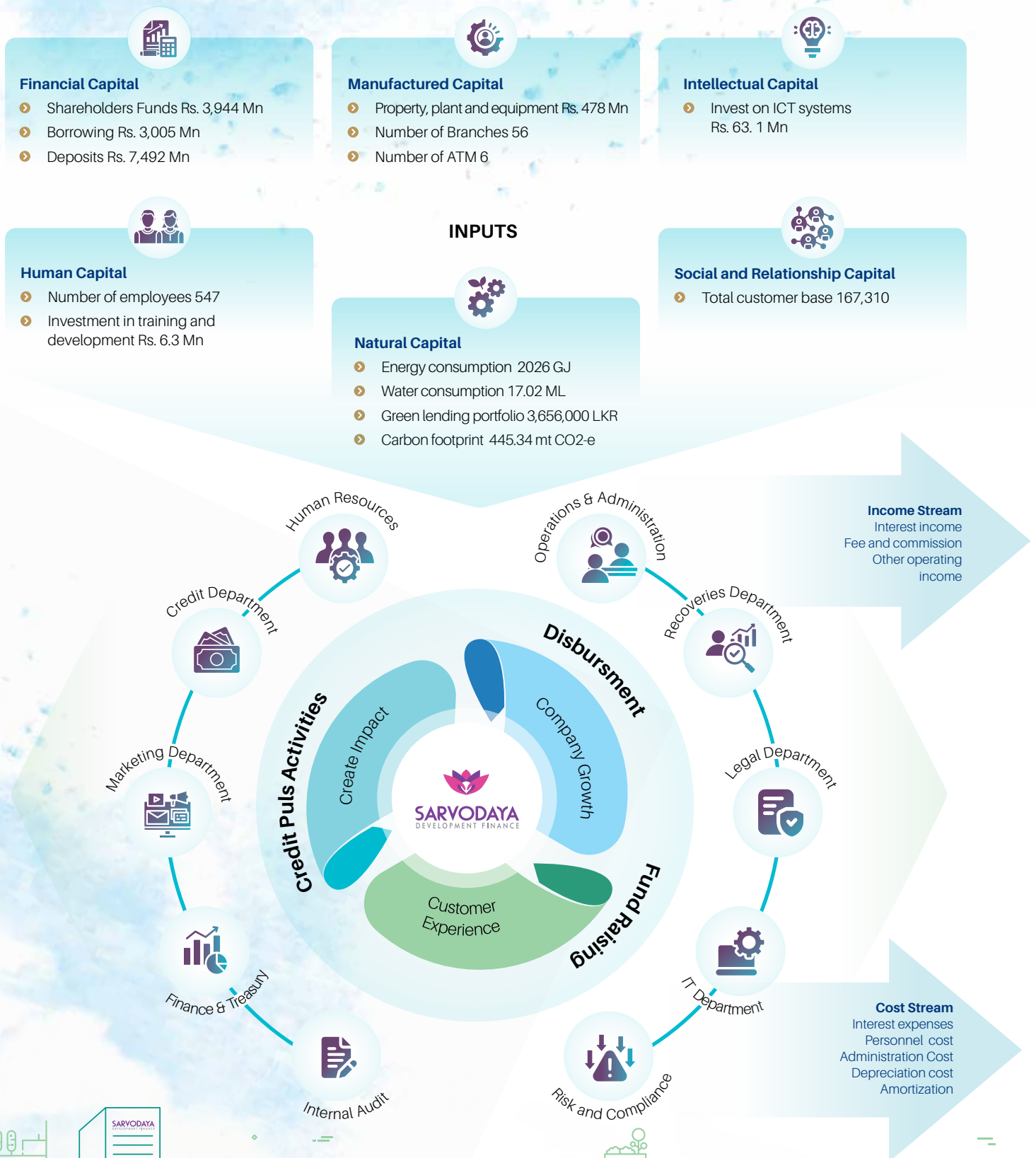
Customer Name :-
Jayathissa Chithrangani Ekanayake

Eastern Province
Ampara District, Panama





Value Creation Model



Vision, Mission and Values

Macro Environment

Business Ethics, Code of Conduct

Micro Environment

Risk Management

Internal Environment

Corporate Governance, Internal Audit

VALUE CREATION AND OUTPUT



Financial Capital

- Profit after tax LKR 474 Mn
- Return on Equity 12.61%
- Earning Per Share LKR 3.17

[Refer page: 85](#)

Manufactured Capital

- Upgraded facilities of 3 Branches
- Number of ATM 7
- Property, plant and equipment LKR 568 Mn

[Refer page: 101](#)

Intellectual Capital

- Invest on ICT systems Rs. 63.1 Mn

[Refer page: 105](#)

Human Capital

- Total training hours 16,284
- New Recruitment 318 employees
- Employee Benefits and Remuneration LKR 689 Mn
- Female Employment 46.1 %
- Employees Rewarded 11.5 Mn

[Refer page: 109](#)

Social and Relationship Capital

- Increased foreign funding by USD 3Mn
- Total customer base 165,401
- New product disbursement LKR 19,618 Mn

[Refer page: 117](#)

Natural Capital

- Energy consumption 2529 GJ
- Water consumption 8.23 ML
- Green lending portfolio 5,658,000 LKR
- Carbon footprint 506.15 mt CO2-e

[Refer page: 123](#)

OUTCOME



Shareholders

- Provide impact investment Opportunities
- Return on investments
- Future focused resource allocation



Customers

- Access to innovative financial products and services
- Competitive rates and fees
- Customer Awareness



Employees

- Skill enhancement, career progression
- Competitive compensation and benefits
- Rewarding and recognition
- Spiritual development with Sarvodaya Concept



Regulators

- Stable Financial System
- Consumer Protection
- Governance and Control



Business Partners

- Reliable Service Delivery
- Shared commitment to responsible practices.
- Operational Efficiency through streamlined processes



Sarvodaya Shramadana Societies (SSS) Members

- Opportunity to invest impact business model

[Refer pages: 73 to 75](#)

IMPACT

Economic impact

- Grow and develop rural economies
- Develop export industries
- Enhance national GDP



Social impact

- Narrow the urban-rural divide
- Unify communities (Through trade networks)
- Improve health and sanitation and other social services



Governance

- Create a self-governing, Grama Swaraj

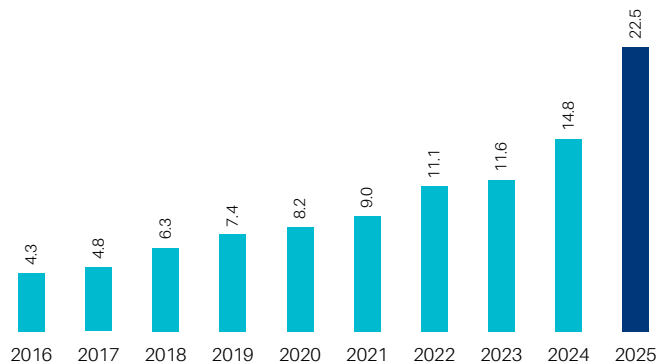


Financial Highlights

	2024/25	2023/24	Change
Profitability (LKR '000)			
Income	4,374,395	3,326,774	31.5%
Interest Income	4,063,784	3,101,982	31.0%
Net Interest Income	2,639,489	1,779,528	48.3%
Operating Expenses	1,372,016	1,080,571	5.4%
Impairment Charges	438,904	332,532	32.0%
Profit Before Taxation	829,600	409,260	40.3%
Profit for the Year	473,813	249,597	89.8%
Assets & Liability (LKR '000)			
Loans and Receivables	12,322,099	6,958,213	77.1%
Lease Rentals Receivables	6,860,059	5,616,318	22.1%
Total Assets	22,541,926	14,897,848	51.3%
Due to Customers	9,832,710	7,492,006	31.2%
Total Shareholders' Funds	3,943,959	3,570,718	10.5%
Investor Information (LKR)			
Net Assets Value per Share	26.36	23.87	10.4%
Earnings per Share - Basic	3.17	1.67	90.0%
Market Price per share	19.70	13.10	50.4%
Market capitalization (LKR '000)	2,947,042	1,959,708	50.4%
Price earning ratio (P/E)	6.22	7.85	-20.8%
Financial Indicators (%)			
Return on Assets (after tax)	2.53%	1.88%	34.7%
Return on Equity (after tax)	12.61%	7.11%	77.3%
Cost to Income	46.51%	53.91%	-13.7%
Gross NPA Ratio	7.88%	14.10%	-38.7%
Net NPA Ratio	5.70%	10.40%	-37.8%
Growth in Total Assets	51.31%	27.66%	85.5%
Capital Adequacy Ratios (%)			
Core Capital Ratio (Tier I) (Minimum 8.5%)	20.52%	25.84%	-31.9%
Total Capital Ratio (Tier II) (Minimum 12.5%)	20.63%	26.00%	-31.8%
Liquidity Ratio	17.10%	16.40%	4.3%

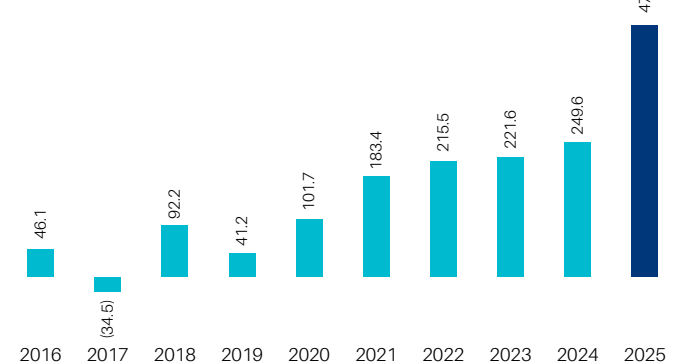
Total Assets

LKR Mn

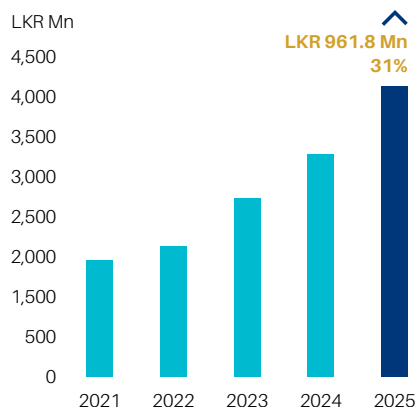


Profit After Tax

LKR Mn



Interest Income



Profit After Tax



Loan Book



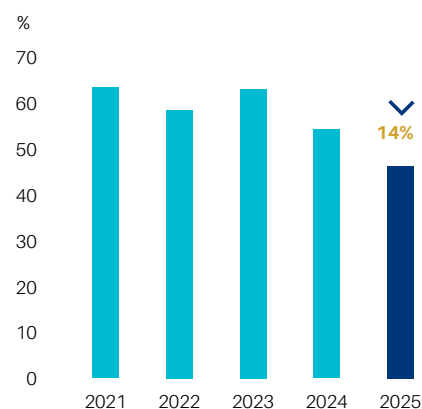
Total Assets



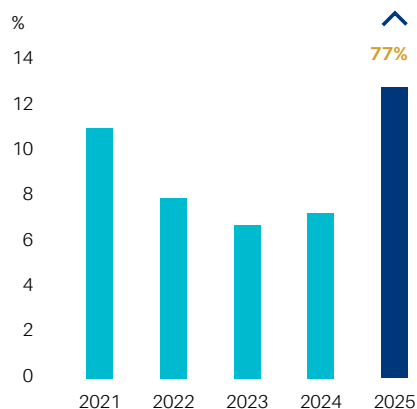
Deposits



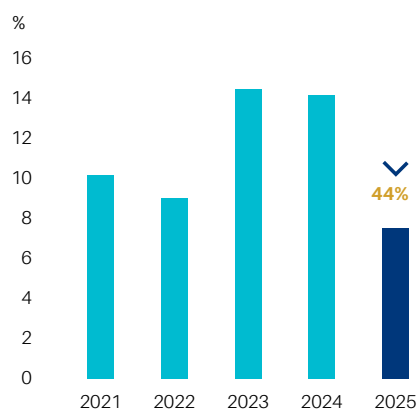
Cost to Income



Return on Equity (ROE)



Gross NPA Ratio



Net Assets Per Share

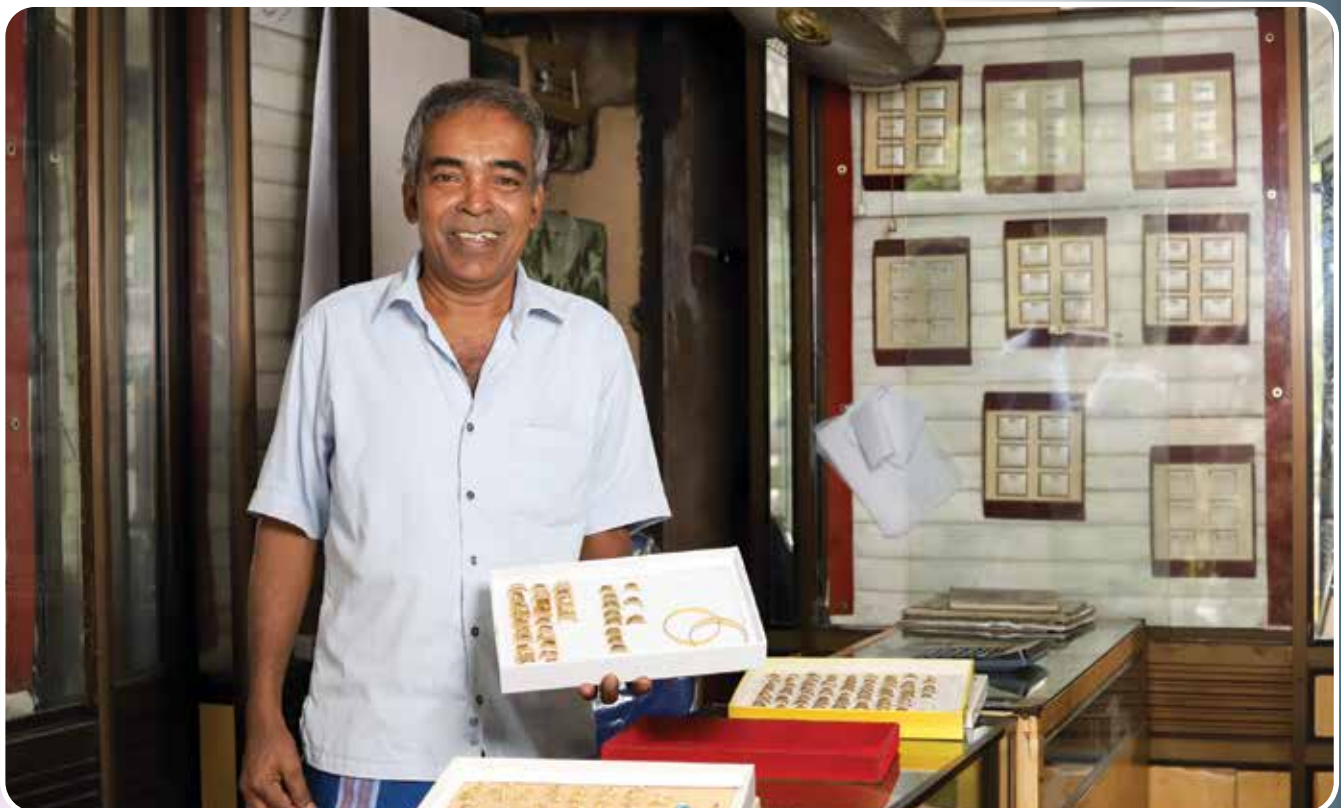


A member of the Liyanwala Sarvodaya Shramadana Society crafts gold jewelry using traditional techniques, preserving age-old craftsmanship while adding timeless elegance and value.








Customer Name :-
S P K Jayarathne

Central Province
Nuwara Eliya District, Liyanwala





Non-Financial Highlights

Category	Sub-Category	Measurement	2024/25	2023/24	2022/23	2021/22
 Finance Capital	Economic Value Creation	LKR. Million	4,374	3,327	2,597	1,930
	Deposit & Lenders	LKR. Million	1,424	1,322	1,222	562
	Employees	LKR. Million	699	525	464	440
	Government	LKR. Million	665	346	224	160
	Suppliers	LKR. Million	1,115	905	468	521
	Shareholders	LKR. Million	470	233	219	247
 Manufacture Capital	Branches	Nos	56	56	51	51
	Branches Outside in Western Province	Nos	47	46	44	44
	Branches Upgrade	Nos	3	1	2	2
	Branch Relocated	Nos	2	5	3	2
	New Branch	Nos	-	5	-	-
	ATMs	Nos	7	6		
	Invest in Fixed Assets	LKR. Million	94	114	41	14
 Social & Relationship Capital	Customer Base	Nos	165,401	167,310	159,393	153,238
	Credit Rating		BB+	BB	BB	B+
	Payment to Suppliers	LKR. Million	8,645	4,678	2,416	2,972
	Product Disbursement	LKR. Million	19,618	10,567	7,235	8,074
	Marketing Initiatives	LKR. Million	69	57	37	26
 Human Capital	Total workforce	Nos	603	546	453	508
	New Recruitments	Nos	318	360	118	221
	Employees promoted	Nos	48	31	81	59
	Employees Trainings	Hours	16,284	7,729	9,037	6,711
	Employees Rewarded	LKR. ('000)	11,511	9,299	332	469
	Employee Remuneration and Benefits	LKR. Million	689	525	464	440
 Natural Capital	Electricity Usage	kWh	702,486	466,720	516,860	539,881
	Solar Powered	kWh	94,465	86,470	78,456	61,256
	Electricity per Rs. 1Mn of Revenue	kWh	152	140	199	280
	Fuel Usage	Ltr	12,360	15,090	107,653	250,884
	Fuel per Rs. 1Mn Revenue	Ltr	3	5	41	130
	Energy cost per employee	LKR	107,871	92,449	92,449	95,283
	Trees Planned/Distributed	Nos	3,140	2,560	1,845	-
	Total carbon footprint	mtCO ₂ e	506	333		
	Water Consumption	ML	8	17	14	15
	Investment on green initiatives	LKR. ('000)	5,658	3,656	2,430	-

Chairman's Message



SDF is committed to fostering inclusive economic growth by empowering rural entrepreneurs, promoting women in leadership, and aligning its efforts with the Sarvodaya Movement to build a more equitable and sustainable development model for Sri Lanka. Through these initiatives, SDF strives to drive lasting social transformation, uplift underserved communities, and inspire the next generation of leaders across the nation.

Chairman's Message

Dear Stakeholders,

I am delighted to present the Integrated Annual Report of Sarvodaya Development Finance PLC (SDF) for the financial year ended 31 March 2025. I am pleased to report that this has been an exceptional year for our organisation, as well as for our customers, clients and staff. It has also been a ground breaking year in several aspects.

In terms of financial performance, growth and employee satisfaction, this has been one of our best years on record.

Before I reflect on the year gone by, I would like to begin by paying tribute to the remarkable and legendary founder of the Sarvodaya Movement, the late Dr. A.T Ariyaratne. As the founder and President Emeritus of the Movement, Dr. Ariyaratne was a pioneering figure in Sri Lanka, a man deeply committed to uplifting others, particularly the poorest and most marginalised in society. His profound contributions to Sri Lankan society, combined with his unwavering integrity, compassion, and principles earned him the admiration and respect of people across the nation. Dr. Ariyaratne leaves behind a lasting legacy and a powerful philosophy. His principles will continue to shape the future of SDF, and his vision of empowering village entrepreneurs will remain as the guiding light for all of us as we lead SDF forward.

The past year has been a challenging period for both the Sri Lankan economy and SDF as a key player within it. While there were signs of cautious optimism, economic growth remained sluggish overall, and the financial sector experienced a slow but steady recovery. The country has been reacting to a new government and a new political and economic leadership. On a positive note, renewed commitments to curbing corruption, reducing wasteful government spending, and the steady recovery of the tourism sector have sparked a sense of hope and optimism for the country's future. However, Sri Lanka continues to grapple with significant challenges, including mounting international debt, the burden of repaying large scale international sovereign bonds, high unemployment, persistent inflation, and an increasing cost of living. Additionally, elevated tax rates, particularly personal income taxes, continue to place pressure on the population. It is against this complex and evolving backdrop that I write this message.

Despite the economic challenges faced during the year, I am pleased to report that SDF successfully achieved all its strategic goals, targets, and objectives without any significant obstacles. This accomplishment stands as a testament to the strength of our internal business model and the outstanding performance of the entire SDF family. From front line staff at our head office to regional managers in our branches- our entire workforce have pulled their weight to produce the excellent year that has just ended. However, prior to outlining the details of our success, I will make note of the conditions and the circumstances under which SDF operated during the financial year ending 31st March 2025.

Economic situation in Sri Lanka

Sri Lanka continues to face significant economic challenges. The situation remains concerning, with several structural and external pressures affecting the nation's recovery. One notable issue is the unpredictability of international tax policies, particularly those in the United States, which impacts Sri Lankan exports and poses a serious concern for the country's trade prospects.

Domestically, the cost of essential goods and services remains high, and inflation continues to burden households, exceeding normal levels. Unemployment remains a pressing issue, especially among youth, including those with strong academic and university qualifications. This intensifies the severity of the employment crisis, as even the most capable segments of society are left without opportunities.

Furthermore, the country is experiencing a significant brain drain. Individuals across all skill levels low, medium, and high are seeking better opportunities abroad, depriving the local economy of much needed talent. The new government faces the difficult task of not only reviving an ailing economy but also managing inflation, reducing the cost of living, and creating employment opportunities for its citizens.

However, the economic outlook is not entirely bleak. Sri Lanka has received vital support from key international allies, notably China and India, in its efforts to stabilize and rebuild. Encouragingly, the current administration has shown a strong commitment to combating bribery and corruption, whilst mitigating wasteful government expenditure which are longstanding issues that have hindered the country's development. The government was elected with a historic mandate for change, and its efforts to clean up political practices and pursue economic reform provide a foundation for cautious optimism.

At SDF, we are hopeful that these positive steps will bear fruit. Improved economic governance will benefit both our organization and the communities we serve. A stable and prosperous economic environment will allow us to expand our reach and impact more lives across the country.

A deeper look at the numbers reveals the severity of the challenges. Currently, around 26% of Sri Lanka's population lives below the poverty line, a stark increase compared to previous years. This surge is driven by a combination of high living costs, declining incomes, and underemployment, all of which have made it difficult for many households to meet even basic needs.

In response to economic conditions, the Central Bank of Sri Lanka maintained the Overnight Policy Rate (OPR) at 8.00% in 2025. This decision was based on an analysis of both domestic and global macroeconomic trends, aiming to strike a balance between curbing inflation and promoting growth. A more moderate interest rate environment is encouraging, as it reduces the tendency to park capital in low-risk investments like fixed deposits and encourages more dynamic business activity.

Notably, Sri Lanka has recently experienced deflation. According to the Colombo Consumer Price Index (CCPI), inflation remained in negative territory into early 2025. In January 2025, overall inflation stood at -4.0% year on year, compared to -1.7% in December 2024. Food inflation fell from 0.8% in December to -2.6% in January, while non-food inflation dropped from -2.9% to -4.7% year on year. These figures reflect a broader slowdown in price levels but also signal underlying issues such as weak demand and economic stagnation that must be addressed with careful policy planning.

Financial Performance Indicators

In the first quarter of 2025, the Non-Performing Loan (NPL) ratio within Sri Lanka's Non-Bank Financial Institutions (NBFI) sector showed signs of improvement. By the end of 2024, the NPL ratio had declined to 12.3%, compared to 12.8% at the close of 2023. At the end of the financial year 2024-25, Sarvodaya Development Finance PLC (SDF), we maintained a significantly lower NPL ratio of 7.9%, well below the industry average of 8.3%, highlighting our prudent credit risk management practices.

In terms of growth, SDF outperformed industry benchmarks across all key metrics:

Asset growth at SDF stood at an impressive 51.4%, surpassing the industry average of 18.7%. Our lending portfolio grew by 52.86%, compared to an industry average of 24.88%. Deposits increased by 31.2%, far exceeding the industry average of 13.55%.

These figures are a clear testament to our strong financial stewardship, customer trust, and operational efficiency.

Digital Transformation

The rapid digitalisation of the global economy cannot be ignored, and SDF is committed to embracing and leading this change. We have fully digitised our internal operations and integrated advanced technologies into our business model. From virtual meetings to artificial intelligence-enabled tools, our staff are trained and well-versed in the latest technologies.

This strategic focus on digitalisation has increased our operational efficiency and agility, enhanced customer service delivery and positioned SDF as a modern, forward-thinking financial institution.

We remain dedicated to continuing our digital journey, enabling us to adapt to future innovations and better serve our clients and communities.

Strategic Focus

Our strategy remains focused on enabling entrepreneurship, particularly among youth and rural communities, and acting as a catalyst for a more inclusive and efficient economic model. SDF continues to work closely with the Sarvodaya Movement, leveraging its trusted reputation and deep community roots.

Empowering Rural Entrepreneurs

Continuing from last year, SDF seeks to continue our practice of credit-plus lending which is an approach that remains highly relevant to Sri Lanka today. Through this approach, we not only offer financial assistance but also equip entrepreneurs with essential practical business skills. These skills include advanced packaging techniques as well as training in social media use, modern technology and advertising systems.

This holistic approach is particularly relevant in today's evolving economic landscape and continues to make a meaningful impact across Sri Lanka.

Collaborating with International Fund Agencies

We are also committed to building strong partnerships with international impact funding organizations to access low cost financing for Sri Lanka, an initiative with significant growth potential for both SDF and the communities we serve.

To this end, we actively pursue long term impact funding collaborations that support rural entrepreneurs in a sustainable way, while contributing meaningful value to the Sri Lankan economy.

Chairman's Message

In the year under review, the Company achieved a key milestone by securing its first foreign loan from AgriFI, a senior debt facility of USD 3 million. This funding is strategically directed toward expanding SDF's agricultural portfolio and empowering farmers by enhancing their access to vital agricultural machinery.

Developing Women Entrepreneurs

SDF is committed to ensuring that women are empowered, encouraged and promoted as part of our development initiatives and operational model. We continue to empower women entrepreneurs. Through this process we hope to trigger a change in culture and attitudes towards women in leadership roles in Sri Lanka and hope that more women leaders emerge as a result of our efforts in this field.

Projections for FY 2025/26

I am deeply optimistic about the upcoming year. I believe SDF will have a prosperous and successful year for three reasons. First, it is our uncompromising integrity, transparency and sense of accountability which has won the trust and confidence of the Sri Lankan people, international organisations and other stakeholders. Second, the digitalisation approach will allow us to explore new techniques and models which will bring new opportunities and models of operating which will help us cut costs and increase our financial capacity. Third, our excellent staff and employees which consists of people who have attended some of the leading universities in Sri Lanka and abroad. Our intellectual capital will enable us to grow and develop fast and continue to enable us to serve our customers better.

Appreciations

I extend my sincere gratitude to all our employees and staff without whom this year would not be as successful as it was.

I extend my deepest gratitude to our Board of Directors for their wisdom, guidance and inputs and thank them all for everything. I look forward to working with our excellent board in the future.

I extend my gratitude to our international donors and partner organisations who have given us access to global impact finances and local banking.

I thank our regulatory bodies such as the Central Bank and the Colombo Stock Exchange for their assistance, support and direction.

Most importantly I thank our customers for their continued trust, patience and the confidence they have placed in us which we will never take for granted.

Finally, may I take this opportunity to wish everyone the very best of luck for the upcoming year ahead.



Channa de Silva
Chairman

28 May 2025

CEO's Review



Amidst Sri Lanka's continued economic recovery, characterised by easing inflation, greater macroeconomic stability, and steady interest rates, SDF recorded its strongest financial and operational performance to date. Our total assets surged by an impressive 51.3% to reach LKR 22 billion, positioning us as one of the fastest-growing financial institution in the NBFI sector. This achievement underscores our capacity to turn adversity into opportunity through a uniquely impactful business model rooted in community development.

CEO's Review

Dear Stakeholders,

Navigating through a Stabilizing Economy

The Financial year 2024/25 has marked a turning point for Sri Lanka, as the economy began to emerge from one of the most severe downturns in recent history. Encouragingly, key macroeconomic indicators demonstrated a sustained positive trend throughout the period under review.

Inflation remained within target ranges, allowing the Central Bank of Sri Lanka to adopt accommodative monetary policies, leading to a significant reduction in market interest rates. Simultaneously, the Sri Lankan Rupee appreciated markedly against the US Dollar, reversing the sharp depreciation seen the previous year. Together, currency stabilization and lower interest rates created a favorable macroeconomic environment that spurred credit growth and improved borrowers' debt-servicing capacity.

These macroeconomic improvements, supported by consistent fiscal and monetary measures, strengthened trust in the financial system. In this context, we deepened our commitment to financial inclusion extending financial support and launching literacy programs across rural and agricultural communities. These efforts are a reflection of the Sarvodaya Movement's core principle: the awakening of all, envisioned by its founder, the late Dr. A.T. Ariyaratne.

A Year of Strategic Growth and Purpose

FY 2024/25 was a defining year for Sarvodaya Development Finance PLC (SDF). We emerged as one of the Sri Lanka's fastest-growing licensed finance companies, a testament to our clear strategy, grounded values, and unwavering purpose. Above all, this milestone reinforces our commitment to advancing inclusive development finance, in alignment with the Sarvodaya philosophy.

In response to the growing demand for specialized development-focused financial services, we concentrated on delivering practical, impact-driven solutions. Our focus remained on generating tangible ESG outcomes that resonate with community needs. This philosophy drove every aspect of our operations from rural development to financial governance.

Delivering Record-Breaking Results

This year, we delivered our strongest financial performance to the date, an outcome of strategic focus and operational excellence. Interest income grew by 31.5%, reaching LKR 4.37 billion, while net interest income increased by 48.3%, driven by a robust lending portfolio and disciplined cost-of-funds management.

Total operating income rose by 47.2% to LKR 2.95 billion. Operating profit before taxes is more than doubled to LKR 1,139 million, while profit after tax grew by 89.8% to LKR 473.8 million.

Our total assets surpassed LKR 20 billion for the first time, closing the year at LKR 22.5 billion, a 51.3% increase. This was complemented by substantial growth in our deposit base. Net Asset Value per share rose from LKR 23.87 to LKR 26.36.

This performance was underpinned by strong credit risk management, diversified loan book, expansion across agriculture, micro-businesses, SMEs, housing, leasing, gold loans and society loans, along with agile pricing and asset allocation.

Driven by the Company's disciplined and prudent credit risk management practices, the Stage 3 loan ratio (Non-Performing Advances) was significantly reduced by 44.1%, declining to 7.88% from 14.10%, in previous financial year. This substantial improvement reflects our proactive and forward-looking approach to credit oversight, reinforcing our commitment to maintaining a high-quality loan portfolio and ensuring the long-term resilience of the Balance Sheet.

The 48.3% increase in net interest income also reflected improvements in operational efficiency, evidenced by a reduction in our cost-to-income ratio from 53.9% in the previous year to 46.5% in the current period.

We also maintained strong capital levels, with both Tier 1 and Total Capital Ratios comfortably above regulatory minimums, highlighting our prudence and resilience.

Since listing on the Colombo Stock Exchange, we have consistently declared dividends to shareholders demonstrating both financial strength and our commitment to inclusive growth. These dividends have been reinvested in community development through our principal shareholder, the Sarvodaya Movement and its societies.

Operational Excellence

We believe in creating value through strategic collaborations leveraging shared knowledge, experience, and expertise. In a major milestone this year, SDF became a full member of the Global Alliance for Banking on Values (GABV), a global network of financial institutions committed to sustainable and inclusive banking.

This membership enables us to share insights with global peers, learn from proven models, and align more closely with international standards for responsible finance. As part of this engagement, we will proudly host the GABV Asia Pacific Conference and Annual Board Meeting in Colombo, solidifying our role as a regional thought leader in values-based banking.

In a steadily recovering economy, the Company's credit rating was upgraded from BB to BB+ (stable), reflecting the strength of our financial position, disciplined risk management practices, and consistent performance. This improved rating is a testament to our resilient business model, prudent governance framework, and commitment to maintaining investor and stakeholder confidence as we continue to deliver sustainable value.

Our commitment to transparency, accountability, governance, and sustainability was once again recognized by the Institute of Chartered Accountants of Sri Lanka, where we earned the Gold Award in our category (Finance Companies under LKR 20 Bn in assets) at the TAGS Awards for the third consecutive year, and the fourth time overall.

Transforming Agriculture for Inclusive Growth

Agriculture remains at the heart of our mission. We are committed to addressing long-standing challenges in the sector, including outdated practices, low productivity, and limited value addition. More than a lender, we see ourselves as enablers of transformation, empowering farmers through knowledge, tools, and access to modern techniques.

Our partnerships with leading agricultural institutions in Thailand and Andhra Pradesh, India, are helping us introduce best practices in agro-economics, including drip irrigation, efficient water use, and organic fertilization.

We supported the development of greenhouses and offered input loans for the adoption of advanced methods. To uplift value creation, we guided farmers in branding, packaging, and market access. Our Agri-Entrepreneur Forums served as platforms for education and financing, facilitating a more resilient and commercially viable agricultural sector.

This integrated, community-focused model reflects the grassroots ethos of the Sarvodaya Movement.

Our People and Culture

Our achievements are rooted in the dedication of our team. We invested in professional development, cross-functional training, and leadership programs, fostering a culture of accountability, adaptability, and shared purpose.

I extend my heartfelt thanks to every member of the SDF team for their hard work and commitment.

Scaling Impact, Expanding Horizons

Looking ahead, we aim to broaden our reach through new branches, digital platforms, and tailored financial solutions for underserved segments. Advancements to the core banking system will drive operational agility, innovation, and stronger internal controls.

We are also in active discussions with global impact investors to explore strategic partnerships. The interest we've received in securing low-cost development finance reflects the credibility of our ESG focus and business model to empower grassroots level. We plan to enhance our product offerings, expand mobile-based micro-lending solutions, and deepen collaborations with technology partners to deliver more personalized and inclusive financial services.

Rooted in Legacy, Rising with Purpose

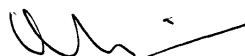
Our journey continues to be guided by the enduring principles of the Sarvodaya Movement. We remain deeply committed to inclusive, people-centered development.

I offer my sincere appreciation to our shareholders, customers, and partners for their continued trust and support. I also thank our Chairman and Board of Directors for their strategic guidance, and our employees for their resilience and passion.

A special tribute is due to the late Dr. A.T. Ariyaratne, whose visionary leadership continues to inspire our mission.

We are also grateful to the Central Bank of Sri Lanka, the Colombo Stock Exchange, and all our regulators for their ongoing support.

As we look to the future, our goal remains unwavering: to build a development finance institution that delivers long-term value to the communities we serve. Our success is not just measured in numbers, it is reflected in lives changed, communities strengthened, and the collective progress we continue to build.



Nilantha Jayanetti
Chief Executive Officer

28 May 2025

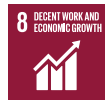
A member of the Buruthakele Sarvodaya Shramadana Society processes premium Sri Lankan cashews for the global market, adding value to the local economy and showcasing the Island's rich agricultural heritage.

Customer Name :-

R M Dinesha Ishani / A M Sathsara

North Western Province

Puttalam District, Buruthakele





Board of Directors



Channa de Silva

Chairman/Non-Executive, Non-Independent Director

Channa de Silva is the Chairman of Sarvodaya Development Finance PLC (SDF). He has served in this position since October 2016, and before that he served as Deputy Chairman of the company. He is also the Vice President of Sarvodaya Movement of Sri Lanka.

In addition to his leadership at SDF, he holds Non-Executive Director roles on the Boards of First Capital Treasuries PLC and Bansei Securities Capital Pvt Ltd.

He has served the government sector previously as the Director General/CEO of the Securities and Exchange Commission (SEC) and the Executive Director of the Board of Investments (BOI) Sri Lanka.

Channa has worked as the Managing Director of Summit Finance PLC and Director of Pan Asia Bank PLC. He also worked as the Group Managing Director of Delmege Group Limited.

Also he has served as a Governing Council Member of the University of Colombo and Faculty Board Member at the University of Colombo.

He is the Founder Chairman of Capital Media, publisher of Echelon business magazine and business news portal, EconomyNext and Neon Media.

He is a graduate of the University of Colombo and holds Master's Degrees from Harvard University and Melbourne University. Being an Accountant is a Fellow of the Chartered Institute of Management Accountants (FCMA - UK) and a Fellow of the Chartered Certified Accountants (FCCA - UK). He is also a Sri Lankan Council Member of the Chartered Institute for Securities & Investments (CISI- UK).

He is an Edward Mason Fellow of Harvard University and served as a Teaching Fellow in Public Finance at the Harvard Kennedy School.



Dhammika Ganegama

Senior Director/Non-Executive, Independent Director

Dhammika Ganegama joined the Board of Sarvodaya Development Finance PLC on 15 July 2020. Having more than 27 years of experience in the IT industry, Dhammika started his professional IT career when he joined a small startup in 1999. He program managed many strategic accounts, helping increase their valuation and later to be part of its listing in 2007 with NASDAQ (VRTU). He is currently a Founding Partner and Executive Vice President of the Mitra Group.

The Mitra Group is headquartered in the UK with offices across Australia, Sri Lanka, Singapore and the US serving clients across 50+ countries. Dhammika owns and operates multiple ventures and businesses across many geographies and has also been appointed as a trusted advisor for several For and Not for Profit organizations. He has developed a wealth of experience in consulting and implementing Digital Transformation programs for global clients ranging from SMEs, public sector, large scale enterprises and multi-nationals including Siemens, Aetna, BT, Staples, Axiata, IBM and other Fortune 500 clients. His experience and passion extend to Program management, Setting up technology lead new businesses, Ventures and Partnerships across various industry verticals.



C Amrit CanagaRetna

Non-Executive, Independent Director

Amrit CanagaRetna was appointed to the Board of Sarvodaya Development Finance PLC on 19 October 2018. An experienced and a qualified ex banker with over 35 years of international and local experience specializing in retail and corporate conventional & sharia based financing, with the last 7 years ending 2017 heading Corporate & SME Business Banking areas of Islamic Financing at Amana Bank PLC as its Vice President – Business Banking.

Previously he has been the Deputy General Manager of Pan Asia Banking Corporation PLC.

Skilled in financial advisory services relating to working capital funding to financial institutions, corporates, small & medium sized Industries, start-ups including foreign trade financing and construction finance. Having commenced his career at European Asian Bank in 1981, he has since worked for over 8 banks both locally and internationally. Apart from his banking experience, he was the CEO/Director of a Central Bank Approved Finance Company and has been a Financial Consultant to both private & government entities.

Currently, Amrit is pursuing his passions in representing luxury brands in Sri Lanka in his capacity as Director – Strategic Investments of Royal Lanka Agencies (Pvt) Ltd. Sole Agents for MontBlanc, Baume & Mercier, Raymond Weil, Frederique Constant & Alpina Swiss brands.

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



Ramesh Schaffter

Non-Executive, Non-Independent Director

Ramesh Schaffter was appointed to the Board of Sarvodaya Development Finance PLC on 20 April 2022.

He is an accomplished business leader with over three decades of experience in finance, marketing, and strategic management. As the Managing Director/Group CEO of Janashakthi Group (JXG), he is known for his visionary leadership and dedication to excellence. A Fellow of the Chartered Institute of Management Accountants (CIMA), UK, a former Council Member of the Chartered Institute of Management Accountants (CIMA) Sri Lanka branch, and an Associate of the Chartered Institute of Marketing (CIM), UK, he brings a wealth of expertise in financial strategy, corporate governance, and organizational transformation. His strategic insights have been instrumental in fostering Janashakthi's growth, enhancing its market presence, and positioning the company for continued success and innovation in the industry.

In addition to his corporate accomplishments, Ramesh is a respected social entrepreneur and life coach, focused on personal development and community engagement. His community work includes serving as former President of Habitat for Humanity Sri Lanka, a Board Member of World Vision Sri Lanka, and Co-Founder of Swarga TV. He also co-founded the Christian Arts Foundation (Chraft).

A gifted public speaker, he has garnered numerous accolades in Toastmasters contests, showcasing his exceptional communication skills. Driven by a passion for empowering others, he launched the Inspiring Change Foundation (ICF), aiming to share his vast knowledge and experience with the next generation of leaders.

His other principal appointments include Directorships in Janashakthi Insurance PLC, Serendib Land PLC, First Capital Holdings PLC, First Capital Treasuries PLC and First Capital Limited.

Board of Directors



Senthil Nandhanan Senthilvel

Non-Executive, Non-Independent Director

Senthil Nandhanan Senthilvel was appointed to the Board of Sarvodaya Development Finance PLC (SDF) on 15 July 2021, bringing a wealth of experience and expertise to the organization. With over 25 years in corporate environments, his insights are invaluable for strategic decision-making and governance.

Prior to his appointment at SDF, Nandhanan served on the Board of Pan Asian Power PLC, demonstrating his proficiency in overseeing operations within the power sector. Additionally, he currently serves as the CEO of Dollar Corporation.

Nandhanan also holds the position of Executive Director at Senthilvel Holdings (Pvt) Ltd, an investment company founded by Dr. Thirugnanasambandar Senthilvel, specializing in equity investments. His financial acumen and expertise in investment strategies are key assets in managing and growing the company's portfolio.

Furthermore, he currently serves as a Non-Executive / Non-Independent Director at Amana Bank PLC, adding to his extensive leadership and governance experience in the financial sector.

His multifaceted expertise spans various domains, including sales, marketing, purchasing, logistics, and equity trading, showcasing his versatility in navigating complex business landscapes.

Nandhanan holds an MBA from the University of Southern Queensland, Australia, and is a member of the Association of Business Executives, further reinforcing his commitment to professional development.

His appointment to the Board of SDF brings a diverse skill set and a proven track record of success, positioning him as a valuable asset in driving the company's growth and sustainability initiatives.



Shehara De Silva

Non-Executive, Independent Director

Shehara De Silva was appointed to the Board of Sarvodaya Development Finance PLC on 27 June 2019. An experienced international communication and marketing expert, Shehara has been behind the success of several local, regional and Fortune 500 multinational brands.

Shehara has worked over a decade in Malaysia with Omnicom companies beginning as Director Planning of Naga DDB and later the Managing Director of Interbrand Malaysia, one of the world's leading brand consultancies.

She is on the Boards of Keells Foods PLC, The Neelan Tiruchelvam Trust, Informatics Institute of Technology, Ex-Pack Corrugated Cartons PLC, Amana Takaful Life PLC, The Family Planning Association and Chairperson of Optima Design Pvt Ltd. She has been previously on the Boards of Environment Foundation Ltd, Arthur C Clark Centre for Science and Technologies and Eagle NDB Fund Management. She has also worked in the development sector with ILO, Internews USAID, NORAD, GIZ and Plan International.

She was the Deputy Director General of the Board of Investment of Sri Lanka (BOI-SL), trained on attracting FDI at the IDA in Ireland. She facilitated in the transformation of three Sri Lankan groups - Singer in retail, NDB in banking and Janashakthi in Insurance.

She has spoken extensively at international conferences on branding, strategy and Gender issues and won several local and International Marketing and Women Leadership Awards.

**Suranjani Wickremeratne***Non-Executive, Independent Director*

Suranjani Wickremeratne was appointed to the Board of Sarvodaya Development Finance PLC (SDF) on 1 August 2024.

Her professional background is marked by significant contributions to the banking and audit sectors. She served as the Head of Audit at Deutsche Bank AG, Colombo Branch, from 1995 to 2009, conducting operational audits and engaging with regional and global operations units across multiple countries. Her early career includes roles as Accountant and Administration Manager at the Plantation Housing and Social Welfare Trust, and as a Senior Auditor at Ernst & Young. Her leadership extends to her position as Chairperson of Sri Lanka Sumithrayo, a charity incorporated by an Act of Parliament and registered as an NGO. Additionally, she is also the Founder President of the Tarana Foundation, where she continues to uplift rural students, communities, and schools.

As the current President of Dental Care International, an International NGO, she has successfully led, and continues to lead, initiatives to train girls from children's homes and low-income families to become Dental Surgery Nurse Assistants. Further she serves on the Board of Trustees of the Damrivi Foundation, a Buddhist charity. Suranjani's commitment to social upliftment is also well-aligned with SDF's commitment to supporting financial inclusion in underserved communities.

Suranjani holds an MBA from the University of Warwick, UK, and is an Associate Member of CIMA, UK (ACMA). She is an alumna of St. Bridget's Convent, Colombo 7, and the University of Colombo, where she currently serves as Vice Chairperson of the Alumni Association. Her extensive qualifications, expertise in accounting and auditing, and her experience in leadership roles make Ms Wickremeratne a valuable addition to the Board of SDF.

Management Team



Nilantha Jayanetti
Chief Executive Officer

Nilantha Jayanetti brings extensive experience in banking and finance, having held Senior Management positions in prestigious financial institutions. He is skilled in sustainable finance and marketing, business transformation strategy, team building, and operations management. As a proactive leader, he excels in technology adoption, finance, and risk management. His innovation and leadership have been recognized with accolades for shaping inclusive and sustainable finance through financial inclusion, technology, climate action, and community-driven banking/finance, transforming financial solutions for a better future.

Before joining Sarvodaya Development Finance PLC, Nilantha served as the Senior Assistant General Manager at Orient Finance PLC for seven years, where he drove business initiatives that positioned the Company as a top brand. He was previously the Marketing Manager at Merchant Bank of Sri Lanka & Finance PLC. Nilantha holds a degree in Business Management with a specialization in Accountancy from the University of Kelaniya and an MBA in Banking and Finance from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He has also completed a Strategic Leadership Programme at Cornell University's Johnson Graduate School of Management, USA



Ruwan Jayasuriya
Chief Operating Officer



Ranapriya Fernando
Head of Credit



Mahesh Jayasanka
Head of Strategic Planning



Manori Wannigama
Head of Finance



Kularuwan Gamage
Head of Operations & Administration



Indika Dissanayake
Head of Information Technology



Ruwin Yapa
Head of Human Resources



Kelum Thilakerathne
Head of National Sales



Prabhath Rangajeewa
Head of Gold Loans

**Piyumi Ranadheera***Head of Risk Management***Migara K. Abayatilake***Head of Compliance***Randil Keerthipala***Head of Recovery***Amila Gunawardana***Head of Internal Audit***Shiromi Patabendige***Company Secretary***Chaminda Niroshana***Senior Manager - Recoveries***Jude Dharmasena***Product Head - Micro & Society Loans***Manoj Fernando***Product Head - Leasing***Rajini Koswatta***Product Head - Housing Loans***Lakmal Munasinghe***Product Head - Deposit Mobilization***Sajith Nirasha***Product Head - SME*

Management Team

Ruwan Jayasuriya

Chief Operating Officer

Ruwan Jayasuriya holds an MBA from Cardiff Metropolitan University (Wales) and a Diploma in Credit Management from the Institute of Bankers of Sri Lanka. He is a member of the Sri Lanka Institute of Marketing and an Associate Member of the Chartered Institute of Marketing UK. He has also completed the final examinations of the Certified Management Accountants of Australia.

With over 24 years at the Singer Group, including eight years managing sales, administration, and hire purchase of consumer durables at the parent company. He joined Singer Finance (Lanka) PLC at its inception in 2004. Ruwan led the Credit, Recoveries, and Operations divisions until 2021, and prior to joining Sarvodaya Development Finance PLC, he was the Chief Operating Officer at Richard Pieris Finance Limited.

Ranapriya Fernando

Head of Credit

Ranapriya Fernando is an experienced banking and finance professional with over 30 years of expertise in credit management, relationship management, mortgage finance, and real estate development projects.

Ranapriya holds an Executive MBA from the University of West London and is an Associate Life Member of the Institute of Bankers of Sri Lanka (IBSL).

His extensive experience in retail and corporate lending, credit risk assessment, and financial structuring has been instrumental in strengthening the company's credit portfolio and driving sustainable portfolio growth.

Mahesh Jayasanka

Head of Strategic Planning

Mahesh Jayasanka, a distinguished member of The Association of Accounting Technicians of Sri Lanka, is pursuing Chartered Accountancy with CA Sri Lanka. Mahesh began his professional journey with a four-year training program at Ernst & Young (EY), where he later served as Assistant Manager - Assurance for seven years. His expertise spans auditing, accounting, taxation, and assurance across sectors such as banking, financial services, manufacturing, healthcare, retail, and engineering.

In 2015, he joined Sarvodaya Development Finance PLC as Manager-Finance, subsequently being promoted to Senior Manager-Finance and Chief Manager-Finance. Currently, he serves as the Head of Strategic Planning, leveraging his 18 years of industry expertise.

Manori Wannigama

Head of Finance

Manori Wannigama serves as the Head of Finance, bringing with her wealth of experience spanning over 16 years in financial reporting, accounting, taxation, auditing, and general administration practices across multiple industries and sectors. She joined the Company in May 2024 and has since played a pivotal role in strengthening the financial framework of the organization.

Manori is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and holds a Bachelor's Degree in Accountancy from the University of Sri Jayewardenepura. Her deep expertise and strategic financial acumen have significantly contributed to the Company's financial governance and operational efficiency.

Further enhancing her leadership capabilities, Manori is currently pursuing a Master of Business Administration at the Postgraduate Institute of Management, University of Sri Jayewardenepura. Her commitment to professional growth and excellence underscores her dedication to driving the company's financial success and sustainability.

Kularuwan Gamage

Head of Operations & Administration

Kularuwan Gamage brings over 20 years of experience in the finance industry and currently serves as the Head of Operations and Administration at Sarvodaya Development Finance PLC (SDF). Since joining SDF in 2015 as a Regional Manager, he has played a pivotal role in driving operational excellence and was quickly promoted to his current leadership position.

Kularuwan is currently pursuing an MBA at the University of Brittany, France, and has further enhanced his leadership capabilities through the Leadership Excellence Program (LEP) at the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He is also a Certified Microfinance Trainer, awarded by the Asian Development Bank Institute, and a Certified Business Development Trainer through CEFE-Net Sri Lanka.

His extensive experience includes working with BURO Bangladesh, one of the leading microfinance institutions in Bangladesh, further deepening his expertise in financial inclusion and microfinance operations. His strong communication skills, strategic leadership, and commitment to financial empowerment continue to make him an integral part of the Sarvodaya team.

Indika Dissanayake

Head of Information Technology

Indika Dissanayake counts over 27 years of experience in the field of Information Technology. He was graduated with an upper class honors degree in Information Technology from London Metropolitan university. He holds International Higher Diploma, NCC (UK) International Diploma and other IT Diplomas. Additionally, he has completed Australian Computer Society (ACS) examinations and BCS examinations. He is certified Ethical Hacker, a Certified Microsoft System Engineer and has completed other Microsoft certifications.

Indika has held numerous roles in the field of IT in the organizations which he has previously worked in, among them are the positions of Chief Manager - Tech Infrastructure at HNB Finance PLC, Head of IT at Prime Finance PLC, Assistant General Manager IT at Entrust Limited, Systems Engineer at AE Logistics Pvt Ltd, Branch Manager and Lecturer cum Network Administrator at IDM Computer Studies (Pvt.) Ltd.

Ruwin Yapa

Head of Human Resources

Ruwin Yapa, a Senior Human Resources Professional with over 20 years of experience, holds a Master's in Business Studies and a Bachelor of Business Administration with a specialization in Human Resources from the University of Colombo.

Ruwin's expertise spans strategic HR management, talent acquisition, succession planning, compensation and benefits management, performance management systems, HRIS administration, and employee engagement initiatives. He effectively oversees HR-related administrative tasks, ensuring compliance with employment laws and regulations.

Kelum Thilakerathne

Head of National Sales

Kelum Thilakerathne, with a Diploma in Credit Management from the Institute of Credit Management, has over 20 years of experience in the Leasing and Finance Industry.

Kelum dedicated 13 years to Orient Finance PLC as a Regional Manager before joining Sarvodaya Development Finance PLC in 2019. As Head of Leasing, he played a pivotal role in introducing a diverse range of leasing and loan products aligned with the Sarvodaya Philosophy. His tenure has been marked by strong communication skills and exemplary leadership.

Prabhath Rangajeewa

Head of Gold Loans

Prabhath Rangajeewa is a seasoned professional with 28 years of corporate experience in the finance sector, specializing in gold loans, pawning, and gold mortgages. His expertise spans various aspects of gold-backed financial services, including product development, risk management, and portfolio growth.

Before joining Sarvodaya Development Finance PLC in 2019, Prabhath spent three years at Alliance Finance PLC as Head of Gold Loan, where he played a pivotal role in strengthening the company's gold loan operations. Prior to that, he accumulated over two decades of experience in gold loan production, developing innovative lending solutions, and optimizing operational efficiencies in the sector.

Since joining Sarvodaya Development Finance PLC, Prabhath has been instrumental in expanding the company's gold loan portfolio while upholding the values of the Sarvodaya philosophy. His leadership, strategic vision, and deep industry knowledge have contributed significantly to enhancing the organization's presence in the gold loan market, ensuring sustainable growth and customer trust.

Management Team

Piyumi Ranadheera

Head of Risk Management

Piyumi Ranadheera is an Associate Member of the Institute of Certified Management Accountants (CMA) of Sri Lanka and a Passed Finalist of CIMA-UK. She holds an MBA and a Bachelor of Business Administration (BBA) with a specialization in Finance from the University of Colombo. Additionally, she has earned the Diploma in Bank Integrated Risk Management and the Diploma in Compliance from the Institute of Bankers of Sri Lanka.

Piyumi possesses 11 years of experience in integrated risk management and business analytics within the Non-Banking Financial Institutions (NBFI) sector.

Migara K. Abayatilake

Head of Compliance

Migara Abayatilake joined Sarvodaya Development Finance PLC in November 2024, counts over 19 years' experience in the Banking and Financial Services Sector and currently heads the Compliance Function of the Company. Prior to his present position at Sarvodaya Development Finance PLC, Migara worked at Abans Finance PLC holding the posts of both Risk Officer and Compliance Officer before joining Sarvodaya Development Finance PLC. He has also worked for Union Bank of Colombo PLC as Credit Officer and Commercial Bank of Ceylon PLC as Banking Executive.

Migara graduated with a Second Lower Class Degree in Social Science from the Open University of Sri Lanka and a Master's degree from IHRA-University of Colombo. Further, he completed a certificate-level course in Forensic Accounting at the Institute of Chartered Accountants in Sri Lanka and a Professional Diploma in Anti-Money Laundering at the Corporate Campus.

Randil Keerthipala

Head of Recovery

Randil Keerthipala brings over 20 years of experience in the finance industry, specializing in credit, branch operations, collections, and legal recoveries. Prior to joining Sarvodaya Development Finance PLC, he held a Senior Management position at Softlogic Finance PLC and held various managerial roles at People's Leasing & Finance PLC and Richard Pieris Finance Ltd.

Randil holds an Advanced Diploma in Business Management from the National Institute of Business Management (NIBM) and an Executive Diploma in Marketing from the University of Colombo. Currently, he is pursuing an MBA at the University of Gloucestershire, UK.

Amila Gunawardana

Head of Internal Audit

Amila Gunawardana holds a BSc Special Degree in Public Administration from the University of Sri Jayewardenepura and is an Associate Member of the Institute of Chartered Accountants of Sri Lanka.

Amila brings over 20 years of professional experience in financial management, compliance, tax planning, and auditing, with a strong focus on the financial services sector. His expertise spans across key areas of governance, risk management, and regulatory compliance, contributing to the growth and stability of the organizations he has served.

Shiromi Patabendige

Company Secretary

Shiromi Patabendige is an Associate Member of the Institute of Chartered Corporate Secretaries of Sri Lanka (ICCSSL) and a registered Company Secretary with the Registrar of Companies of Sri Lanka (RoC). She holds a Higher National Diploma in Accounting qualification from James Watt College of Further & Higher Education, Scotland, UK, and has successfully completed Stage II of the Chartered Institute of Management Accountants (CIMA), UK.

Out of over 28 years of professional experience in the Finance & Banking sector, Shiromi has gained extensive expertise in Seylan Bank PLC having served in Company Secretariat and Finance Division of the Bank for over 23 years, and 5 years at Vanik Incorporation Ltd, a leading Investment Bank. She also served at Aitken Spence PLC, a prominent Sri Lankan conglomerate.

Shiromi was appointed as the first in-house Company Secretary of Sarvodaya Development Finance PLC on the 1st November 2023, where she continues to play a pivotal role in corporate governance and regulatory compliance.

Chaminda Niroshana

Senior Manager - Recoveries

Chaminda Niroshana holds a Diploma in Banking from the Institute of Bankers of Sri Lanka (IBSL). He began his career with Seylan Bank as a Banking Assistant in 1993 and has 32 years of experience in the banking and finance sector. He is currently attached to the Recoveries Department and handles Legal Recoveries.

Jude Dharmasena

Product Head - Micro & Society Loans

Jude Dharmasena has over 26 years of experience in the banking and finance industry, specializing in sales and marketing. He dedicated 18 years to Seylan Bank PLC. In 2017, Jude joined Sarvodaya Development Finance PLC as a Branch Manager and quickly rose to the position of Regional Manager and then Product Head - Micro & Society Loans.

He has gained wide experience at the grassroots level of the Sarvodaya Shramadana Societies, focusing on the empowerment of women in villages and sustainable development, aligning with the "Sarvodaya" philosophy. His tenure has been marked by strong trilingual communication skills and exemplary leadership.

Manoj Fernando

Product Head - Leasing

Manoj Fernando leads the leasing division at Sarvodaya Development Finance PLC, driving strategic growth and expansion. He brings over 18 years of comprehensive experience in the finance sector, marked by a proven track record of leadership in branch operations, business development, and credit recoveries. Manoj holds a Diploma in Professional Marketing Management from JMC Faculty of Marketing and Management, and has further enhanced his leadership capabilities through the Leadership Excellence Program (LEP) at the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. His extensive experience and strategic vision are instrumental in strengthening the company's position within the leasing market.

Rajini Koswatta

Product Head - Housing Loans

Rajini Koswatta is a seasoned banker with over 25 years of experience in the banking industry, supplemented by 4 years of non-banking finance expertise. She commenced her Banking career at Seylan Bank PLC and throughout the 10 years tenure she has gained overall experience in Branch Operations and Credit. Prior joining Sarvodaya Development Finance PLC she worked at Nations Trust Bank PLC for 15 years and last held the position of Branch Manager.

She holds an MBA specialized in Banking & Finance from Sikkim Manipal University of India, an LLB (Hons) from Buckinghamshire New University UK, and diplomas in banking and finance, credit management from the Institute of Bankers of Sri Lanka. Rajini has been awarded the Advanced Diploma in Marketing from Sri Lanka Institute of Marketing. She is a certified Six Sigma Yellow Belt and a Certified Banker recognized by the Institute of Bankers of Sri Lanka. She is also a member of the Asia Pacific Federation and is currently pursuing her Attorney's at Law qualification at Sri Lanka Law College. In recognition of her outstanding performance, she was honored with the Merit Award in the Territory Manager Category by SLIM NASCO in 2023.

Lakmal Munasinghe

Product Head - Deposit Mobilization

Lakmal Munasinghe has over 19 years of experience in the banking and finance industry, specializing in deposit mobilization, savings, leasing, and recoveries. He successfully completed the Leadership Excellence Program (LEP) at the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

Lakmal previously held the position of Manager of Fixed Deposits at Richard Peiris Finance Ltd and served as Assistant Manager - Deposit Mobilization at Merchant Bank of Sri Lanka. He later joined Sarvodaya Development Finance PLC as a Regional Manager, where he rapidly advanced to the role of Product Head - Deposit Mobilization.

Sajith Nirasha

Product Head - SME

Sajith Nirasha has 18 years of experience in the banking industry and demonstrated accomplishment in SME lending in the banking industry. He dedicated 8 years to Commercial Bank PLC and 10 years to Union Bank Colombo PLC. He holds a MBA from Cardiff Metropolitan University in U.K. and Certificate in banking and Finance from IBSL Sri Lanka.

Regional Managers



Chathura Kodippili
Zonal Head - Zone 01



Amila Rajapaksha
Zonal Head - Zone 02



Buddhika Sanjeewa
Regional Manager - Region 01



Tiron Atapattu
Regional Manager - Region 02



Dharshana Nuwan
Regional Manager - Region 03



Asanka Premalal
Regional Manager - Region 04



Suresh Herath
Regional Manager - Region 06



Tharindu Wickramasinghe
Regional Manager - Region 07



Mahesh Sooriyaarachchi
Regional Manager - Region 08



Chathuranga Fernando
Regional Manager - Region 09



Anusha Weerakkody
Regional Manager - Region 10



Nilantha Rathnasiri
Regional Manager - Region 11

Branch Managers

Region	Branch	Full Name	Contact Numbers	Office Mobile	Office E-mail
Region 01	Panadura	N W L T Senaviratne	382239963	774796572	lahirus@sdf.lk
	Piliyandala	K D R P Weerasinghe	112183616	761524613	mgrpiliyandala@sdf.lk
	Homagama	D L R Widuranga	112892966	763948579	rasindu@sdf.lk
	Borella	D A Ishira	112266666	741068788	ishirad@sdf.lk
	Moratuwa	H B Sanjeeva (RM)	112649092	772612626	buddhikas@sdf.lk
Region 02	Akuressa	T A Nawarathna	412050056	764081916	aselan@sdf.lk
	Ambalantota	H A D Kumara	472225414	769422454	dineshk@sdf.lk
	Kamburupitiya	M A Laksiri	412050666	774803861	mgrkalmunai@sdf.lk
	Karandeniya	M W P Kumuduni	912262270	768693068	mgrkarandeniya@sdf.lk
	Galle	B H G P C Jayalath	912230226	777521173	Chamaraj@sdf.lk
	Matara	D.D.S. Gunasekara	412050166	762497838	dilumg@sdf.lk
Region 03	Kalmunei	B H M Mubeen	672050766	771277562	mgrkalmunai@sdf.lk
	Ampara	D G L L Dehigampala	632050166	742133747	leeld@sdf.lk
	Batticaloa	A Jeevakanth	652050766	741913695	jeevakantha@sdf.lk
	Kethsirigama	P D E J Pothpitiya	113 330 522	763167309	jayanthap@sdf.lk
Region 04	Akkaraipattu	M Z M Shiyam	672277127	777644886	shiyamm@sdf.lk
	Jaffna	Asanka Premalal (RM)	212 050 766	763167352	asankap@sdf.lk
	Mannar	S J Prashanthan	232050166	773520736	prashanthans@sdf.lk
	Vavuniya	R Vimalraj	242050066	778661831	managervavuniya@sdf.lk
Region 05	Trincomalee	P J Niroshan	262050966	777489325	managertrinco@sdf.lk
	Balangoda	K V S Dhanapala	452121676	763167288	sarathd@sdf.lk
	Godakawela	L R Wicramage	452 121 656	770164794	rajithawl@sdf.lk
	Kegalle	J M A K B Jayakody	352050272	741975187	managerkegalle@sdf.lk
	Rathnapura	H I L Abeygunawardhana	452121636	743728480	managerrathnapura@sdf.lk
Region 06	Ruwanwella	V L S Bandara	362 269 006	741383623	mgrruwanwella@sdf.lk
	Anuradhapura	D.M.A.N. Dissanayake	252121966	767203626	amilad@sdf.lk
	Kebithigollewa	R.P. Madusanka	252220966	769734902	priyanm@sdf.lk
	Kekirawa	D.B.B.P.L. Bandara	252220906	764842390	mgrkekirawa@sdf.lk
	Parakramapura	R D Thilakarathna	252221161	771452878	mgrparakkramapura@sdf.lk
Region 07	Thabuttegama	H.N.D.S. Herath	252221660	742598288	mgrtambuttegama@sdf.lk
	Kandy	M S Premarathne	812063686	740384634	managerkandy@sdf.lk
	Matale	H.N.D.C. Herath	662121066	779675728	managematale@sdf.lk
	Nawalapitiya	S M K G P K Subasinghe	542050556	740459589	priyanthas@sdf.lk
	Nuwara Eliya	K.T.P. Madushan	522050166	766596089	managemnuwaraeliya@sdf.lk
	Digana	T M A S T S Bandara	812063366	742402434	Thushant@sdf.lk
Region 08	Hatton	D.G.C.K. Bandara	512050666	772374921	chandanab@sdf.lk
	Monaragala	P P A P Jayasinghe	552055561	742723253	managermonaragala@sdf.lk
	Megdagama	H A S W Hettiarachchi	552266478	776723380	mgrmedagama@sdf.lk
	Badulla	S Sureshkumar	552051196	743720845	sureshk@sdf.lk
	Kataragama	N.R.M.R.W. Ratnayake	472236143	774227089	mgrkataragama@sdf.lk
Region 09	Tissamaharama	N D S Nirnath	472259013	778515463	nirnaths@sdf.lk
	Gampaha	D C Ubeyasinghe	332060973	774903161	dilanu@sdf.lk
	Delgoda	M F S C Fernando (RM)	112190686	740405646	thilina@sdf.lk
	Pasyala	W A T C Samarasekera	332216273	741720852	mgrpasyala@sdf.lk
	Minuwangoda	J.A.G. Sampath	112284966	762587839	gayans@sdf.lk
Region 10	Negombo	M L J R S Fonseka	312121162	743651463	judef@sdf.lk
	Medirigiriya	W G N N Jayasinghe	272053326	743719705	nalakaj@sdf.lk
	Polonnaruwa	B A A P Balasuriya	272053661	742259661	managerpolonnaruwa@sdf.lk
	Dambulla	A M C M Samarakon	662121166	740573981	chamaras@sdf.lk
	Mahiyangana	A.M.S. Gunawardana	552051160	766127447	mgrmahiyangana@sdf.lk
	Dehiattakandiya	S A J Chaminda	272053686	764447838	janakac@sdf.lk
Region 11	Kurunegala	W.N.S.C. Wijesooriya	372051966	775736267	managerkurunegala@sdf.lk
	Kuliyapitiya	D M I Dayaratna	372052153	777540588	managerkuliyapitiya@sdf.lk
	Naththandiya	R D T L Kumara	322050676	771960463	mgrnattandiya@sdf.lk
	Chilaw	C G H A A Ratnayake	322050626	761913609	anushar@sdf.lk
	Puttalam	W S P S Rodrigo	322050653	761652452	managerputtalam@sdf.lk

The Kumbalpola Sarvodaya Shramadana Society empowers village women to create value-added clay pots, blending traditional craftsmanship with a touch of modern outlook to support sustainable livelihoods.

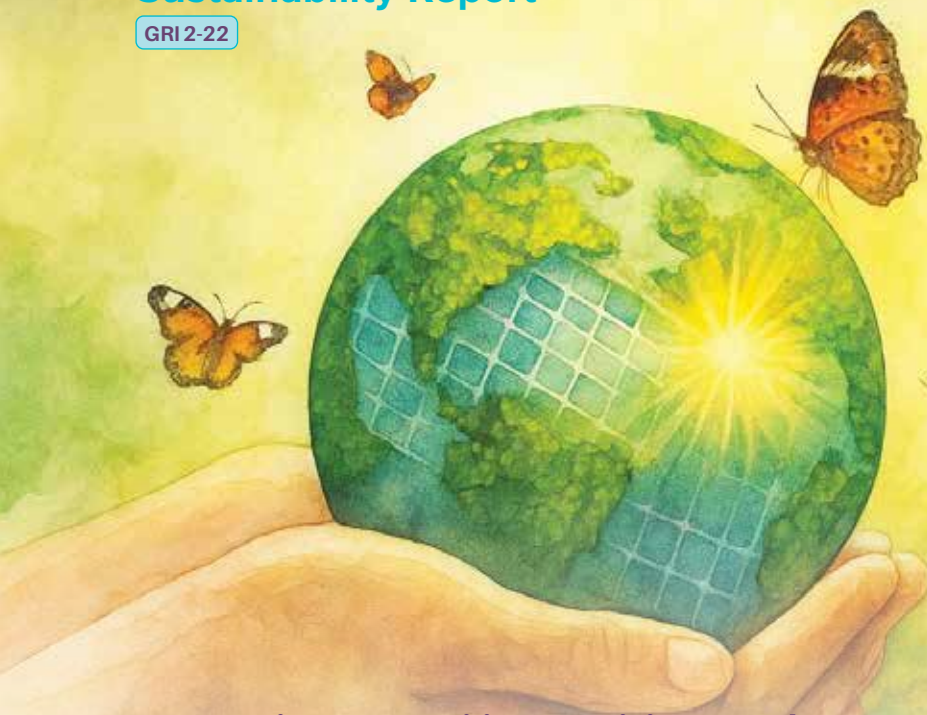


Customer Name :-
Niranjala Jayakodi

North Western Province
Kurunegala District, Kumbalpola







Empowering Communities, Sustaining Growth

Rooted in the philosophy of 'Awakening all' and the 'Grassroots upward' model, Sarvodaya Development Finance PLC views sustainability not just as minimizing negative impact, but as actively fostering positive change within the communities we serve. Our enduring strength lies in our deep-seated commitment to holistic development, empowering individuals and enterprises to thrive. By weaving social progress with economic viability, we build resilience – not just for our organization, but for the very fabric of the nation we are dedicated to uplifting.

Our sustainability journey is one of shared growth, where every step forward creates opportunities for a brighter future for all.

Message from Leadership

GRI 2-22

Sarvodaya Development Finance PLC (SDF) stands at a pivotal juncture, reflecting on a period of significant achievement and looking towards a future where sustainable value creation is paramount. Our enduring commitment to the founding principles of the Sarvodaya naturally aligns with the modern imperatives of Environmental, Social, and Governance (ESG) criteria and the strategic direction set forth by the local and the international regulatory institutions.

Our performance, with notable expansion in profitability and assets, underscores our commitment to delivering sustainable value to our diverse stakeholders. Such financial resilience, particularly highlighted by a near tripling of net profit in the first half of 2024/25, demonstrates that a values-driven banking model can deliver both substantial social impact and robust financial health. This synergy between our values and financial outcomes lends profound credibility to our sustainability narrative.

Our recent collaboration with international partners has recognized the value of our impact finance model and the

unique value creation framework established by Sarvodaya. As a result, SDF received full membership in the Global Alliance for Banking on Values (GABV), becoming the only finance company globally to achieve this distinction. Additionally, we successfully secured our first international impact funding from the European Union through EDFI Management Company, aimed at supporting sustainable agriculture. These international collaborations allow SDF to strengthen its ability to create social and environmental impacts by expanding access to ethical financial tools, supporting community-led development, and promoting environmentally responsible lending. As we deepen our impact in rural Sri Lanka, especially during the nation's post-crisis recovery period, our focus remains steadfast on serving the village economy and uplifting underserved communities. Sustainability is not merely an initiative at SDF; it is woven into the fabric of our strategy, driving long-term value creation for our customers, our communities, our investors, and the nation at large.







Our Values-Driven Sustainability Model

Sarvodaya Development Finance PLC's commitment to sustainability is deeply rooted in its core values, which guide our mission to enhance economic and social well-being.

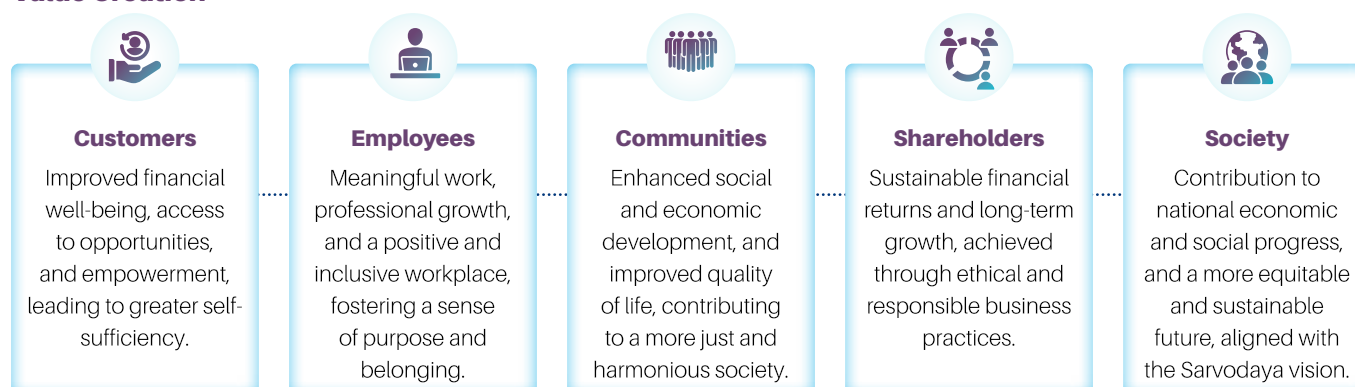


Sustainability Report

Capitals

Capital	Aim	Our Approach
Financial Capital 	Ensuring long-term financial health and stability to support sustainable operations and stakeholder value.	Providing responsible and accessible financial solutions, promoting financial literacy, and ensuring the resilience of our financial operations, while adhering to ethical lending practices.
Social & Relationship Capital 	Building strong, trust-based relationships with all stakeholders to foster social harmony and equity.	Engaging in collaborative partnerships with communities, promoting social inclusion, and upholding ethical business practices, emphasizing dialogue, and mutual respect.
Human Capital 	Investing in the growth, well-being, and development of our employees.	Creating a supportive and inclusive work environment, providing opportunities for professional development, and promoting a culture of service and volunteerism, inspired by Sarvodaya principles.
Intellectual Capital 	Enhancing knowledge, innovation, and technological capabilities to improve efficiency and expand reach.	Leveraging digital platforms to improve service delivery, and promote innovation in community-focused financial solutions, ensuring that technology serves the greater good.
Natural Capital 	Minimizing our environmental footprint and promoting sustainable resource management.	Promoting environmentally responsible practices among our clients, supporting green financing initiatives, and reducing our operational impact on the environment, recognizing our responsibility to future generations.
Manufactured Capital 	Strengthening the infrastructure and physical assets that support service delivery and operational efficiency.	Investing in physical infrastructure such as branches and IT systems, enhancing accessibility in rural areas, and ensuring resilient, inclusive service platforms across the country.

Value Creation



Our Approach to Sustainability

For Sarvodaya Development Finance, sustainability is not a novel concept adopted in response to emerging trends; rather, it is an evolution of our core mandate and an intrinsic part of our DNA since inception. The inherent philosophy of the Sarvodaya Movement, with its emphasis on holistic well-being and community empowerment, provides a robust and natural foundation for implementing the Central Bank of Sri Lanka's Sustainable Finance Roadmap.

SDF is firmly committed to adopting and championing the principles and priority actions outlined in the Roadmap, viewing it as a critical framework for advancing our contribution to national development. Our "Policy on Environment, Social and Governance Sustainability" explicitly acknowledges and aligns with this national directive.

1. Governance for Sustainability

1.1 Our Sustainability Governance Framework

Sarvodaya Development Finance PLC has established a robust governance structure to oversee its sustainable finance activities, ensuring that ESG considerations are integrated into the highest levels of decision-making. The "Policy on Environment, Social and Governance Sustainability," last updated on September 20, 2024, serves as the core guiding document for these efforts. This policy is deeply influenced by the 'Artha Dharma' principles of our founder and aligns with the CBSL's Roadmap for Sustainable Development and the Sri Lanka Green Finance Taxonomy.

The Board of Directors (BODs) holds ultimate responsibility for overseeing all sustainable finance activities and is the approving authority for the ESG related Policies. This top-level accountability ensures that sustainability is not a peripheral concern but a central element of SDF's strategic direction. The Board actively contributes to ensuring a sound corporate culture and values within the Company, incorporating sustainable financing into the Board-approved strategic plan and diligently reviewing its implementation. The explicit linkage of sustainable financing to the Board-approved strategic plan signifies that ESG is not a siloed activity but is intended to be woven into the core business strategy of SDF, a hallmark of mature ESG adoption.

The Chief Executive Officer (CEO) and relevant Key Responsible Persons (KRPs) are tasked with the day-to-day implementation

of this policy, operating under the guidance and oversight of the BODs. This structure ensures that strategic directives from the Board are translated into actionable measures throughout the organization. Furthermore, social and environmental responsibility are integrated into strategic development processes, decision-making frameworks, and daily operational activities, reflecting a comprehensive approach to embedding sustainability. The formal, regular review cycle of policies (at least annually) and defined responsibilities at the highest levels suggest an ongoing, adaptive governance process, indicating that sustainability is a dynamic operational aspect subject to continuous improvement and oversight.

1.2 Management Roles in ESG

The CEO and designated KRPs bear the responsibility for the effective execution of the sustainability agenda. Their duties, as outlined in SDF's policy framework, are comprehensive and include:

- **Resource Allocation:** Ensuring that adequate resources, encompassing financial capital, requisite skills, and necessary expertise, are allocated for the implementation and management of sustainable finance activities.
- **Defining Roles:** Clearly delineating the roles and responsibilities of various business units and functions within the company in managing risks associated with sustainable finance activities.
- **Reporting to the Board:** Informing the BOD in a timely and transparent manner about the progress made and any material issues that arise in relation to sustainable finance activities.
- **Framework Implementation:** Implementing a comprehensive sustainability framework that permeates all organizational divisions, including the Head Office, Regional operations, and the entire branch network. This involves formulating dedicated sustainability teams at key operational levels to oversee and manage SDF's environmental and social initiatives.
- **Policy Review and Integration:** Reviewing and updating policies, tools, metrics, operational procedures, and controls related to sustainable finance activities at least annually, and integrating them with other relevant company policies.

The Board Integrated Risk Management Committee (BIRMC) also plays a crucial part in this governance structure by specifically reviewing the Sustainable Development Policy, ensuring that ESG risks are adequately identified, assessed, and managed within the company's overall risk appetite.

Sustainability Report



7 Members

4 Non Executive/Independent Directors
3 Non Executive/Non Independent Directors



Board Integrated Risk Management Committee

4 Members

Non Executive/Independent Directors

Non Executive/Non Independent Director



Management Sustainability Committee

10 Members

CEO - Chairman to the
Committee

HOSP - Secretary to the
Committee

Executive -
Sustainability

Five Management
Committee Members



Strategic Planning & Sustainability Department

4 Members

Head of Strategic Planning

Executive - Sustainability

Two Executive Strategic
Supporting Staff

1.3 Stakeholder Engagement and ESG Materiality

GRI 2-29

Our ESG materiality assessment process involved a review of the previous year's materiality matrix, a re-examination of strategic priorities, and a thorough consideration of stakeholder expectations. We acknowledge that stakeholders expect more than just financial returns; they anticipate a positive contribution to the overall social and economic well-being of the country. ESG Material topics were selected using the Global Reporting Initiatives (GRI) prioritization approach, initially identified by Senior Management, and then filtered based on their importance to both stakeholders and the Company.

1.4 Policies and Practices

GRI 2-29

ESG Category	Policy / Practice	Details	
G	Embedding Policy Commitments	<ul style="list-style-type: none"> Leadership sets the tone by example, promoting compliance, non-discrimination, and cooperation. A formal Code of Conduct is provided to all employees and included in onboarding. Continuous employee training and monitoring of behaviour and performance. 	GRI 2-23, 24
G	Compliance with Laws and Regulations	<ul style="list-style-type: none"> SDF reports full compliance with all relevant laws and regulations. No fines or penalties recorded during the reporting period. 	GRI 2-27
S	Grievance Mechanisms (Remediation of Negative Impacts)	<ul style="list-style-type: none"> Open-door policy allows employees direct access to the CEO and Chairman. Policy on Whistle blowing protects employees from retaliation. Compliance with the Central Bank's Financial Customer Protection Framework. Multiple customer grievance channels: website, social media, hotline, marketing materials. Informal community grievance mechanism through Sarvodaya Societies and direct manager access. 	GRI 2-25
G S	Mechanisms for Seeking Advice and Raising Concerns	<ul style="list-style-type: none"> The board may engage external consultants when needed. Policy on Whistle blowing available to all (internal and external) for confidential concerns. Performance evaluations offer guidance on personal and career development. Open-door policy enables access to management or HR for any concern. 	GRI 2-26
G S	Membership in Associations	<p>Industry Bodies</p> <ul style="list-style-type: none"> Lanka Microfinance Practitioners' Association The Leasing Association of Sri Lanka The Finance House Association of Sri Lanka <p>National Bodies</p> <ul style="list-style-type: none"> The Financial Ombudsman Sri Lanka The Credit Information Bureau of Sri Lanka <p>International Bodies</p> <ul style="list-style-type: none"> Global Alliance for Banking on Values – Full Member 	GRI 2-28

Sustainability Report

2. Environmental Stewardship

2.1 Environmental Policy and Management Approach

Sarvodaya Development Finance PLC's commitment to environmental stewardship is formally articulated in its "Policy on Environment, Social and Governance Sustainability". This policy is not merely a response to regulatory requirements but is deeply influenced by the foundational 'Artha Dharma' principles and the Sarvodaya philosophy of fulfilling the 'Ten Basic Human Needs.' Among these, "a clean and beautiful environment" is explicitly recognized as a fundamental prerequisite for human well-being. This positive and aspirational framing viewing environmental health as a basic human right drives our environmental initiatives beyond mere risk mitigation or resource efficiency towards a more holistic and ambitious vision for ecological well-being.

Our management approach to environmental sustainability encompasses several key responsibilities delegated to the CEO and relevant KRPs:

- **Promoting Sustainability:** Actively working towards promoting sustainability in good faith across all operations.
- **Energy Efficiency:** Implementing measures to enhance energy efficiency within SDF's premises, such as integrating solar power, adopting energy-efficient lighting and air conditioning systems, and encouraging energy-conscious behavior among employees.
- **Waste Reduction:** Reducing paper waste through strategies like encouraging the use of technology for communication, promoting double-sided printing, facilitating the reuse of paper, and proper segregation of waste.
- **Customer Engagement:** Promoting sustainability best practices to a wide audience, particularly SDF's customers, to foster a broader culture of environmental responsibility.
- **Capacity Building:** Developing the ESG risk management skills of staff through targeted training programs, cultivating internal expertise in sustainable finance, and enhancing capabilities in environmental stress testing and scenario analyses.

2.2 Climate Action and Energy Transition

SDF is proactively contributing to climate action and facilitating an energy transition, both within its own operations and for the broader community it serves. A key initiative is the installation of solar panels at our branches. The Head Office, for instance, now meets approximately 35% of its monthly electricity requirements through solar power, and the ATM at Kethsirigama operates entirely on solar energy, significantly reducing its carbon emissions. Our long-term aim is to extend solar power integration across all feasible branches.

Recognizing the transport sector's significant environmental impact, SDF offers specialized leasing facilities for Electric Vehicles (EVs) and auto loans for hybrid vehicles. This encourages the adoption of cleaner transportation alternatives among our customers. This commitment to facilitating a low-carbon transition extends beyond our direct footprint.



Distribution of electric bikes to promote sustainable and eco-friendly transportation solutions.



Utilizing solar power for water pumps to enhance sustainable irrigation of agricultural lands.

Furthermore, SDF has embarked on strategic partnerships to accelerate sustainable initiatives. A notable collaboration is with Now Partners, a European organization specializing in impact and regenerative value creation. This partnership will see Now Partners act as strategic advisors on transformative projects, including the development of solar and rural electrification schemes and the promotion of EVs. Such collaborations indicate a strategic move towards enabling broader systemic change.

In terms of measurable impact, SDF's total carbon footprint was reported at 506.15 metric tons of CO₂ equivalent (mtCO₂e) in 2024/25. We are committed to ongoing efforts to monitor and reduce these emissions through energy efficiency, renewable energy adoption, and by promoting sustainable practices among our stakeholders.

2.3 Resource Management (Energy, Water, Waste) and Circularity

Effective resource management is a critical component of SDF's environmental stewardship strategy, focusing on minimizing our direct environmental footprint and promoting circular economy principles where feasible.

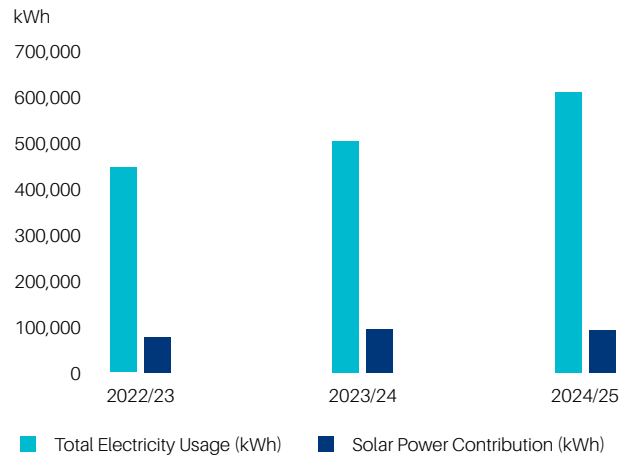
GRI 2-4

When preparing the report, we have restated information from prior reporting periods to allow for a direct and accurate comparison.

Energy

GRI 302-1

Electricity Consumption

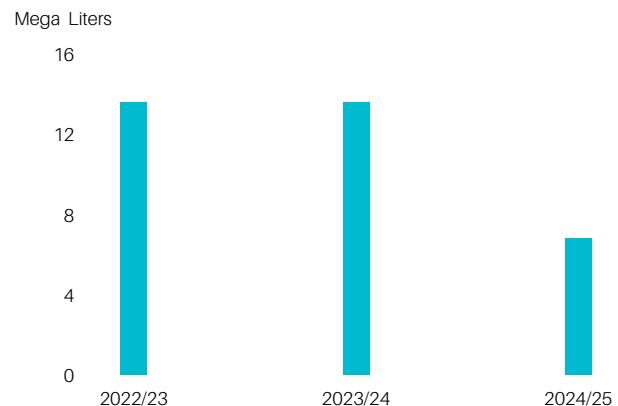


SDF has made significant strides in managing its energy consumption. This demonstrates that our energy efficiency measures are yielding tangible results, leading to both environmental and financial co-benefits through cost savings. These measures include the adoption of energy-efficient LED lighting, a policy of turning off unnecessary lights and equipment, transitioning to energy-efficient air conditioning units, and actively engaging employees in energy conservation practices.

Water

GRI 302-1

Water Consumption



Water consumption is monitored, and we continue to explore opportunities for water conservation across our operations.

Sustainability Report

Waste and Circularity

GRI 306-3

	2022/23	2023/24	2024/25
Paper waste (MT)	0.02	0.03	0.012
Food waste (MT)	NA	NA	2.74
Plastic (MT)	NA	NA	0.012

We have an established annual paper recycling process to manage this waste stream responsibly. To reduce paper consumption at the source, we actively encourage the use of technology for internal and external communication, promote double-sided printing, and advocate for the reuse of paper whenever possible. Furthermore, SDF is exploring how its sustainable leasing products can contribute to a circular economy by potentially extending the lifecycle of financed equipment, thereby reducing the demand for new resources and minimizing waste.

These efforts reflect a conscious approach to resource efficiency, aiming to reduce our operational impact and foster a culture of sustainability within the organization.

Promoting Sustainable Agriculture and Biodiversity:

Sarvodaya Development Finance places a significant strategic focus on the agriculture sector, recognizing its vital role in Sri Lanka's economy, food security, and the livelihoods of rural communities. Our approach to supporting agriculture is multi-faceted, aiming to enhance productivity, promote sustainability, and improve the resilience of farming communities.

Key initiatives in sustainable agriculture include:

- Water Management for Agriculture:** SDF has financed and supported the implementation of solar-powered water projects for 'Chena' (shifting cultivation) areas. These projects enable sustainable farming practices by providing a reliable water source, particularly during dry seasons, and offer additional income opportunities for farmers.
- Regenerative Agriculture and Quality Inputs:** We are actively evaluating and introducing regenerative agricultural practices in Sri Lanka. This includes partnerships with entities like Araliya Agro Holdings Ltd and Araliya Seeds Ltd to ensure the availability of premium-quality seed paddy and promote optimal fertilizer usage. SDF is also collaborating with agricultural experts from Andhra Pradesh, India, to enhance local agricultural products and practices, with a specific focus on regenerative techniques that improve soil health and reduce reliance on chemical inputs.

- Partnership for Systemic Change:** Our collaboration with Now Partners extends to projects in regenerative agriculture and forestry, aiming to promote chemical-free, natural farming methods and contribute to ecological restoration.

This comprehensive strategy, encompassing technology adoption (like solar water pumps), promotion of ecologically sound practices (regenerative agriculture), ensuring access to quality inputs, and fostering expert collaboration, addresses food security, farmer livelihoods, and environmental health simultaneously. This holistic approach directly reflects SDF's commitment to the 'Ten Basic Human Needs.'



Use of solar water pumps to promote sustainable irrigation solutions, reduce reliance on fossil fuels, and support efficient water management in agriculture.

2.4 Environmental Financing and Impact

Sarvodaya Development Finance actively channels credit and financial services towards environmentally friendly and sustainable business models across Sri Lanka, thereby playing a crucial role in financing the transition to a greener economy. Our product portfolio includes specific offerings designed to support environmental objectives, such as loans for the installation of solar power systems for both residential and commercial purposes, and auto loans or leasing facilities for the purchase of hybrid and electric vehicles.

A significant milestone in our environmental financing efforts is the securing of a USD 3 million loan from AgriFI, the EU-funded Agriculture Financing Initiative. This funding is specifically earmarked for supporting sustainable agriculture projects in Sri Lanka. Successfully obtaining such international funding not only provides crucial capital for these initiatives but also serves as an external validation of SDF's sustainable finance strategy and its capacity to implement impactful projects. This

external endorsement can attract further funding, enhance SDF's reputation, and demonstrate the viability and international recognition of our approach to domestic stakeholders.

To ensure the effectiveness and integrity of our sustainable financing, SDF has initiated a process for monitoring the Environmental, Social, and Governance (ESG) impact of the loans granted to its customers. This impact assessment is being integrated into our credit appraisal processes, allowing us to better understand the environmental and social outcomes of our financing activities and ensure alignment with our sustainability objectives and national roadmap goals. This systematic approach to impact monitoring is crucial for refining our strategies and maximizing our positive contributions.

3. Social Empowerment

3.1 Social Policy and Management Approach

Sarvodaya Development Finance's commitment to social empowerment is intrinsic to its identity and mission, as enshrined in our "Policy on Environment, Social and Governance Sustainability". Our core mission is to foster sustainable development by providing a comprehensive range of financial services, primarily targeting Small and Medium Enterprises (SMEs) and communities that are often considered 'non-bankable' by mainstream financial institutions. A cornerstone of our outreach is our unique network of 5,400 village societies, through which we deliver financial solutions and support grassroots development.

3.2 Financial Inclusion: Reaching Underserved Communities and MSMEs

Financial inclusion is at the heart of Sarvodaya Development Finance's mandate. Our primary focus is to support underserved rural economies, nurture grassroots entrepreneurship, and empower Micro, Small, and Medium Enterprises (MSMEs) across Sri Lanka. A testament to this commitment is the strategic location of our branch network: over 90% of SDF branches are situated outside the Western Province, ensuring that financial services are accessible to low and mid-level income groups in regions often overlooked by larger financial players.

Our product portfolio is specifically designed to cater to the needs of these segments, offering Micro Loans, SME Loans, personal loans, leasing facilities, gold loans, and various savings products. We have also joined the LankaPay Network, allowing our customers to access services from any ATM across Sri Lanka, significantly improving the physical presence and convenience.

A significant indicator of our commitment to gender-inclusive finance is that women customers accounted for 51% of total loan recipients in the financial year 2024/25. This highlights our success in reaching and empowering women entrepreneurs, which is a critical catalyst for broader community development and poverty reduction. SDF also actively supports Sarvodaya Shramadana Societies and initiatives like "Coexist - Sri Lanka," which aims to bolster social entrepreneurs and vulnerable communities, thereby creating a sustainable future for them. Through these concerted efforts, SDF strives to bridge financial gaps and foster equitable economic growth.

3.3 Community Development and Investment

Sarvodaya Development Finance's community development and investment initiatives are deeply intertwined with its foundational philosophy of fulfilling the 'Ten Basic Human Needs'. Our approach goes beyond mere financial transactions, incorporating capacity building, market linkages, and technology adoption to ensure holistic and sustainable community empowerment.

- **Supporting Local Entrepreneurship:** SDF has supported entrepreneurs and now provides employment opportunities and contributes to village development.
- **Investing in Education:** We provided a housing loan for the renovation of the only preschool in Batawala, Padukka, directly improving the learning environment and amenities for over 30 children, thereby contributing to the need for 'holistic education'.
- **Promoting Local Economies:** SDF conducted a community-based tourism program in Ratnapura, aiming to promote local tourism and connect local businesses with potential tourists, fostering economic diversification.
- **Enhancing Digital Literacy and Access:** Recognizing the importance of 'basic communication facilities' and access to modern financial tools, SDF supplied palmtop computers to Sarvodaya Societies. This initiative promotes digital financial transactions in rural areas with low internet penetration, helping to bridge the urban-rural digital divide and improve financial management at the village level.
- **Targeted Social Support:** The "Coexist - Sri Lanka" initiative, supported by SDF, focuses on providing assistance to social entrepreneurs and vulnerable communities, fostering their journey towards self-reliance and a sustainable future.

Sustainability Report

3.4 Our People: Employee Well-being, Development, Diversity, and Inclusion

Employee well-being is a key priority. SDF ensures full compliance with all applicable labor laws. We have implemented various strategies to motivate and retain our talent, including acknowledging best performers, offering competitive pay incentives and bonuses, providing annual increments, and hosting an annual award ceremony to celebrate achievements. High-performing employees are also offered opportunities such as overseas visits. Our comprehensive benefits package includes robust insurance schemes, accident insurance, and annual bonuses. A tangible demonstration of our commitment to holistic well-being is the recent opening of the SDF Gym & Yoga Center, providing employees with facilities to support their physical and mental health. Such investments go beyond basic employment conditions and contribute to a positive work environment.



Organized on-site physical wellness sessions to promote employee well-being, reduce stress, and enhance overall workplace productivity.

3.5 Responsible Products and Customer Centricity

Sarvodaya Development Finance is dedicated to providing responsible financial products and services that are tailored to the specific needs of its target demographic, particularly those in underserved rural communities and MSMEs. Our diverse product suite includes Micro Loans, SME Loans, Personal Loans, Leasing options, Gold Loans, and a variety of savings products such as Fixed Deposits, 60*60 FD, Fixed Saver, General Savings, Pancha Children's Savings, and Daru Isuru Savings.

To enhance accessibility and convenience, particularly for those in rural areas, SDF has made strategic moves such as joining the LankaPay Network. This allows our customers to access their accounts and perform transactions from any ATM across Sri Lanka, significantly expanding their service touchpoints beyond our own branch and ATM network. These initiatives demonstrate

a proactive approach to adapting our services to meet the practical needs of our clients, reinforcing our commitment to financial inclusion and responsible banking. By continuously seeking to understand and respond to customer needs, SDF aims to build lasting relationships based on trust and mutual benefit.

4. Alignment with the CBSL Sustainable Finance Roadmap

4.1 SDF's Strategic Alignment and Contribution to National Sustainable Finance Goals

Sarvodaya Development Finance PLC's inherent mission and operational strategies demonstrate a strong and natural alignment with the key objectives of the CBSL Sustainable Finance Roadmap. Our long-standing focus on empowering rural economies, supporting MSMEs, promoting financial inclusion, and investing in sustainable agriculture and renewable energy initiatives directly contributes to the national sustainable finance goals articulated in the Roadmap.

SDF's "Policy on Environment, Social and Governance Sustainability" explicitly acknowledges the CBSL Roadmap and is designed to integrate its principles into our operations. Our core business model, which prioritizes communities deemed 'non-bankable' and channels financial services to low and mid-income groups primarily outside the Western Province, positions SDF as a key implementer of the Roadmap's social inclusion agenda. This pre-existing alignment means SDF is well-placed to contribute significantly to the national goals of ensuring social justice for vulnerable groups and MSMEs. This strong synergy could also make SDF an attractive partner for government or development agencies channeling funds towards these specific objectives, thereby enhancing our role in national sustainable development.

Our initiatives in sustainable agriculture, such as promoting regenerative practices and providing access to modern technology, align with the Roadmap's call for greener business models. Similarly, our financing of solar power installations and electric vehicles supports the transition towards a low-carbon economy, a critical environmental objective for Sri Lanka. By actively working to fulfill the 'Ten Basic Human Needs,' SDF inherently addresses many of the social and environmental challenges the Roadmap seeks to mitigate. Our future plans, including expanding financial access through a broader branch and digital network and attracting overseas funds for SDG/ESG focused activities, are set to further amplify our contribution to these national priorities.

4.2 Managing Environmental and Social Risks

Sarvodaya Development Finance PLC has established formal processes for managing Environmental and Social (E&S) risks, which are integral to our commitment to sustainable finance and align with the directives of the CBSL Sustainable Finance Roadmap. Our “Policy on Environment, Social and Governance Sustainability” outlines the framework for these processes.

The Risk Management Department (RMD) of SDF plays a central role in this ESG risk management.

Its responsibilities include:

- **Identification, Evaluation, and Management:** Systematically identifying, evaluating, and managing ESG risks and risks related to sustainable business activities, considering the nature, scale, complexity, and interconnectedness of our operations to assess the magnitude and materiality of these risks.
- **Integration into Overall Risk Framework:** Incorporating identified ESG risks into the company’s comprehensive overall risk management framework.
- **Mitigation and Decision-Making:** Implementing effective risk management practices and internal controls to mitigate identified risks, and integrating ESG risk management into the entire decision-making process, from product development to credit appraisal.
- **Monitoring and Reporting:** Monitoring risks related to project financing, environmental impact assessments, and stakeholder relations, and reporting these in a timely manner to the Board Integrated Risk Management Committee (BIRMC).

4.3 Reporting and Disclosure: Our Commitment to Transparency

Sarvodaya Development Finance PLC is committed to transparency in its operations and performance, including its sustainable finance activities. We recognize that clear and comprehensive reporting is essential for accountability to our stakeholders and for demonstrating our progress in integrating ESG considerations into our business.

Our Annual Reports already incorporate disclosures guided by the Global Reporting Initiative (GRI) Standards and the Integrated Reporting (IR) Framework, providing a broad overview of our value creation process and impact across various capitals.

SDF’s internal “Policy on Environment, Social and Governance Sustainability” further mandates specific disclosures related to our sustainable finance activities.

These include:

1. An overview of our sustainable finance policies and activities.
2. Identified ESG and sustainable finance-related risks and the associated mitigation measures.
3. The environmental and social impact of current and proposed investments and business activities.
4. The progress made on sustainable finance-related activities, including the implementation of the CBSL Roadmap and the action plan for the subsequent year.
5. The total and annual amounts of sustainable funds raised for, and funds allocated to, sustainable finance-related activities.

We acknowledge the CBSL Sustainable Finance Roadmap’s significant emphasis on evolving reporting requirements towards alignment with the International Sustainability Standards Board (ISSB). SDF is committed to evolving its reporting practices in this direction. Our current use of GRI and the IR Framework provides a strong foundation for this transition. The ISSB standards, particularly IFRS S2 Climate-related Disclosures (which fully incorporates TCFD recommendations) and IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, build upon concepts familiar within these frameworks, such as governance, strategy, risk management, and materiality. While SDF is not starting from scratch, we recognize that adapting to the ISSB’s specific focus on investor needs and financial materiality will require dedicated effort, capacity building, and potential adjustments to our data collection and reporting systems. We are preparing to meet these evolving expectations to ensure our disclosures remain relevant, credible, and aligned with global best practices.

4.4 SDF’s Alignment with CBSL Sustainable Finance Roadmap

Sarvodaya Development Finance PLC is actively aligning its strategies, policies, and operations with the key pillars and priority actions outlined in the Central Bank of Sri Lanka’s Sustainable Finance Roadmap. This proactive engagement ensures that SDF contributes meaningfully to Sri Lanka’s national goals for a climate-resilient and socially inclusive financial system.

Sustainability Report

CBSL Roadmap Key Action/ Pillar	SDF's Corresponding Policies, Initiatives, and Targets
Financing Sustainable Development (Focus on green, inclusive, MSME, gender)	<ul style="list-style-type: none"> Core mission to support underserved rural economies, MSMEs, and grassroots entrepreneurs. Products: Micro Loans, SME Loans, specialized loans for sustainable agriculture, solar, EVs. Over 90% branches outside Western Province; 57% women loan recipients (FY24/25). "Policy on Environment, Social and Governance Sustainability" promoting green/social projects. Partnership with AgriFI for sustainable agriculture funding. Full membership with Global Alliance for Banking on Values Future plans to expand financial support for farmers and attract overseas SDG/ESG funds.
Strengthening Management of Environmental and Social (E&S) Risks (Including climate & nature-related risks, stress testing)	<ul style="list-style-type: none"> Board Integrated Risk Management Committee (BIRMC) oversight. Risk Management Department responsible for identifying, evaluating, managing ESG risks. ESG risks incorporated into the overall risk framework and decision-making. Policy mandate for developing environmental stress testing and scenario analyses. Monitoring E&S impact of project financing. Ethical screening against anti-social industries.
Enhancing Reporting and Disclosures (Alignment with ISSB, transparency)	<ul style="list-style-type: none"> Current reporting using GRI Standards and IR Framework. ESG Policy mandates disclosure of sustainable finance activities, risks, impacts, and fund allocation. Commitment to evolve reporting towards ISSB alignment as per Roadmap. Voluntary adoption of SDG reporting. Annual Report includes a dedicated Sustainability Report section.
Improving Governance and Coordination (Board oversight, stakeholder engagement, capacity building)	<ul style="list-style-type: none"> Board of Directors' ultimate responsibility for sustainable finance policy and oversight. CEO and KRPs responsible for implementation and annual policy review. Integration of sustainability into strategic planning. Stakeholder engagement valued in product/service development; materiality assessment process in place. Sustainability enhancement at key operational levels. Capacity building for staff in ESG risk management and sustainable finance. Membership in GABV for peer learning and international standards alignment.

5. Performance Data and Key Indicators

This section consolidates key quantitative data related to Sarvodaya Development Finance PLC's Environmental, Social, and Governance (ESG) performance for the financial year 2024/25, alongside comparative data where available. These indicators provide a transparent overview of our direct footprint, our positive contributions, and areas for continued focus.

Key Environmental Performance Indicators

Energy Consumption



Total Electricity Usage

702,486 kWh (2024/25)

562,880 kWh (2023/24)

Solar Powered Electricity Generation
(SDF Premises)**94,465 kWh (2024/25)**

104,910 kWh (2023/24)

Water Consumption

Total Water
Consumption**8.23 ML (2024/25)**

17.02 ML (2023/24)

Emissions

Total Carbon Footprint
(Scope 1, 2 & 3-partial)**506.15 mt CO₂-e (2024/25)**445.34 mt CO₂-e (2023/24)

Sustainable Financing

Specialized Leasing for Electric
Vehicles (EVs)**LKR 187 Mn (2024/25)**

LKR 18 Mn (2023/24)

Funding for Sustainable
Agriculture**LKR 900 Mn (2024/25)**

LKR 400 Mn (2023/24)

Waste Management



Paper Waste Generated

0.012 MT (2024/25)

0.03 MT (2023/24)



Food waste

2.74 MT (2024/25)

N/A (2023/24)



Plastic

0.012 MT (2024/25)

N/A (2023/24)

Key Social Performance Indicators

Financial Inclusion & Outreach

56

Number of Branches

**82%**Branches Outside Western
ProvinceWomen Customers as % of
Total Loan Recipients**51% (2024/25)**

57% (2023/24)



MSMEs Financed

LKR 4,026 Mn (2024/25)

LKR 2,005 Mn (2023/24)

**Active**Community Investment
Customer Access

Employee Metrics



Total Employees

603 (2024/25)

546 (2023/24)

Total Training
Hours**16,284 (2024/25)**

7,729 (2023/24)

Employee Well-being Facilities



Gym Facilities



Yoga Facilities



Health Insurance

Sustainability Report

6. Looking Ahead: Our Future Sustainability Commitments and Targets

6.1 Strategic Priorities for Enhancing ESG Integration

Sarvodaya Development Finance PLC is committed to continuously enhancing the integration of Environmental, Social, and Governance (ESG) principles into its core strategy and operations. Our forward-looking plans are designed to deepen our impact, expand our reach, and strengthen our resilience, all while upholding our foundational values.

Key strategic priorities include:

1. **Expanding Financial Support for Key Sectors:** We aim to significantly enhance our financial support for farmers, recognizing the critical role of agriculture in Sri Lanka's economy and food security. This will involve channeling more resources towards sustainable agricultural practices and technologies.
2. **Broadening Financial Access:** SDF will continue to expand financial access for underserved communities by strategically growing its branch network and investing in virtual and digital channels. This multi-pronged approach will improve convenience and reach for our customers across the nation.
3. **Attracting Sustainable Funding:** A key objective is to attract low-cost funds from overseas, specifically leveraging our strong focus on Sustainable Development Goals (SDGs) and ESG criteria. This strategic approach to funding recognizes that robust ESG performance can unlock new, potentially more favorable, capital avenues, creating a virtuous cycle where sustainability initiatives are further bolstered by access to specialized finance.
4. **Fostering Entrepreneurship:** We will intensify our efforts in Entrepreneurship Development by improving access to finance for MSMEs and enhancing their market access through targeted programs and partnerships.
5. **Empowering Youth and Women:** SDF will continue to prioritize Youth and Women's Empowerment by collaborating with community groups and Sarvodaya Societies to support hundreds of youth and women entrepreneurs with financial and non-financial services.
6. **Strengthening ESG Capabilities:** We are committed to further developing the ESG risk management skills of our staff through ongoing training. This includes building internal expertise in sustainable finance and enhancing our capabilities in environmental stress testing and scenario analyses, ensuring we are well-equipped to navigate the evolving landscape of sustainability risks and opportunities.

6.2 Long-term Goals and Contribution to Sustainable Development Goals (SDGs)






Sarvodaya Development Finance PLC's long-term vision is to be a catalyst in creating an economically progressive society where all individuals live in dignity. Our growth, including the firm expectation for our asset base to surpass LKR 20 billion in the coming year, serves as a critical foundation for scaling our positive impact and deepening our contribution to national development.

Our future strategies, as outlined in the preceding section, are designed to directly advance these SDGs. For instance, enhanced support for sustainable agriculture contributes to SDG 1, SDG 2, and SDG 8. Our focus on women's empowerment and financial inclusion for MSMEs directly addresses SDG 5, SDG 8, and SDG 10. Investments in renewable energy financing and promoting energy efficiency align with SDG 12 and SDG 13. Our efforts to build resilient infrastructure through branch expansion and digital channels support SDG 9. The partnerships we make are directly aligned with SDG 17.





While SDF has clearly identified its alignment with these 9 SDGs, a key aspect of our evolving sustainability journey will be the establishment of more specific, measurable, achievable, relevant, and time-bound (SMART) targets for our contributions to each of these global goals. This will enable us to more rigorously track our progress, demonstrate tangible impact, and continuously refine our strategies for maximum effectiveness. We are committed to this path of continuous improvement in our sustainability performance management and reporting.

Local Action to Global Impact

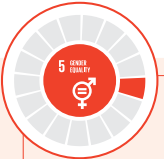



1. No Poverty

	Target and Indicators	Strategic Alignment	Key Performance Indicator	2025	2030	2050	Capital
 Empowering Lives, Strengthening Communities	1.4 1.4.1	Financial Inclusion for Smallholders	Number of smallholder farmers reached	47,000+	+10,000/ year	300,000+	   
	1.4 1.4.2	Strategic Investments to agricultural communities	Number of smallholder farmers impacted	25,000+	+10,000/ year	500,000+	
	1.5 1.5.1	Local Entrepreneurship Support	Number of micro businesses supported	4,400+	+1,500/ year	5,000+ capacity built	
	1.1 1.2 1.2.1	Job Creation & Community-Based Employment	Local jobs created/ safeguarded	13,000+	+3,000/ year	200,000+	

2. Zero Hunger





	Target and Indicators	Strategic Alignment	Key Performance Indicator	2025	2030	2050	Capital
 Finance for Food Security	2.3 2.3.1 2.3.2 2.a 2.a.1 2.a.2	Agricultural Investment Impact	Land benefited from agricultural investments	26,000+ hectares	+5,000 hectares	500,000+	  
	2.4 2.4.1	Quality Seed Paddy Distribution	Kilograms of quality seed paddy distributed	77,000 kilograms	20,000 kilograms/ year	500,000 kilograms	
		Rice Production Enhancement	Total rice production & % increase	2,274,000 kg (50%)	+10–15% over current levels	+40–45%	

5. Gender Equality




	Target and Indicators	Strategic Alignment	Key Performance Indicator	2025	2030	2050	Capital
 Women First, Futures Flourish	5.a 5.a.1 5.a.2	Inclusive Financial Access	Mobilization of Women-Focused Funds	45%	55%	60%	  
	5.5 5.5.2	Workplace Gender Equality	% of female staff participation	48%	≥ 50%	65%	
	5.c 5.c.1	Mobilization of Gender-Focused Funds	Annual gender-focused international funding secured	USD 3M total	USD 5 Mn+/ year	USD 50 Mn +	

Sustainability Report





8. Decent Work and Economic Growth

	Target and Indicators	Strategic Alignment	Key Performance Indicator	2025	2030	2050	
 Creating Opportunities, Fostering Growth for All	8.3 8.3.1	Employment Generation	Number of permanent direct employment opportunities created	600 jobs facilitated	+50-75 jobs/year	+100,000	Capital   
	8.2	Agricultural Modernization	Number of farmers equipped with modern agricultural equipment	1,300 farmers supported	200 farmers/year	+100,000	


9. Industry, Innovation and Infrastructure

	Target and Indicators	Strategic Alignment	Key Performance Indicator	2025	2030	2050	
 Promoting Efficiency and Sustainability in Our Operations	9.3 9.3.2	Workflow Digitization and MIS Automation ESG reporting platform: Experienz	% of workflows digitized	85% of workflows digitized, MIS automated	Achieve 100% digitization; expand digital sustainability reporting	Continue 100% digitization	Capital  
	9.b 9.b.1	Adoption of Sustainable Operational Practices	Paper usage reduction	Internal processes streamlined to cut waste	Cut paper use by 10% more	50% reduction	
	9.c 9.c.1	Awareness and Training on Responsible Resource Use	No. of staff trained & outreach to underserved	80% finance focused on underserved village communities	Train 100+ staff in sustainable operations and digital literacy	Train 70% staff in sustainable operations and digital literacy	

10. Reduced Inequalities

	Target and Indicators	Strategic Alignment	Key Performance Indicator	2025	2030	2050	
 Empowering Progress Through Innovation and Digitalization	10.4 10.4.1	Introduction of POS Machines for Village Societies	Number of POS-enabled transactions	350 million transactions, > 150 payment options	+100 million transactions, +20% active societies using POS	+500 million transactions, +50% active societies using POS	Capital   
		Digitalization of Village Societies	% efficiency improvement	Digitalization in progress	+50 societies, 15% avg. increase in operational efficiency	100% in operational efficiency	
	10.a 10.a.1	Expanding Digital Financial Literacy Programs	Number of individuals reached by digital literacy initiatives	Program developed & piloted	Reach 5,000 rural individuals	Reach 50,000 rural individuals	

13. Climate Action

	Target and Indicators	Strategic Alignment	Key Performance Indicator	2025	2030	2050	
Advancing Green Solutions	13.2 13.2.1	Green Energy Transition in SDF Operations	% of operations powered by renewables	35% of SDF operations powered by solar energy	Transition additional branches to reach higher renewable energy coverage	Continue renewable coverage into 60%	Capital 
	13.1 13.1.1	Sustainable Agriculture Support	No. of rural farms using solar water pumps	Promoted solar-powered water pumps for agriculture	Facilitate adoption of solar pumps in 500+ rural farms	Continue adoption of solar pumps in 10,000+ rural farms	
	13.3 13.3.2	Promotion of Low-Carbon Transport	No. of electric vehicles supported	556 electric motorbikes distributed; Rs. 275 million invested	Promote financing for 300+ additional e-mobility users	Promote financing for 10,000+ e-mobility users	

Major Milestones of Our ESG Journey

2022

Carbon Neutrality Commitment

On World Environment Day, SDF announced its commitment to become carbon neutral by 2030, marking a bold step toward climate responsibility.

2023

Promotion of Natural Farming

Partnered with organisations in Andhra Pradesh, India, to promote natural farming practices in Sri Lanka. Selected farmers from Kethsirigama were trained in India, fostering sustainable agriculture through international collaboration.

Solar-Powered Branch Operations

Initiated solar-powered operations at head office and across select branches to promote renewable energy adoption.

2024

Secured International Impact Funds

SDF successfully secured an international impact fund from the European Union, aimed at advancing sustainable agriculture.



2024, 2023, 2022, 2020 - TAGS Gold Award Winner

SDF was awarded the TAGS Gold Award by the Institute of Chartered Accountants of Sri Lanka for excellence in Transparency, Accountability, Governance, and Sustainability Reporting.

2025

Full Membership in GABV

SDF became the first Non-Banking Financial Institution (NBFI) to receive full membership in the Global Alliance for Banking on Values (GABV).

Advancing Client Protection Standards

SDF aligned with global Client Protection Standards, enhancing transparency and accountability beyond local regulatory requirements.

Technical Assistance from EDFI MC

Received funding from EDFI Management Company to strengthen client protection to strengthen Cerise+SPTF Client Protection Standards, targeting certification and improved efficiency.

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Conclusion

Sarvodaya Development Finance PLC's journey in sustainable finance is deeply rooted in its unique heritage and unwavering commitment to the Sarvodaya philosophy of empowering grassroots communities and fulfilling basic human needs. This intrinsic alignment with Environmental, Social, and Governance (ESG) principles positions SDF not merely as a participant but as a proactive leader in Sri Lanka's transition towards a more sustainable and inclusive economy.

The company's robust governance framework, with clear Board oversight and management accountability for sustainability, ensures that ESG considerations are integrated into strategic planning and operational execution. SDF's ethical stance, demonstrated by its explicit negative screening criteria and adherence to 'Artha Dharma' principles, lends significant credibility to its values-driven approach.

On the environmental front, SDF is making tangible progress in managing its direct footprint through energy efficiency and renewable energy adoption, while also facilitating a broader low-carbon transition for its customers via financing for solar energy and electric vehicles. Its dedicated focus on sustainable agriculture and biodiversity, supported by international partnerships and a commitment to regenerative practices, addresses critical national priorities.

Socially, SDF's impact is profound. Its extensive reach into underserved rural areas, significant support for MSMEs, and a notable proportion of women beneficiaries underscore a deep commitment to financial inclusion and equitable growth. Community investments are holistic, often combining financial support with capacity building and technology access, reflecting a nuanced understanding of development needs. Internally, SDF is fostering a diverse and engaged workforce, with increasing attention to employee well-being and development.

The alignment with the Central Bank of Sri Lanka's Sustainable Finance Roadmap is clear and strategic. SDF's existing focus on social inclusion and MSME support resonates strongly with the Roadmap's expanded scope, while its evolving E&S risk management practices and commitment to transparent, ISSB-aligned reporting demonstrate responsiveness to national and global standards.

Looking ahead, SDF's strategic priorities to enhance financial support for key sectors like agriculture, broaden financial access, attract sustainable funding, and build internal ESG capabilities are well-defined. The commitment to contributing to nine specific SDGs provides a clear framework for future impact.

The journey towards deeper ESG integration and impact is ongoing. Key areas for continued focus will include the further development of quantitative targets for SDG contributions, the full operationalization of environmental stress testing and scenario analysis, and continuous enhancement of stakeholder engagement mechanisms. By building on its strong foundations and embracing these future commitments, Sarvodaya Development Finance PLC is well-positioned to continue creating significant, sustainable value for all its stakeholders and for the nation of Sri Lanka.

Materiality

The material topics disclosed in this report reflect Sarvodaya Development Finance PLC's (SDF) strategic focus on sustainable value creation during a year marked by macroeconomic instability and social challenges in Sri Lanka. These topics were identified based on both internal strategic priorities and external stakeholder expectations, especially considering the critical role SDF plays in community development and financial inclusion.

Our aim extends beyond profitability. We focus on uplifting underserved communities, supporting grassroots economies, and enabling inclusive, sustainable development. Our materiality assessment was therefore guided by our mission-driven purpose, and the principles of the Global Reporting Initiative (GRI), ensuring that we report on what truly matters to our stakeholders and our operations.

GRI 3-1

Approach

Material topics were determined by revisiting the previous year's materiality matrix and evaluating emerging priorities in light of the country's ongoing economic volatility. Senior management utilized a prioritization framework to assess each potential topic based on its relevance to the business model and its importance to stakeholders. Although a formal stakeholder survey was not conducted, long-standing relationships with key stakeholders, including community partners, employees, investors, and regulators, provided meaningful insights into expectations and concerns.

Material topics are categorized under Financial, Natural, Human, and Social Capital, and each topic is mapped to the relevant GRI standards and Sustainable Development Goals (SDGs). The disclosures reflect a balanced view of both the opportunities and challenges associated with each topic and outline the mechanisms in place to manage, monitor, and respond effectively to stakeholder needs.

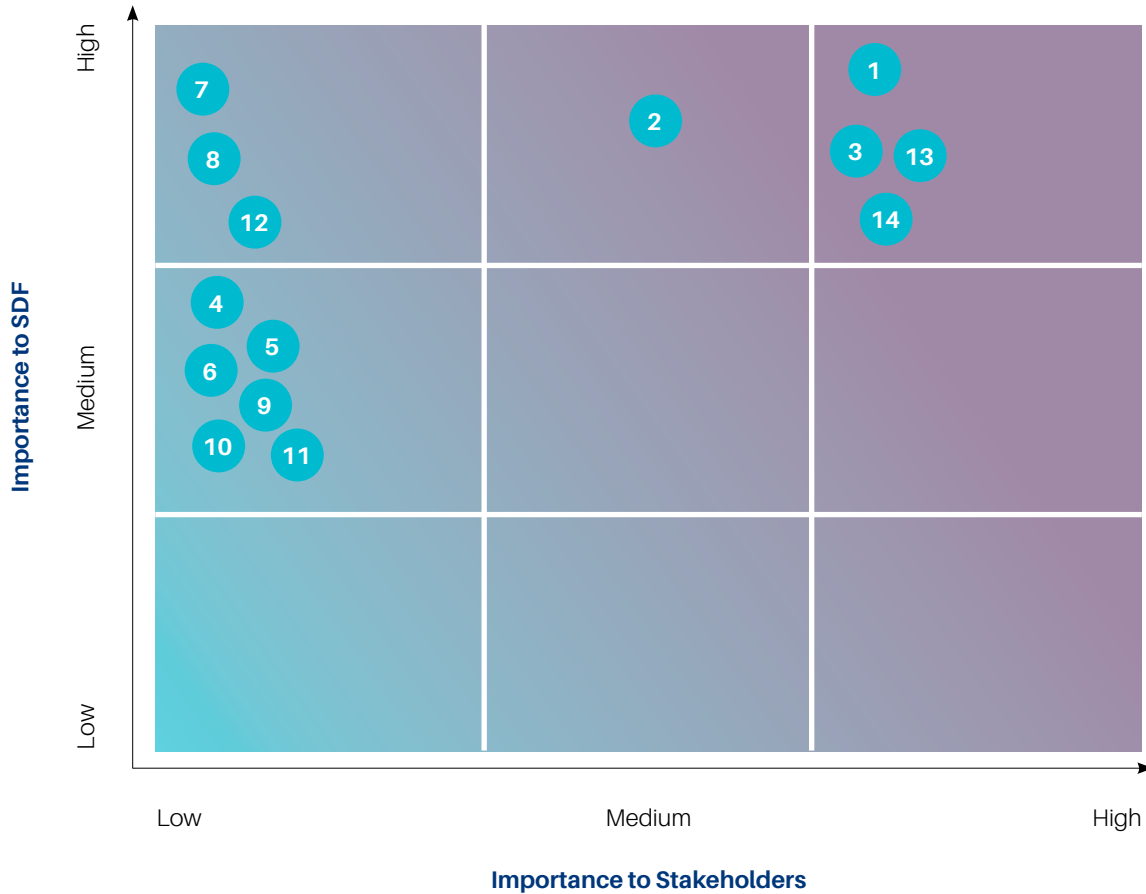
14 material topics were identified and grouped under four capital categories

Capital Category	Number of Material Topics	High-Priority Topics
Financial Capital	3	Direct Economic Value Generated, Indirect Economic Impacts
Natural Capital	4	Energy Consumption, Waste Management
Human Capital	4	Training per Employee, Employee Turnover
Social Capital	3	Community Engagement, Product Compliance

- Topics related to economic value creation and community impact remain central due to SDF's development finance model.
- Environmental topics like energy, waste, and water are increasingly important due to growing investor expectations.
- Human and social capital priorities reflect SDF's commitment to equitable employment, staff development, and community welfare.
- The integration of Key Performance Indicators (KPIs) strengthens the ability to track progress and inform decision-making.

Materiality

GRI 3-2



- | | |
|--|---|
| 1. Direct economic value | 8. Employee recruitment, retention and turnover |
| 2. Indirect economic impact | 9. Diversity of governance bodies and employees |
| 3. Approach to tax | 10. Discrimination and corrective actions |
| 4. Energy usage, conservation and carbon emissions | 11. Rights of indigenous people |
| 5. Water consumption | 12. Local community engagement |
| 6. Waste generated | 13. Legal compliance |
| 7. Employee training | 14. Customer care |

Financial Capital

Direct economic value generated and distributed

GRI 201

Impacts on the economy, environment and people, and human rights

Our economic value generation benefits key stakeholders, including employees, suppliers, investors, and the wider community.

Whether negative impacts are from company activities or business relationships

To date, no negative impacts have been identified from our economic value generation activities.

Policies or commitments regarding the material topic

SDF's core mission aligns with SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth), explicitly committing to inclusive economic growth as outlined in our policies.

**Actions to manage the topic and impacts**

Robust financial product development tailored for rural communities; transparent pricing; strong financial inclusion initiatives; provision of micro and small enterprise loans LKR 4,026 Mn in loans disbursed to MSMEs in FY 2024/25).

Tracking effectiveness of the actions taken

Internal and external audits conducted regularly, Tracked through key metrics such as number of new customers reached in rural areas (25,000 new rural customers in FY 2024/25), value of loans disbursed to micro and small enterprises, and periodic community impact assessments of economic activities supported.

How stakeholders influenced the actions taken and effectiveness

Customers & Communities: Feedback gathered via annual community forums 50+ forums held annually across branches with 1,000 participants) and direct branch-level consultations (weekly feedback sessions) directly informs product design, such as the recent adaptation of repayment schedules to align with agricultural cycles, based on feedback from 40% of rural clients surveyed in 2024.

Significant indirect economic impacts

GRI 203

Impacts on the economy, environment and people, and human rights

We create indirect economic value by redirecting funds to rural communities via dividend payments to Sarvodaya Economic Enterprises Development Services (Guarantee) Limited (SEEDS). This initiative supports our parent Sarvodaya and positively impacts underserved rural areas.

Whether negative impacts are from company activities or business relationships

All indirect impacts have been positive, promoting community development and resilience.

Policies or commitments regarding the material topic

SDF's dividend policy prioritizes social impact, directly supporting the objectives and aligning with SDG 1 (No Poverty), SDG 2 (Zero Hunger), and SDG 9 (Industry, Innovation, and Infrastructure).

**Actions to manage the topic and impacts**

Above-average dividend payout structure 14% dividend payout ratio in FY 2024/25) designed to empower rural communities; ongoing strategic engagement and collaboration with Sarvodaya and affiliated entities to identify high-impact development projects (quarterly joint planning meetings with SEEDS leadership).

Tracking effectiveness of the actions taken

Regular review of the utilization of dividends by SEEDS for community development projects, including qualitative assessments of project outcomes and beneficiary feedback collected by SEEDS.

How stakeholders influenced the actions taken and effectiveness

Sarvodaya & International Investors: Encouragement and strategic direction from SEEDS' Board (which includes SDF representatives) and international impact investors (e.g., EDFI Management Company, AgriFI) through annual investor dialogues and impact reporting directly influenced our decision to maintain a high dividend payout ratio, ensuring continued substantial contributions to community development programs.

Materiality

Financial Capital

Approach to tax GRI 207

Impacts on the economy, environment and people, and human rights

Taxation primarily impacts our company by fulfilling our legal obligations and contributing to national development and public services, which indirectly benefits the communities we serve.

Whether negative impacts are from company activities or business relationships

SDF is committed to full compliance with all applicable tax laws and regulations as a cornerstone of our ethical business practices and contribution to national development.

Policies or commitments regarding the material topic

Strong internal financial controls; regular tax audits (internal and external); continuous training for finance staff on tax compliance (e.g., 15 hours of tax compliance training per relevant staff in 2024/25); transparent tax reporting.

Actions to manage the topic and impacts

Tax compliance monitored through internal reviews, external audits, and tracking of tax payments against regulatory requirements. Achieved 100% compliance with all tax filing deadlines in FY 2024/25.

Tracking effectiveness of the actions taken

Regulators & Public: Driven by the need to maintain stakeholder trust (Central Bank of Sri Lanka, Inland Revenue Department, public) and uphold our reputation as a responsible corporate citizen. Regular engagement with CBSL through formal submissions and industry forums ensures alignment with regulatory expectations on financial transparency and responsible tax practices.

How stakeholders influenced the actions taken and effectiveness

Driven by stakeholder trust and regulatory expectations

Natural Capital

Managing energy consumption and carbon footprint GRI 302

Impacts on the economy, environment and people, and human rights

Energy consumption directly contributes to our operational carbon footprint, impacting climate change. Recognising this, we are implementing systematic measurement and mitigation strategies. At the same time, our commitment to energy efficiency enhances operational sustainability while contributing to the wider climate action agenda.

Whether negative impacts are from company activities or business relationships

Negative impacts result from direct energy use in operations (Scope 1 and 2 emissions).

Policies or commitments regarding the material topic

SDF is committed to SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action), aiming to reduce our environmental footprint through efficient energy management. We are developing an internal 'Green Operations' policy, targeting a 5% annual reduction in energy intensity.



Actions to manage the topic and impacts

Systematic monitoring of fuel and electricity use across all 56 branches and head office; ongoing employee awareness campaigns on energy conservation; investment in energy-efficient technologies (e.g., replaced 10% of traditional lighting with LEDs in 2024); regular assessment of Scope 1 and 2 carbon emissions.

Tracking effectiveness of the actions taken

Monthly tracking of electricity consumption per branch and overall fuel consumption, with monthly reports to Finance and the Sustainability Committee. Targeting 3% reduction in energy intensity (kWh/employee).

How stakeholders influenced the actions taken and effectiveness

Shareholders & Employees: Shareholders, particularly impact investors, advocate for robust energy conservation and efficiency measures. Employees, through internal sustainability committees and champion initiatives like turning off lights and ACs, contributing to reported savings.

Natural Capital

Reduction of energy consumption

GRI 302

Impacts on the economy, environment and people, and human rights

Enhances operational efficiency, supports climate commitments

Whether negative impacts are from company activities or business relationships

No negative impacts from reducing consumption, We do not extract groundwater.

Policies or commitments regarding the material topic

Commitment to SDG 12 (Responsible Consumption) and SDG 13 (Climate Action)

**Actions to manage the topic and impacts**

Identification of wastage, energy-efficient upgrades and practices

Tracking effectiveness of the actions taken

Consumption monitored and reported regularly

How stakeholders influenced the actions taken and effectiveness

Investor expectations encourage sustainable energy practices

Water consumption

GRI 303

Impacts on the economy, environment and people, and human rights

Our water consumption is minimal, primarily for essential sanitary and hygiene needs. While direct environmental impact is low, we ensure adequate access to clean water for staff and customers, aligning with public health and sanitation goals.

Whether negative impacts are from company activities or business relationships

No significant negative impacts

Policies or commitments regarding the material topic

SDF is committed to SDG 6 (Clean Water and Sanitation), ensuring responsible water use and access for all facilities. We are focusing on efficient water usage. We are also conscious of adequate access to water for health and sanitation needs for customers and staff.

**Actions to manage the topic and impacts**

Regular monitoring of water usage per location; proactive leak detection and prevention (monthly plumbing checks at all high-usage branches); promotion of water conservation awareness among staff (e.g., posters in washrooms); ensuring provision of safe drinking water and adequate sanitation facilities.

Tracking effectiveness of the actions taken

Monthly collection of water meter readings from branches, reviewed by Head Office to identify anomalies or high consumption. No significant leaks or service disruptions due to water shortages reported in FY 2024/25.

How stakeholders influenced the actions taken and effectiveness

Environmentally Conscious Investors & Local Communities: Environmentally conscious investors support our water conservation efforts during investor calls. Local communities, through Sarvodaya networks, periodically provide feedback on water availability, which is considered in branch location planning and facility management.

Materiality

Natural Capital

Waste generated Disclosure

GRI 306

Impacts on the economy, environment and people, and human rights

Waste generation primarily stems from biodegradable paper and e-waste. Impacts arise from internal activities and are managed through responsible practices to minimize landfill contribution and promote circularity. We do waste segregation.

Whether negative impacts are from company activities or business relationships

Impacts arise from internal activities, managed through responsible practices.

Policies or commitments regarding the material topic

SDF is committed to SDG 12 (Responsible Consumption and Production) and is actively identifying potential points of wastage, aiming for a 'Reduce, Reuse, Recycle' approach. We have an internal Waste Management Guideline.



Actions to manage the topic and impacts

Aggressive paper digitization initiatives to reduce consumption; comprehensive recycling programs for paper and plastics; partnering with certified e-waste disposal vendors; promoting waste segregation at source in all branches.

Tracking effectiveness of the actions taken

Logs maintained for recycled materials and e-waste disposal. Formal tracking mechanisms (e.g., waste audits, volume tracking) are implemented in 2025. Achieved 70% waste segregation adherence in internal audits.

How stakeholders influenced the actions taken and effectiveness

Investors & Employees: Investors promote sustainable waste management practices, requesting updates on waste reduction targets in ESG discussions. Employees actively participate in recycling programs (e.g. 20% participation rate in paper recycling) and provide suggestions for waste reduction via internal communications channels.

Human Capital

New employee hires and employee turnover

GRI 401

Impacts on the economy, environment and people, and human rights

Our hiring practices directly contribute to reducing unemployment and providing formal, stable employment opportunities within the communities we serve, especially in rural areas.

Whether negative impacts are from company activities or business relationships

No negative impacts reported

Policies or commitments regarding the material topic

SDF's Human Resources Policy explicitly outlines our commitment to equal opportunity, non-discrimination, and fair employment practices, aligned with SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities).



Actions to manage the topic and impacts

Formal recruitment procedures with clear criteria; merit-based selection processes; active outreach to local communities for talent acquisition; robust onboarding programs; regular review of job descriptions to ensure inclusivity.

Tracking effectiveness of the actions taken

Employee turnover rate (e.g., 45% in FY 2024/25) is formally tracked and reviewed by HR and senior management. Recruitment metrics (e.g., time-to-hire of 30 days, diversity in applicant pool for new hires - 43.4% female applicants in 2024/25) are monitored to ensure fairness and efficiency.

How stakeholders influenced the actions taken and effectiveness

Prospective Employees & Local Communities: Feedback from exit interviews (e.g., 80% satisfaction with recruitment process among departing employees) and direct inquiries from local community members influence our recruitment strategies. Partnerships with local vocational training centers also inform our talent sourcing.

Human Capital

Average hours of training per employee

GRI 404

Impacts on the economy, environment and people, and human rights

Investing in employee training enhances individual skills, improves service quality for our customers, and contributes to the professional development and career progression of our workforce.

Whether negative impacts are from company activities or business relationships

No negative impacts reported

Policies or commitments regarding the material topic

SDF is committed to continuous employee development through Learning and Development, fostering a skilled and adaptable workforce. This supports SDG 4 (Quality Education) and SDG 8 (Decent Work and Economic Growth).

**Actions to manage the topic and impacts**

Regular training needs assessments conducted annually across all departments; structured formal training programs (e.g., financial literacy, customer service excellence, digital skills); internal mentorship programs; access to external professional development and leadership courses.

Tracking effectiveness of the actions taken

Average training hours per employee per year are tracked. Feedback collected post-training (e.g., 90% satisfaction rate from post-training surveys) and skill application assessments (e.g., 10% improvement in customer service scores post-training) evaluate effectiveness.

How stakeholders influenced the actions taken and effectiveness

Employees & Customers: Employees consistently request skill development opportunities through annual performance reviews and internal surveys. Customer feedback on service quality, collected via customer satisfaction surveys (e.g., 85% satisfaction rate), directly influences the content and focus of training programs for frontline staff.

Diversity of governance bodies and employees

GRI 405

Impacts on the economy, environment and people, and human rights

Fostering diversity in our governance bodies and employee base promotes inclusion, enriches decision-making, and better reflects the diverse communities we serve, strengthening our social license to operate.

Whether negative impacts are from company activities or business relationships

No negative impacts reported

Policies or commitments regarding the material topic

SDF has a Diversity and Inclusion strategy aligned with SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities), committing to equitable representation across all levels, targeting 30% female representation in management by 2027.

**Actions to manage the topic and impacts**

Implementation of best practices in board nominations (e.g., Board Skills Matrix includes diversity criteria); active efforts to ensure diversity in hiring at all levels (e.g., ensuring diverse candidate slates for all open positions); promoting an inclusive culture through awareness programs and celebrating diverse cultural events.

Tracking effectiveness of the actions taken

Diversity metrics (e.g., gender, age, regional background) are reviewed quarterly by the HR Committee and reported to the Board. Female representation in management increased by 10% in FY 2024/25.

How stakeholders influenced the actions taken and effectiveness

Investors & Employees: Investors (especially those with ESG mandates) actively inquire about diversity metrics during investor relations meetings, influencing our formal target setting. Employee affinity groups (e.g., Women in Finance network) provide valuable input on fostering an inclusive workplace culture.

Materiality

Human Capital

Incidents of discrimination and corrective actions taken

GRI 406

Impacts on the economy, environment and people, and human rights

Maintaining a workplace free from discrimination is crucial for employee well-being, trust, and productivity. Our preventive policies and zero-tolerance approach ensure an inclusive culture.

Whether negative impacts are from company activities or business relationships

No impacts reported; preventive policies are proactively in place.

Policies or commitments regarding the material topic

SDF has a strict 'Non-Discrimination and Harassment Policy' and robust grievance mechanisms, aligning with SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities). The 'Whistleblowing Policy' also covers discrimination.



Actions to manage the topic and impacts

Regular staff training on non-discrimination and respectful workplace conduct (e.g., mandatory annual training for all staff); clear and accessible grievance mechanisms (e.g., anonymous whistleblowing hotline); prompt and impartial investigation of any reported incidents; immediate corrective actions as per policy.

Tracking effectiveness of the actions taken

All reported incidents of discrimination (e.g., 0 incidents reported in FY 2024/25) are meticulously logged, investigated, and their resolution tracked. Internal HR audits confirm adherence to non-discrimination policies.

How stakeholders influenced the actions taken and effectiveness

Employees & Regulators: Employees are made aware of grievance mechanisms through internal communications and training sessions, fostering a safe environment for reporting. Regulatory bodies, through compliance audits, verify the effectiveness of our non-discrimination policies and grievance handling procedures.

Social Capital

Incidents of violations involving rights of indigenous peoples

GRI 411

Impacts on the economy, environment and people, and human rights

Our commitment to equitable treatment and non-discrimination ensures that we uphold the rights of all individuals, including indigenous peoples, preventing negative impacts and fostering trust in sensitive operational regions.

Whether negative impacts are from company activities or business relationships

Potential risks in sensitive regions like Mahiyanganaya are proactively mitigated through policy and training. No violations reported to date.

Policies or commitments regarding the material topic

SDF operates under a 'No Harm and Equality Policy', ensuring respect for human rights and cultural sensitivities, especially in areas with indigenous populations. This aligns with UN Guiding Principles on Business and Human Rights.

Actions to manage the topic and impacts

Staff training on ethical service delivery and cultural sensitivity, particularly for branches operating in or near indigenous communities (e.g., 100% of staff in relevant branches received specific training); robust internal due diligence processes to identify and mitigate potential risks before branch expansion or new product launches.

Tracking effectiveness of the actions taken

Branch-level oversight and regular review of community feedback mechanisms. Any potential concerns or grievances are escalated and reviewed by senior management within 5 business days.

How stakeholders influenced the actions taken and effectiveness

Sarvodaya Network & Local Communities: Guided by the overarching Sarvodaya ethics and directly influenced by SEEDS' deep involvement in community development. Direct consultations with local Sarvodaya Societies (e.g., quarterly meetings) ensure our operations are respectful and beneficial to all communities, including indigenous peoples.

Social Capital

Operations with local community engagement, impact assessments, and development programs

GRI 413

Impacts on the economy, environment and people, and human rights

Our significant engagement with rural communities through Sarvodaya Societies creates positive impacts by empowering local economies, supporting social welfare, and fostering community resilience.

Whether negative impacts are from company activities or business relationships

Impacts stem from SDF's direct operations, predominantly positive.

Policies or commitments regarding the material topic

SDF's core mission is intertwined with community development, reflected in our commitment to SDG 1 (No Poverty), SDG 2 (Zero Hunger), and SDG 8 (Decent Work and Economic Growth). We have a 'Community Investment Strategy' formalized.

**Actions to manage the topic and impacts**

Active involvement in various community projects 15 financial literacy workshops impacting 500 individuals, 100 livelihood support programs in FY 2024/25; direct collaboration with over 1,200 Sarvodaya Societies on social welfare programs; conducting regular community needs assessments.

Tracking effectiveness of the actions taken

Formal feedback mechanisms from community members and Sarvodaya Societies (e.g., community satisfaction surveys showing 78% positive feedback on SDF's community initiatives). Regular management oversight and reviews of community project outcomes. Impact assessments are conducted for significant initiatives (e.g., post-program evaluations for all major livelihood projects).

How stakeholders influenced the actions taken and effectiveness

Sarvodaya & Community Leaders: Our community work is fundamentally driven by the philosophy of Sarvodaya and the strategic initiatives of SEEDS. Regular dialogues with Sarvodaya Shramadana Society leaders (e.g., monthly regional meetings) and community elders ensure our programs are community-led, needs-driven, and result in tangible improvements in livelihoods and social indicators.

Materiality

Social Capital

Incidents of non-compliance concerning products and service information and labeling

GRI 417

Impacts on the economy, environment and people, and human rights

Ensuring full compliance with product and service information regulations prevents financial misinformation, protects customer rights, and builds trust, which is paramount for a financial institution.

Whether negative impacts are from company activities or business relationships

No reported incidents

Policies or commitments regarding the material topic

SDF is committed to full transparency and ethical conduct in all product and service offerings, adhering strictly to Central Bank of Sri Lanka (CBSL) regulations and consumer protection laws (e.g., Financial Consumer Protection Regulations No. 01 of 2023). We have a 'Customer Protection Policy'.

Actions to manage the topic and impacts

Rigorous review and approval processes for all promotional materials, product documentation, and service information by legal and compliance teams; comprehensive staff training on regulatory compliance and ethical sales practices (e.g., 20 hours mandatory training annually for all sales staff); multiple channels for customer complaint resolution (e.g., dedicated hotline, email, branch counters).

Tracking effectiveness of the actions taken

All customer complaints related to product/service information are meticulously logged, categorized, and resolved within a target of 5 business days. The number of compliance breaches (e.g., 0 breaches in FY 2024/25) is tracked and reported to the Compliance Department and senior management.

How stakeholders influenced the actions taken and effectiveness

Customers & Regulators: Customers provide feedback via complaint channels, which are viewed as opportunities for service enhancement. The Central Bank of Sri Lanka's regulatory oversight (e.g., through inspections and adherence to their 'Securing Your Rights' framework for consumer protection) influences our stringent adherence to compliance and fair practices, ensuring transparent and accessible information.

Stakeholder Engagement

GRI 3-1

The “Shared Value” Framework

At Sarvodaya Development Finance PLC (SDF), stakeholder engagement is not merely a compliance exercise; it is the very fabric of our operation, deeply woven into the principles of the organisation. Our engagement strategy is designed to foster a continuous cycle of understanding, collaboration, and shared value creation, ensuring that our financial services genuinely empower individuals and uplift communities. We believe that by genuinely listening to and collaborating with our diverse stakeholders, we not only manage risks but unlock opportunities for sustainable growth and profound social impact.

Integrity and Ethical Conduct

Uphold high ethical standards in all engagement activities, ensuring fairness, respect, and confidentiality, especially when dealing with vulnerable groups or sensitive financial data.

Responsiveness

Act on stakeholder input through timely, meaningful actions whether it's adjusting products, improving service standards, or refining risk management practices.

Inclusiveness and Relevance

Identify and engage all key stakeholder groups such as customers, investors, regulators, employees, and community partners based on their influence and the relevance of their interests to the institution's operations and strategy.

Transparency and Accountability

Communicate openly about decisions, performance, and risks, and ensure stakeholders understand how their feedback is used. This builds trust and meets regulatory and ethical expectations

Continuous Engagement and Improvement

Maintain an ongoing dialogue, regularly evaluate engagement effectiveness, and adapt practices to evolving stakeholder needs and market dynamics.

Stakeholder Engagement

Key Stakeholder Group	Why We Engage (Value for SDF)	How We Engage (Mechanisms & Frequency)
 Customers	To understand financial needs, build trust, ensure product relevance, and foster long-term loyalty.	Community Forums: <ul style="list-style-type: none"> 50+ annually across branches, direct dialogue with ~2,500 participants. Branch-level Consultations: <ul style="list-style-type: none"> Weekly feedback sessions, direct interaction with frontline Financial Literacy Workshops: <ul style="list-style-type: none"> 15 workshops, reaching ~500 individuals in 2024.
 Women Customers	For lending and deposit growth, recognizing women as key drivers of family welfare. To support women entrepreneurship and their financial independence, aligning with SDG 5	Personalized Engagement: <ul style="list-style-type: none"> Staff trained in gender-sensitive approaches; active listening in local languages. Tailored Financial Services: <ul style="list-style-type: none"> Customizing offerings (e.g., micro-insurance, flexible repayment for seasonal income) to needs and capabilities to prevent debt overburdening. Empowerment Programs: <ul style="list-style-type: none"> Providing expanded training (digital literacy, financial management), market linkages, and sensitizing staff towards special needs of women.
 Shareholders	To secure capital, demonstrate financial and social return, ensure strategic alignment, and maintain investor confidence.	Annual General Meetings (AGMs): <ul style="list-style-type: none"> Formal governance Quarterly Investor Calls & Reports: Performance updates, strategic discussions. Direct Dialogues & ESG Presentations: <ul style="list-style-type: none"> Focused meetings with impact investors. SEEDS Board Representation: <ul style="list-style-type: none"> Strategic alignment.
 Employees	To foster a motivated, skilled, and engaged workforce; ensure talent retention; and align internal culture with external mission.	Annual Employee Engagement Surveys: <ul style="list-style-type: none"> 80% participation in 2024 Performance Reviews & Career Discussions: <ul style="list-style-type: none"> Individualized feedback and development plans. Internal Communications: <ul style="list-style-type: none"> newsletters, suggestion boxes, 'Green Team' (15 members). Training & Development Programs: <ul style="list-style-type: none"> 25 average hours/employee in 2025.
 Sarvodaya Shramadana Societies (SSS) & Members	<p>For lending and deposit growth within rural and underserved communities.</p> <p>To support rural entrepreneurship and provide modern financial services where traditional banking may be limited.</p>	Direct Participation: <ul style="list-style-type: none"> Engaging in SSS activities and holding workshops/training events Advisory & Market Linkages: <ul style="list-style-type: none"> Organising special market linkage activities and providing enhanced advisory services for SSS members (e.g., partnership with local agricultural extension services). Competitive Lending: <ul style="list-style-type: none"> Maintaining below-average micro credit lending rates to prevent exploitation by black-market village lenders, while providing professional service.

What We Learn / How They Influence Us (Impact on SDF)	Shared Value Created (Impact on Stakeholder)	KPIs Reflecting Engagement Outcome
Product Adaptation: <ul style="list-style-type: none"> Insights led to flexible micro-loan repayment schedules aligned with agricultural cycles (85% rural clients requested). Service Enhancements: <ul style="list-style-type: none"> Feedback on digital accessibility drives app improvements. Risk Mitigation: <ul style="list-style-type: none"> Early identification of repayment challenges enables proactive support. 	Improved Financial Access: <ul style="list-style-type: none"> Tailored products, fair terms. Enhanced Financial Capability: <ul style="list-style-type: none"> Through literacy programs. Empowerment: <ul style="list-style-type: none"> Voice heard, needs Resilience: Greater ability to manage financial shocks. 	<ul style="list-style-type: none"> Customer retention rate (%) % of new products/services developed based on customer feedback No. of financial literacy program participants Customer satisfaction score (%)
Product Customization: <ul style="list-style-type: none"> Direct understanding of unique challenges (e.g., caregiving responsibilities) informs new product features. Targeted Support: <ul style="list-style-type: none"> Identifying emerging needs for digital financial literacy.. Enhanced Trust: <ul style="list-style-type: none"> Personalized approach continues to build strong relationships, evidenced by high retention. 	Financial Access & Stability: <ul style="list-style-type: none"> Broader range of tailored products. Empowerment: Enhanced digital skills, expanded market access. Improved Family Welfare: <ul style="list-style-type: none"> Holistic support beyond just lending Community Building: <ul style="list-style-type: none"> Peer networking and shared learning through new digital platforms. 	<ul style="list-style-type: none"> % of female customers No. of women entrepreneurship support programs Customer retention rate for women
Dividend Policy: <ul style="list-style-type: none"> Emphasis on social impact from SEEDS and impact investors influenced high dividend payout for community development. ESG Integration: <ul style="list-style-type: none"> Investor inquiries drive stronger ESG reporting and targets. Strategic Direction: <ul style="list-style-type: none"> Input on long-term growth and impact areas. 	Financial Return: <ul style="list-style-type: none"> Consistent profitability. Social Return on Investment (SROI): <ul style="list-style-type: none"> Demonstrable community upliftment via dividends. Transparency & Trust: <ul style="list-style-type: none"> Clear reporting on dual bottom line. 	<ul style="list-style-type: none"> Return on Equity (ROE) Total dividends paid to SEEDS (LKR) ESG rating Investor satisfaction (qualitative feedback)
Skill Development: <ul style="list-style-type: none"> Employee demand led to increased digital skill training (10% increase in attendance). Workplace Culture: <ul style="list-style-type: none"> Feedback shapes diversity & inclusion initiatives and wellness programs. Operational Improvements: <ul style="list-style-type: none"> Staff suggestions drive efficiency gains (e.g., paper reduction ideas). 	Professional Growth: <ul style="list-style-type: none"> Skill enhancement, career progression. Inclusive Culture: <ul style="list-style-type: none"> Fair treatment, sense of belonging. Well-being: <ul style="list-style-type: none"> Supportive work environment. Recognition: <ul style="list-style-type: none"> Contribution valued. 	<ul style="list-style-type: none"> Employee turnover rate Average training hours per employee (hours) Employee engagement index (%) % of staff participating in internal committees/initiatives
Deep Market Insight: <ul style="list-style-type: none"> Continued direct engagement provides real-time understanding of evolving rural market trends and specific needs. Network Leverage: <ul style="list-style-type: none"> SSS network remains a critical channel for outreach and feedback. Community Trust: <ul style="list-style-type: none"> Below-average lending rates and direct support reinforce trust and loyalty, leading to increased member participation. 	Accessible Financial Services: <ul style="list-style-type: none"> Expanded reach through digital agents. Protection: <ul style="list-style-type: none"> Continued safeguarding against exploitative informal lenders. Empowerment: <ul style="list-style-type: none"> Enhanced advisory services for improved business outcomes. Rural Digital Inclusion: <ul style="list-style-type: none"> Access to basic digital financial services via trusted local points. 	<ul style="list-style-type: none"> % of loans disbursed via SSS network No. of workshops/training events with SSS Growth in SSS member customer base No. of 'SSS Digital Banking Agents' activated

Stakeholder Engagement

Key Stakeholder Group	Why We Engage (Value for SDF)	How We Engage (Mechanisms & Frequency)	
 Regulators	To ensure full compliance, maintain operating license, contribute to policy development, and uphold financial stability and consumer protection.	Formal Regulatory Submissions: <ul style="list-style-type: none"> Periodic reports, compliance documents Regular Meetings & Consultations: <ul style="list-style-type: none"> Proactive engagement with CBSL Industry Association Forums: <ul style="list-style-type: none"> Participation in policy discussions. Internal & External Audits: <ul style="list-style-type: none"> Verification of compliance. 	
 Business Partners	To ensure efficient operations, uphold ethical supply chains, maintain quality standards, and foster mutually beneficial relationships.	Regular Review Meetings: <ul style="list-style-type: none"> Quarterly performance discussions with key suppliers. Service Level Agreements (SLAs): <ul style="list-style-type: none"> Formal agreements with defined performance metrics. Ethical Sourcing Policies: <ul style="list-style-type: none"> Communicated and monitored. Joint Problem-Solving Sessions: <ul style="list-style-type: none"> Collaborative approach to operational challenges. 	
 Rating Agency	<p>To communicate SDF's financial stability and sustainability to a wider, independent audience.</p> <p>To enhance local and international credibility and trust in the Company, which is crucial for attracting capital.</p> <p>To obtain foreign funding at competitive rates by demonstrating strong financial health.</p>	Comprehensive Access: <ul style="list-style-type: none"> Providing full and transparent access to our financials and operational data for independent assessments. Dialogue & Clarification: <ul style="list-style-type: none"> Engaging in regular, open discussions to clarify operations, strategy, and risk management (e.g., annual review meetings with LRA). Recommendations Implementation: <ul style="list-style-type: none"> Actively taking their recommendations into consideration for continuous improvement in financial and operational practices. 	
 Investors	<p>To attract new funding for growth and expansion.</p> <p>To raise awareness about investment opportunities in Sri Lanka and SDF's unique impact model among the global investor community.</p>	Investment Roadshows: <ul style="list-style-type: none"> Active participation in global impact investor events. Digital Platforms: <ul style="list-style-type: none"> Utilizing the SDF website and social media for communication. Public Reporting: <ul style="list-style-type: none"> Publishing annual reports, quarterly financial statements. 	

	What We Learn / How They Influence Us (Impact on SDF)	Shared Value Created (Impact on Stakeholder)	KPIs Reflecting Engagement Outcome
	Regulatory Compliance: <ul style="list-style-type: none"> Direct guidance ensures adherence to new regulations (Financial Consumer Protection Regulations) Policy Contribution: <ul style="list-style-type: none"> SDF's experience with rural finance informs regulatory discussions. Risk Management: <ul style="list-style-type: none"> External scrutiny strengthens internal controls. 	Stable Financial System: <ul style="list-style-type: none"> Contribution to robust regulatory framework. Consumer Protection: <ul style="list-style-type: none"> Adherence to fair practices. Market Integrity: <ul style="list-style-type: none"> Ethical operations, preventing illicit activities. 	<ul style="list-style-type: none"> No. of non-compliance incidents No. of regulatory recommendations received & addressed On-time submission rate of regulatory reports (%)
	Service Quality Improvement: <ul style="list-style-type: none"> Feedback leads to better technology support (e.g., core banking system support). Cost Efficiency: <ul style="list-style-type: none"> Collaborative process improvements. Innovation: <ul style="list-style-type: none"> Joint exploration of new solutions (e.g., digital payment platforms). 	Reliable Service Delivery: <ul style="list-style-type: none"> Consistent quality of external services. Ethical Conduct: <ul style="list-style-type: none"> Shared commitment to responsible practices. Operational Efficiency: <ul style="list-style-type: none"> Streamlined processes. 	<ul style="list-style-type: none"> Supplier performance ratings % of critical partners adhering to ethical sourcing policies No. of joint innovation projects
	Enhanced Credibility: <ul style="list-style-type: none"> Independent assessment validates SDF's financial health, facilitating investor due diligence Investment Attractiveness: <ul style="list-style-type: none"> Favorable ratings are crucial for accessing both local and foreign low-cost funding (e.g., for sustainable agriculture projects). Internal Benchmarking: <ul style="list-style-type: none"> Recommendations serve as valuable external benchmarks, driving internal excellence in financial management and risk oversight. 	Transparent Assessment: <ul style="list-style-type: none"> Independent, professional evaluation of financial health and operational robustness. Informed Decisions: <ul style="list-style-type: none"> Providing reliable data for potential investors and funders. Trust & Assurance: <ul style="list-style-type: none"> Enhanced credibility in the domestic and international financial markets. 	<ul style="list-style-type: none"> Current credit rating & outlook Frequency of rating reviews (e.g., Annual) % of recommendations received from LRA implemented Volume of new foreign funding raised influenced by rating (LKR)
	Funding Diversification: <ul style="list-style-type: none"> Engagements lead to discussions for low-cost funding for sustainable agriculture. Market Positioning: <ul style="list-style-type: none"> Enhances SDF's profile as a leading impact investment opportunity in Sri Lanka. ESG Prioritization: <ul style="list-style-type: none"> Awareness raising often highlights investor expectations for detailed ESG performance. 	Investment Opportunity: <ul style="list-style-type: none"> Access to a unique impact-driven financial institution. Market Insight: <ul style="list-style-type: none"> Understanding the Sri Lankan investment landscape Sustainable Impact: <ul style="list-style-type: none"> Investing in a company aligned with SDGs. 	<ul style="list-style-type: none"> No. of investment roadshows attended No. of investor inquiries received Volume of new foreign funding raised (LKR)

A member of the Iluk Pelessa Sarvodaya Shramadana Society cultivates greenhouse-grown specialised chili pepper (Scotch Bonnet) as an eco-friendly farming method that minimizes environmental impact while meeting high value added market demand.



Customer Name :-
P P Ariyasinghe Perera
Central Province
Kandy District, Iluk Pelessa







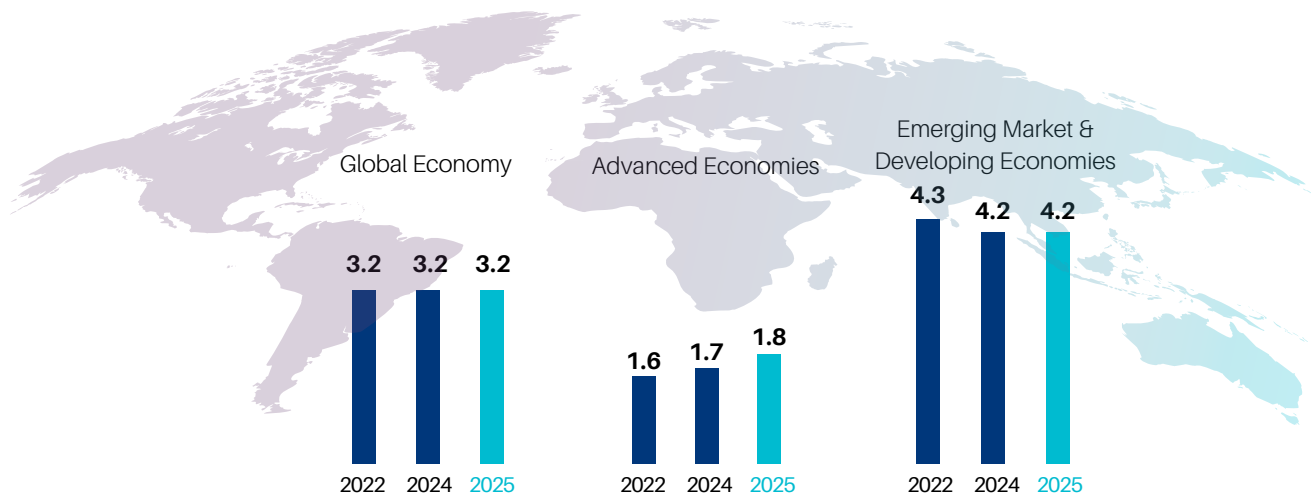
Operating Environment

SDF’s journey toward achieving its stakeholder objectives is significantly influenced by the operating environment. A thorough analysis of global and local macroeconomic drivers enables us to develop forward-looking strategies, identify emerging opportunities, and mitigate potential risks that could impact our core business operations.

In 2024, challenges arising from the global economy, the domestic context, and the Non-Bank Financial Institutions (NBFI) sector continued to create both immediate and long-term effects. The economic and social disruptions witnessed over the past few years, both globally and locally, remain some of the most critical risks SDF has had to navigate.

However, coordinated efforts by global economic leaders have paved the way for recovery across key markets. Locally, the gradual stabilisation of the economy was evidenced by declining inflation, increased foreign currency inflows, the appreciation of the Sri Lankan rupee, the successful restructuring of external debt, improved foreign reserves, and sustained GDP growth. These developments have contributed to the renewed confidence of the business community and the general public, supporting a more stable environment for financial operations and long-term planning.

Global Economy



According to the International Monetary Fund (IMF), the global economy is expected to maintain its resilience, continuing along a path of moderate but steady growth despite persistent challenges. Contrary to earlier pessimistic forecasts, the global economy avoided a recession in 2023. The international banking system demonstrated overall stability, and key emerging market economies sustained positive momentum.

As highlighted in the IMF's April 2024 World Economic Outlook (WEO), global economic growth is projected to remain steady at 3.2% in both 2024 and 2025, consistent with the pace recorded in 2023. Meanwhile, global headline inflation is expected to decline from an average of 6.8% in 2023 to 5.9% in 2024, and further to 4.5% in 2025.

However, the momentum of expansion is expected to moderate due to several near-term headwinds, including elevated borrowing costs, the withdrawal of pandemic-era fiscal support, lingering effects of the COVID-19 crisis, geopolitical tensions such as the Russia-Ukraine war and the Gaza-Israel conflict, and a prolonged downturn in China's property sector. Furthermore, fiscal consolidation through tax increases and reduced public spending is likely to reshape the policy landscape in response to mounting sovereign debt across many economies.

As the global economy begins to stabilise from years of exceptional volatility, attention is now shifting toward strategic investments in climate resilience, artificial intelligence, and structural reforms. These measures aim to anchor inflation sustainably, restructure sovereign debt, and set the foundation for long-term inclusive growth.

Sri Lanka Economy



Political

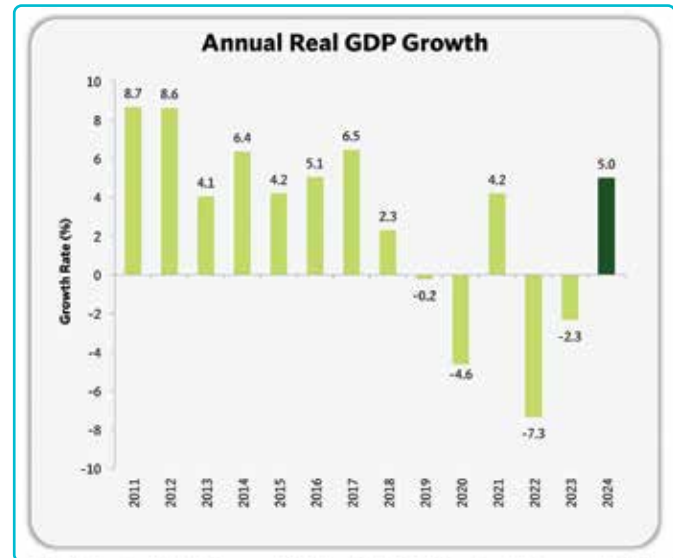
Sri Lanka has maintained political stability following the 2022 crisis. The Presidential Election held on September 21, 2024, resulted in the election of Anura Kumara Dissanayake, who has pledged to implement economic reforms and enhance social protections. His administration is focused on transforming the economy and addressing past mismanagement.

Outlook

With a clear mandate, the government is expected to continue implementing reforms aligned with the \$2.9 billion IMF program secured in March 2023. These reforms aim to stabilize the economy, improve governance, and attract foreign investment.

Economic

Gross Domestic Product (GDP)



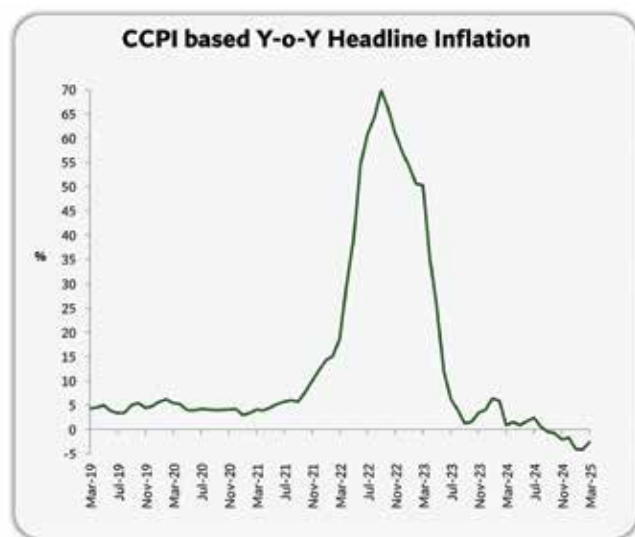
Following a sharp contraction of -7.3% in 2022, Sri Lanka's economy significantly improved gradually and reported 5% GDP growth in 2024. The recovery was supported by improved macroeconomic stability, the easing of supply-side constraints, and better performance in tourism and agriculture. GDP growth is expected to accelerate to 3.2% in 2025, provided reform momentum continues and external financing remains stable.

Inflation

As of April 2025, Sri Lanka continues to experience deflationary conditions, with the National Consumer Price Index (NCPI) recording a year-on-year decrease of 0.8%. This marks an improvement from the -1.9% reported in March 2025, indicating a gradual easing of deflationary pressures.

The deflationary trend has been influenced by several factors, including reductions in electricity tariffs and fuel prices, as well as subdued consumer demand. In response to these conditions, the Central Bank of Sri Lanka (CBSL) implemented a 25 basis point cut to its benchmark interest rate in May 2025, lowering it to 7.75%. This move aims to stimulate economic growth and steer inflation towards the CBSL's medium-term target of 5%. Looking ahead, inflation is expected to return to positive territory by the third quarter of 2025, aligning with the CBSL's projections. The Central Bank anticipates that inflation will gradually rise, reaching the 5% target by 2026.

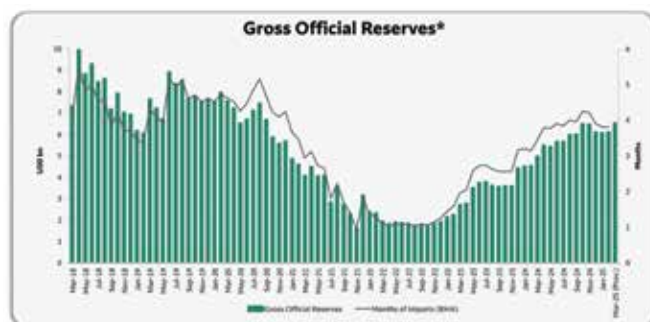
Operating Environment



Official Reserves

As of April 2025, Sri Lanka's official reserve assets stood at USD 6.32 billion, marking a 3% decline from USD 6.53 billion in March, according to data from the Central Bank of Sri Lanka. This decrease is primarily attributed to ongoing external debt repayments, including obligations to India from crisis-era loans, and the Central Bank's provision of foreign currency for external debt servicing.

Despite this decline, the reserve levels remain significantly higher than the USD 1.9 billion recorded at the end of 2022, indicating a substantial recovery. The Central Bank continues to manage reserves following international best practices, with oversight from the International Reserve Investment Oversight Committee and the Board Risk Oversight Committee.



Exchange Rate

As of May 2025, the Sri Lankan Rupee (LKR) has demonstrated relative stability against the US Dollar (USD). The average exchange rate in May 2025 was approximately LKR 299.35 per USD, compared to LKR 299.01 per USD in April 2024, indicating a marginal depreciation of the Rupee over the year.

This slight change reflects the Rupee's resilience amidst global economic fluctuations, supported by the Central Bank of Sri Lanka's prudent monetary policies, improved foreign exchange reserves, and a gradual recovery in export earnings. Maintaining this exchange rate stability is crucial for sustaining economic recovery and managing external debt obligations in the years ahead.

Policy Rates

The Central Bank of Sri Lanka adopted a prudent monetary stance, gradually reducing policy rates in response to declining inflation and stabilizing market conditions. The Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were adjusted to reflect easing price pressures and to encourage credit growth in priority sectors.

External Sector

Sri Lanka's external sector remains vital to its economy, contributing approximately 15% to GDP. The country's exports, including textiles, tea, rubber, and spices, generated around USD 8 billion in 2024, while remittances from overseas workers, valued at about USD 3.5 billion, are a significant source of foreign exchange. Tourism, which earned roughly USD 2 billion in 2024, is also a key sector. However, Sri Lanka faces a trade deficit exceeding USD 4 billion annually and an external debt of about USD 65 billion, which strains foreign exchange reserves. Recent policies aimed at stabilizing the external sector include IMF supported reforms, efforts to diversify exports, and initiatives to attract FDI. Maintaining a healthy balance of payments and exchange rate stability remains critical amid ongoing global economic challenges.

Outlook

The economy is projected to sustain its growth momentum in 2025, with the Central Bank of Sri Lanka expecting a growth rate of around 5%. Continued fiscal consolidation, debt restructuring, and structural reforms are essential to maintain this trajectory.



Social

Sri Lanka's mid-year population in 2024 decreased by 120,555 to 21.916 million, primarily due to a decline in births and continued negative net migration. The economically active population (labour force) contracted to an estimated 8.316 million in 2024, down from 8.410 million in 2023. Despite this contraction, the unemployment rate edged down to an estimated 4.4% in 2024, reflecting simultaneous declines in both the number of unemployed persons and the overall labour force.



Population
21.7 Mn



Labour Force
8.6 Mn (47%)



Unemployment Rate
4.4%

Outlook

Addressing poverty and unemployment requires targeted welfare programs, support for micro, small, and medium-sized enterprises (MSMEs), and investments in education and vocational training. Efforts to improve social indicators are crucial for inclusive growth.



Technological

As of January 2025, Sri Lanka had 12.4 million internet users, representing an internet penetration rate of 53.6%. This marks a 7.0% increase from the previous year. The government is promoting digital transformation through initiatives like 'Digital Sri Lanka 2030', focusing on e-governance, fintech, and cybersecurity.



Internet Users
12.4 Mn (43.6%)

Outlook

Continued investment in digital infrastructure and literacy programs is expected to enhance connectivity and support economic modernization. Bridging the digital divide, especially in rural areas, remains a priority.



Technological

Sri Lanka has set an ambitious target to generate 70% of its electricity from renewable sources by 2030. Legislation passed in 2024 aims to attract investment in renewable energy and reform the state-run power sector. Projects like the Maha Oya Pumped Storage Power Station, a 600MW facility, are underway to support this transition.

Outlook

Achieving renewable energy targets requires significant investment, estimated at \$12 billion over the next six years. The government's commitment to environmental sustainability is expected to open opportunities for green investments and regional power trading.



Legal

In line with the IMF program, Sri Lanka has enacted legal reforms, including the Anti-Corruption Bill and amendments to tax laws. A new Central Bank Act has been introduced to enhance monetary policy independence. Efforts are also underway to improve corporate governance and ease of doing business.

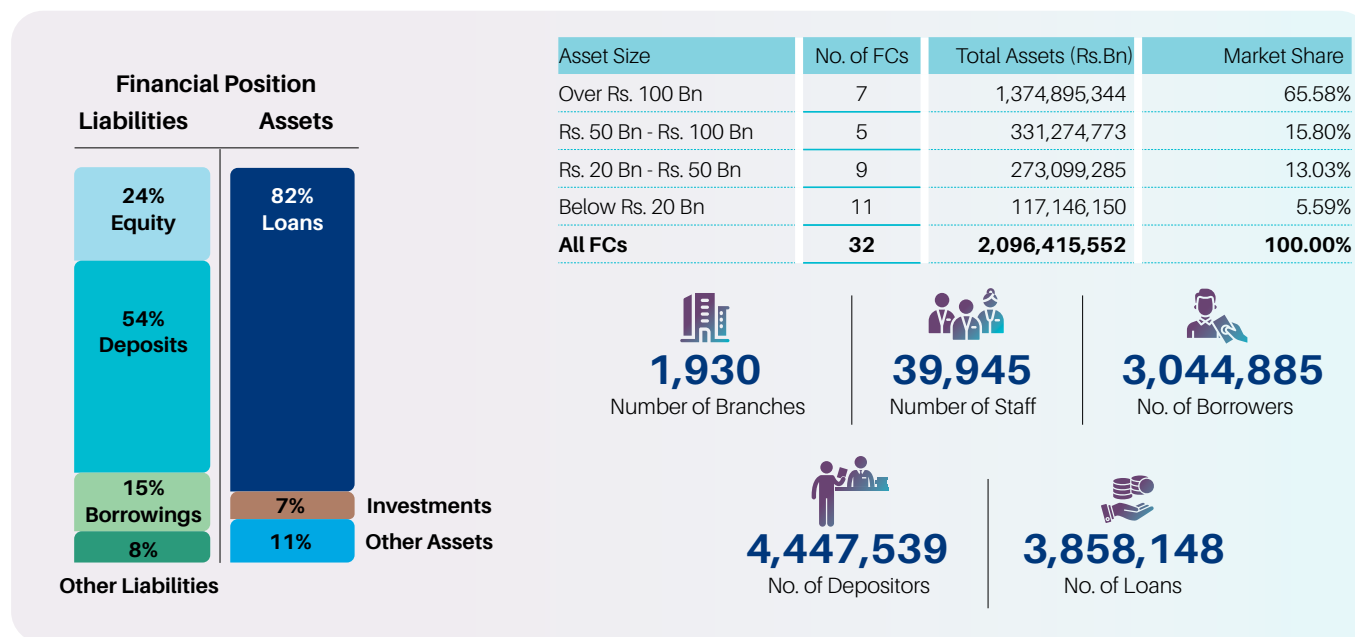
Outlook

Further legal reforms are anticipated in 2025, focusing on judicial efficiency, property rights, and regulatory transparency. These changes aim to strengthen investor confidence and promote a fair business environment.

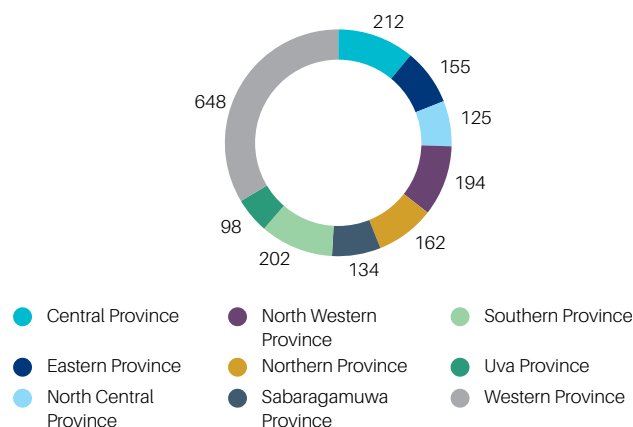
Operating Environment

Non-Bank Financial Sector Developments

Non-bank Financial Sector Development



Distribution of NBFIs



The Non-Banking Financial Institution (NBFI) sector in Sri Lanka plays a vital role in financial intermediation by serving market segments that are often underserved by traditional commercial banks. Comprising licensed finance companies (LFCs) and specialized leasing companies (SLCs), the sector primarily focuses on leasing, hire purchase, pawning, microfinance, and personal loans.

As of March 2025, the NBFIs sector accounted for approximately 8.6% of the total assets of the financial system, with an asset base of LKR 2.1 trillion. The sector has shown resilience in the face of economic headwinds, aided by improved regulatory oversight, better capital adequacy, and stronger risk management practices.

In recent years, the Central Bank of Sri Lanka (CBSL) has implemented several policy measures to enhance the stability and transparency of the sector, including tighter capital adequacy requirements, credit concentration limits, and digitization initiatives. Despite these improvements, challenges such as asset quality deterioration, high non-performing loan (NPL) ratios, and limited access to low-cost funding have impacted profitability.

The sector has also undergone consolidation, as part of CBSL's financial sector master plan, aimed at reducing fragmentation and enhancing efficiency. Several mergers and acquisitions are currently underway or being evaluated to meet minimum capital thresholds.

Source: LFC Sector Key Financial Highlights by CBSL

NBFI Sector Financial Performance

The sector's assets continued to grow, recording a year-on-year (YoY) increase of 19.1%, with the total asset base reaching LKR 2,089 billion as of end-March 2025, compared to LKR 1,760.7 billion at end-March 2024. The asset composition comprised 74.5% loans and advances, 17.4% investments, and the remaining 8.1% in other assets, including cash in hand and fixed assets. With the gradual revival of economic activity, this marks a significant improvement compared to the 7.7% growth reported in the previous year.

In line with asset growth, the sector's funding base also expanded, supported by both customer deposits and institutional borrowings. Institutional borrowings grew by 52%, while customer deposits increased by 13.5%, reflecting improved investor confidence and liquidity.

The sector's net profit rose by 30%, amounting to LKR 70.87 billion, primarily driven by improved asset quality and a reduction in the cost of funds amid macroeconomic stabilization.

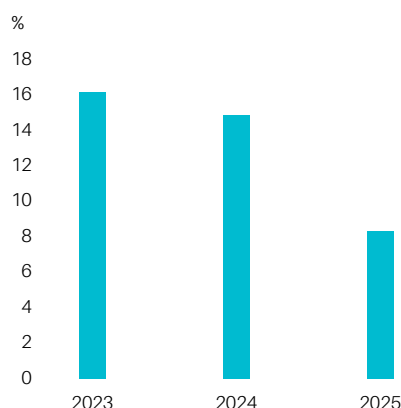
Source: LFC Sector Key Financial Highlights by CBSL

Credit Quality

The sector's Non-Performing Loans (NPLs) (Stage 3) stood at 8.3% as of March 2025, marking a significant improvement from 14.7% reported in March 2024. This positive trend was primarily driven by the stabilization of financial markets most notably, the reduction in interest rates and the resulting increase in credit demand.

Furthermore, there was a notable improvement in the provision coverage against Stage 3 loans, which rose to 45.8% from 35.7%, reflecting enhanced risk mitigation practices.

Non Performing Loans



Impairment Coverage



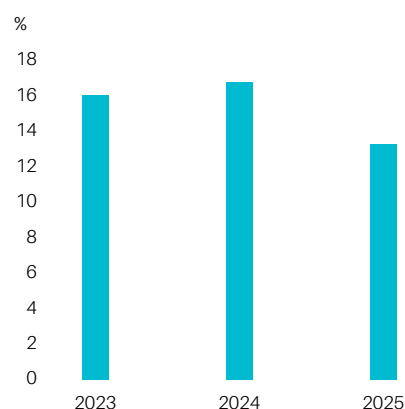
Source: LFC Sector Key Financial Highlights by CBSL

Capital and Liquidity

The NBFI sector maintained a stable capital and liquidity position as of end-March 2025, reflecting strengthened regulatory oversight and prudent risk management practices. The Capital Adequacy Ratio (CAR) for Licensed Finance Companies (LFCs) remained well above the minimum regulatory requirement of 12.5%, averaging 20.5% across the sector. This robust capital buffer has enhanced the sector's resilience against potential credit losses and macroeconomic shocks. However, a slight decline in the average CAR was observed compared to the previous year, primarily due to the significant expansion in total assets, which outpaced capital growth.

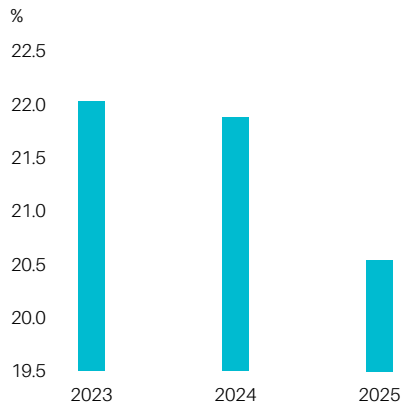
In terms of liquidity, the sector reported excess liquidity of Rs. 123,044 million as of March 2025, compared to Rs. 152,035 million in March 2024, indicating a slight reduction while still maintaining a comfortable liquidity position.

Liquid Assets Ratio



Operating Environment

Capital Adequacy Ratio



Outlook

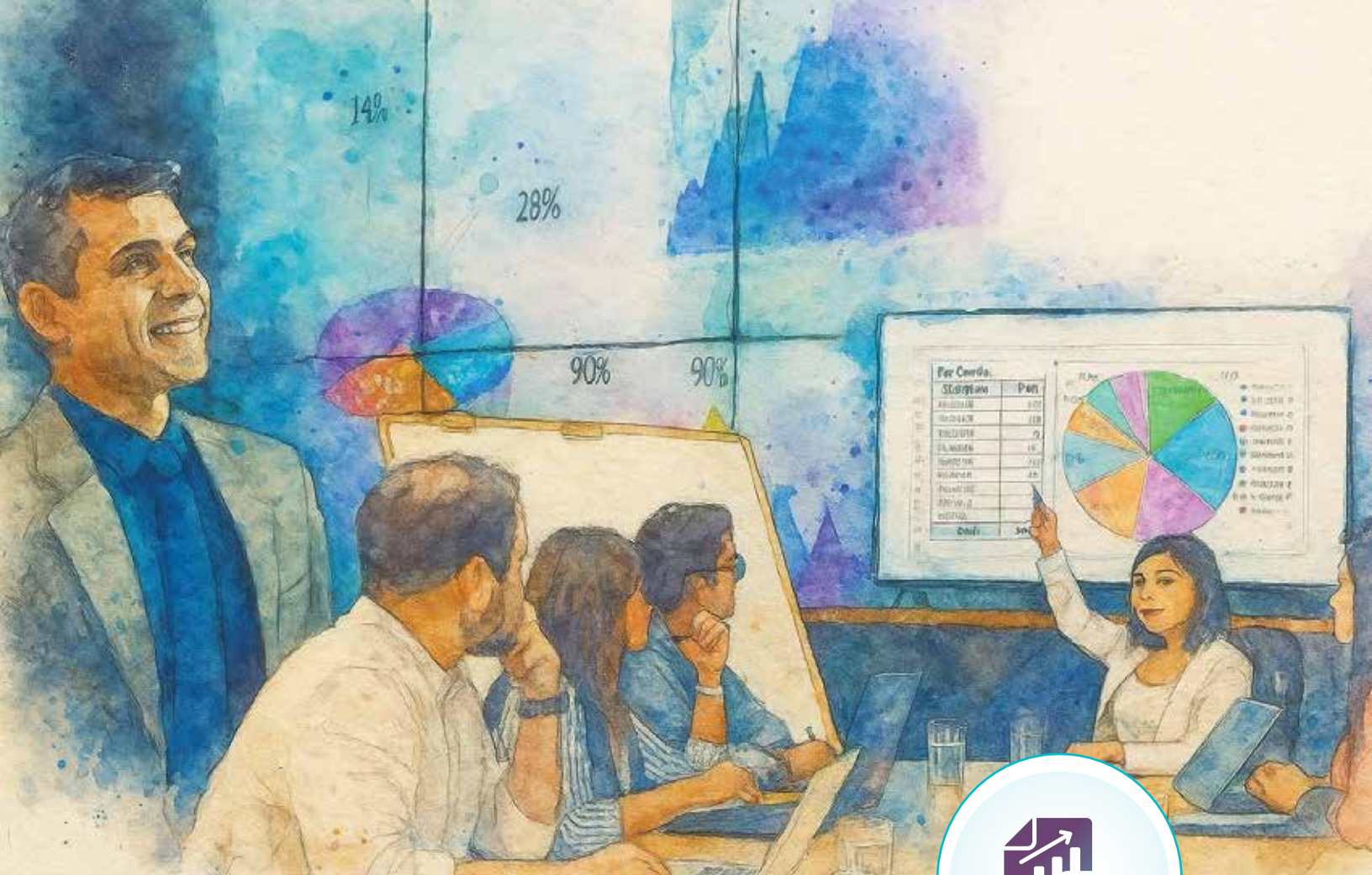
Sri Lanka's operating environment is set to improve in 2025, supported by stabilizing macroeconomic indicators, structural reforms, and continued IMF support. Easing inflation, a stable exchange rate, and lower interest rates are expected to boost business confidence and private sector activity.

GDP growth is projected at 3.2%, driven by tourism, agriculture, and manufacturing. However, progress will depend on effective debt restructuring, fiscal discipline, and global economic trends.

The NBFIs sector will likely benefit from improved asset quality, stronger liquidity, and rising credit demand. Digital adoption and targeted lending, especially to SMEs, will support growth.

Challenges such as youth unemployment and regional disparities will require continued investment in skills development and inclusion. Environmental risks remain, reinforcing the need for a shift to sustainable practices and renewable energy.

Despite risks, the outlook remains cautiously optimistic, with reform momentum and international support driving gradual recovery.



Financial Capital

LKR **4.4 Bn**

Income

LKR **473.8 Mn**

Profit

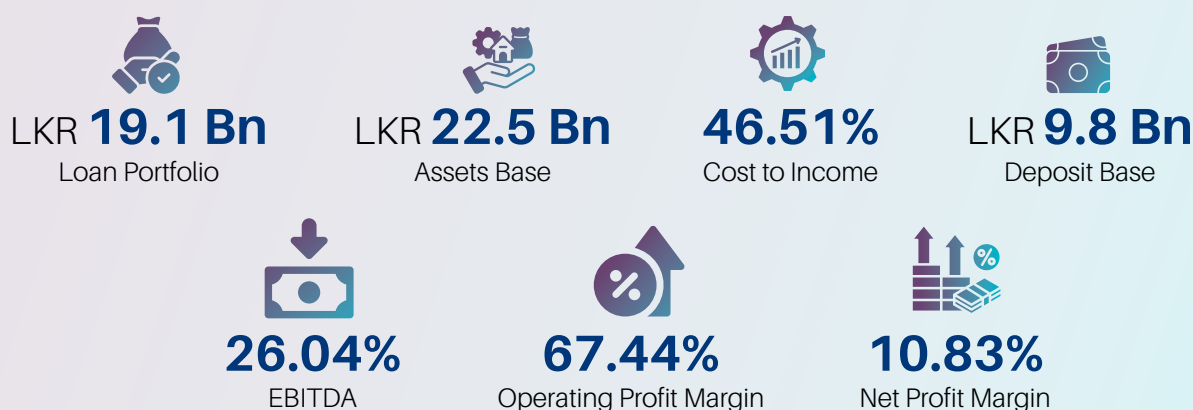
LKR **665.4 Mn**

Tax



Sarvodaya Development Finance PLC (SDF) has once again demonstrated its strong growth trajectory during the financial year 2024/25, by achieving an impressive 89.8% increase in Profit After Tax (PAT), reporting a Rs. 473.8 million profit. The year was a pivotal one for SDF in achieving landmark performances in profitability, assets growth, and assets quality in comparison to the industry performances despite the continued economic slowdown and external pressures. These accomplishments have further reinforced SDF's transformative and sustainable journey, creating lasting value for its stakeholders.

Financial Capital



The company's ability to navigate a challenging macroeconomic landscape was further enhanced by its agile and forward-looking strategic planning. Timely responses to shifting market dynamics, coupled with a comprehensive strategy to mitigate macroeconomic and environmental pressures, enabled the company to sustain momentum and deliver long-term value. These results reflect not only operational excellence but also a steadfast commitment to driving inclusive and sustainable growth across rural economies.

Performance of the Company

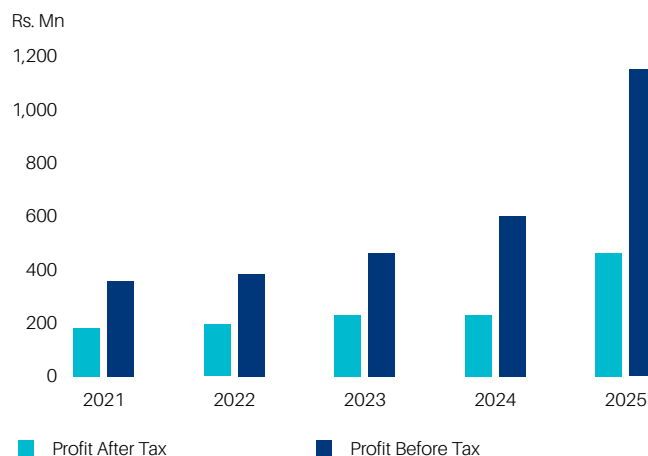
Remarkable financial performance of SDF underscores the strength and effectiveness of the company's differentiated business model, which is deeply rooted in agriculture-focused financial solutions and community-centric development. Our performance is a direct outcome of proactive and disciplined execution in a persistently volatile macroeconomic environment and our commitment to sustainable finance and ESG-aligned practices.

Item	2025 LKR Mn	2024 LKR Mn	Change	
			LKR Mn	%
Net Interest Income	2,639.4	1,779.5	859.9	48.3
Non-interest income	295.0	200.4	94.6	47.2
Operational Expenses	(1,372.0)	(1,080.6)	(291.4)	27.0
Impairment Expenses	(438.9)	(332.5)	(106.4)	32.0
Taxation	(665.3)	(341.6)	(323.7)	94.7
PAT	473.8	249.6	224.2	89.8

Record-Breaking Profitability Driven by Strategic Agri-Focus and Resilience

SDF achieved the strongest financial performance in its history during the financial year 2024/25, surpassing the LKR 1 billion milestone in operating profit before taxes. The Company reported an operating profit of LKR 1.14 billion, reflecting a remarkable 92.7% growth compared to the previous financial year. Profit After Tax (PAT) for the year grew by 89.8% to LKR 473.8 million. Net Interest Income grew by 48.3% to LKR 2,639.4 million, while Non-Interest Income increased by 47.2%, reaching LKR 295.0 million. Despite a 27.0% rise in Operational Expenses and a 32.0% increase in Impairment Expenses, the company maintained solid profitability. The tax expense nearly doubled, showcasing its contribution towards the government, yet SDF's bottom-line growth reflects its effective strategy and operational resilience.

Profitability



Income Source	2025 LKR Mn	2024 LKR Mn
Loans and Receivables	2,316,032,487	1,494,026,241
Lease Rentals Receivables	1,628,854,047	1,446,933,953
Financial Investments	92,902,132	119,260,793
Other Financial Assets	25,995,400	41,761,295

Horizontal Analysis of Income Statement

Income Statement	CAGR*	2024/25		2023/24		2022/23		2021/22		2020/21
	%	LKR Mn	%	LKR Mn	%	LKR Mn	%	LKR Mn	%	LKR Mn
Income	26	4,374	31	3,327	28	2,597	35	1,930	11	1,744
Interest Income	27	4,064	31	3,102	26	2,461	35	1,822	15	1,585
Interest Expenses	23	(1,424)	8	(1,322)	8	(1,222)	117	(562)	(10)	(623)
Net Interest Income	29	2,639	48	1,780	44	1,240	(2)	1,260	31	961
Other Operating Income	18	311	38	225	65	136	26	108	(32)	159
Total Operating Income	27	2,950	47	2,004	46	1,376	1	1,368	22	1,120
Impairment Charges	64	(439)	32	(333)	427	(63)	(67)	(193)	221	(60)
Net Operating Income	24	2,511	50	1,672	27	1,313	12	1,176	11	1,060
Total Operating Expenses	18	(1,372)	27	(1,081)	25	(867)	8	(800)	14	(704)
Tax on Financial Services	36	(310)	70	(182)	25	(146)	37	(107)	19	(89)
Profit Before Tax	33	830	103	409	36	300	12	269	1	267
Income Tax Expense	44	(356)	123	(160)	103	(78)	47	(53)	(36)	(83)
Profit for the year	27	474	90	250	13	222	3	215	18	183

* Compounded Annual Growth Rate (CAGR)

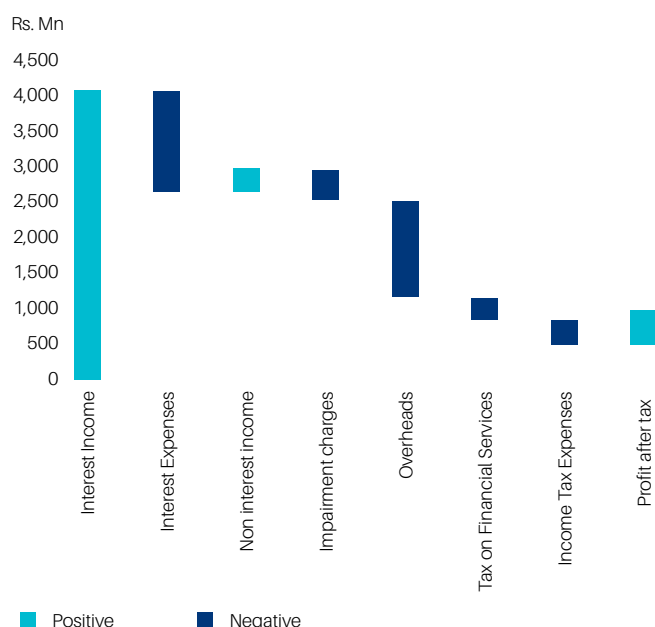
Vertical Analysis of Income Statement

Income Statement	2024/25		2023/24		2022/23		2021/22		2020/21	
	LKR Mn	%	LKR Mn	%	LKR Mn	%	LKR Mn	%	LKR Mn	%
Income	4,374	100	3,327	100	2,597	100	1,930	100	1,744	100
Interest Income	4,064	93	3,102	93	2,461	95	1,822	94	1,585	91
Interest Expenses	(1,424)	(33)	(1,322)	(40)	(1,222)	(47)	(562)	(29)	(623)	(36)
Net Interest Income	2,639	60	1,780	53	1,240	48	1,260	65	961	55
Other Operating Income	311	7	225	7	136	5	108	6	159	9
Total Operating Income	2,950	67	2,004	60	1,376	53	1,368	71	1,120	64
Impairment Charges	(439)	(10)	(333)	(10)	(63)	(2)	(193)	(10)	(60)	(3)
Net Operating Income	2,511	57	1,672	50	1,313	51	1,176	61	1,060	61
Total Operating Expenses	(1,372)	(31)	(1,081)	(32)	(867)	(33)	(800)	(41)	(704)	(40)
Tax on Financial Services	(310)	(7)	(182)	(5)	(146)	(6)	(107)	(6)	(89)	(5)
Profit Before Tax	830	19	409	12	300	12	269	14	267	15
Income Tax Expense	(356)	(8)	(160)	(5)	(78)	(3)	(53)	(3)	(83)	(5)
Profit for the year	474	11	250	8	222	9	215	11	183	11

Financial Capital

Below graphical analysis provides a clear and sequential breakdown of the key drivers influencing net profitability during the financial year. Analysis highlights the incremental impact of interest income and non interest income, followed by a detailed deduction of major expense categories including interest expenses, impairment charges, overhead expenses, and tax obligations.

Analysis of Income Statement



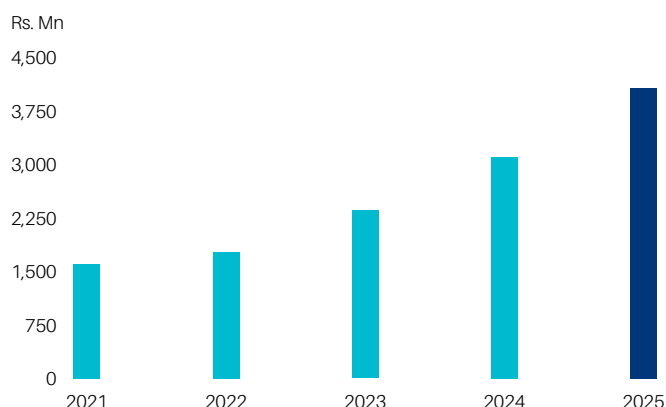
Net Interest Income

In the period under review, the company's net interest income showed a substantial increase of 48.3% which is well above the industry average of 38.0%, amounting to LKR 860 Mn compared to the previous year's reported amount of LKR 1,779.5 Mn. This growth was primarily driven by a 52.5% expansion in the company's lending portfolio and the product pricing. Additionally, the company's reliance on variable interest rate borrowings, coupled with the short-term fixed deposit base, contributed to this increase, as the gradual decline in reported market interest rates further supported the rise in net interest income.

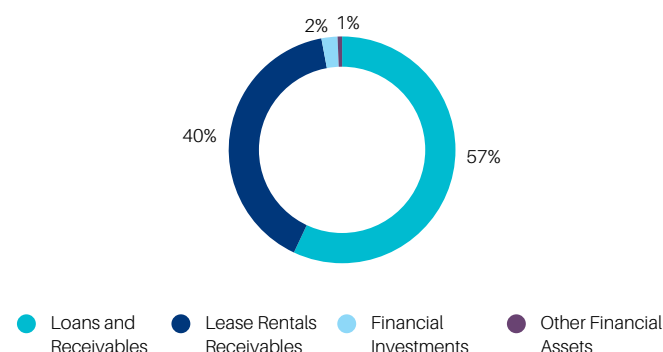
Interest Income

Despite the continuous reduction in the weighted prime lending rates from the beginning of the financial year, progression in the company's core lending business is reflected in the 31.0% growth in interest income. During the period under review, market interest rates were reduced to 8.39% in March 2025 from the 10.38% prevailed in April 2024 which resulted in a reduction of 19.2%. However, the collective efforts made by SDF was able to increase the interest income from LKR 3,102.0 million to LKR 4,063.7 resulting in an increase of LKR 961.8 million.

Interest Income



Interest Income

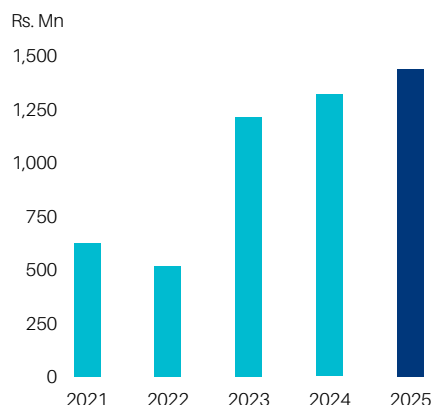


Interest Expenses

SDF maintained strong financial stability across all key parameters during the year, supported by continued international alliances focused on impact funding for the development of the country's rural agro sector. These strategic partnerships have strengthened the company's access to both local and foreign funding sources, ensuring a robust capital foundation.

The company recorded a solid growth momentum of 51.3%, underpinned by significant expansions in both borrowings and deposits by 151.7% and 31.2%, respectively. Notably, this growth was achieved with only a modest 7.7% increase in interest expenses, rising to LKR 1,424.3 million from LKR 1,332.5 million. This outcome reflects the effectiveness of SDF's treasury management strategies in optimizing funding costs amidst expansion.

Interest Expenses



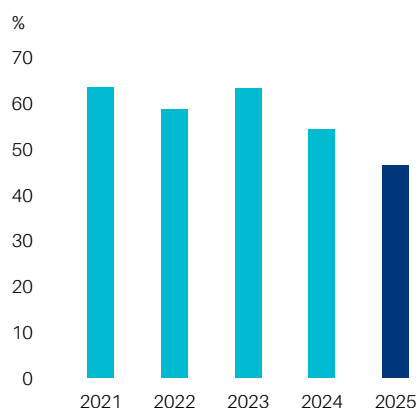
Non-Interest Income

Non-interest income primarily comprised net fee and commission income along with other operating income. Fee and commission income recorded a robust growth of 55.0%, reaching LKR 95.1 million, driven by the expansion of the company's business portfolio.

However, other operating income declined by 17.9%, largely due to reduced gains from the disposal of fixed assets and lower valuation gains on investment properties. Despite this decline, total operating income for the year increased by 47.2%, amounting to LKR 945.8 million, compared to LKR 2,004.3 million reported in the previous period.

Operational Expenses

Cost to Income



During the year under review, the company significantly enhanced operational efficiency through strategic cost management and process optimization initiatives. These efforts supported robust business growth of 51.3%, while operating expenses increased by only 27.0%, underscoring the organization's commitment to disciplined spending and sustainable expansion.

Total operating expenses stood at LKR 1,372.0 million, an increase of LKR 291.4 million compared to LKR 1,080.6 million recorded in the financial year 2023/24. A key driver of this increase was a 31.1% rise in personnel-related expenses, amounting to LKR 165.8 million. This reflects the company's continued investment in talent development, including the recruitment of 57 new staff members to support business growth and service excellence.

Despite this expansion in personnel costs, the company successfully improved its resource efficiency, reducing the staff cost-to-net income ratio from 26.7% in the previous financial year to 23.7% in the current period.

The rise in other operating expenses was primarily attributed to the strategic enhancement of the branch network, aimed at delivering superior service to our valued customers. These efforts led to a 23.0% increase in this expense category, including a LKR 33.3 million rise in office administration and establishment expenses. Notably, during the reporting period, the company upgraded three branches and relocated two others to better serve customer needs and improve accessibility.

Impairment

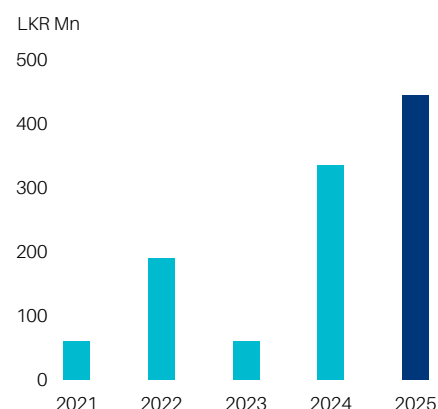
The company recognizes impairment charges on lease receivables and other customer exposures in accordance with SLFRS 9: Financial Instruments and its subsequent amendments. During the year under review, total impairment

charges and other losses amounted to LKR 438.9 million, reflecting a 32.0% increase compared to LKR 332.5 million reported in the previous year.

This increase of LKR 106.4 million is primarily attributed to the 52.5% expansion in the loan and lease portfolio, as well as a notable rise in the Loss Given Default (LGD) ratio during the period.

During the financial year, impairment expenses increased despite a notable reduction in the Stage 3 loan ratio (Non-Performing Advances - NPA) by 44.1%, which stood at 7.88% against the 14.10% reported in 2023/24 period. This outcome reflects the Company's prudent and forward-looking approach to credit risk management. The increase in impairment provisions is primarily attributable to a more conservative assessment of credit risk under evolving macroeconomic conditions and the application of expected credit loss (ECL) models in line with SLFRS 9. This proactive stance ensures the resilience of the balance sheet and reinforces the Company's commitment to maintaining strong asset quality and safeguarding stakeholder interests.

Impairment Expenses



Tax

Tax on financial services increased by LKR 127.6 million during the year, driven by significant growth of 69% in Value Added Tax on Financial Services (FSVAT) and 76% in the Social Security

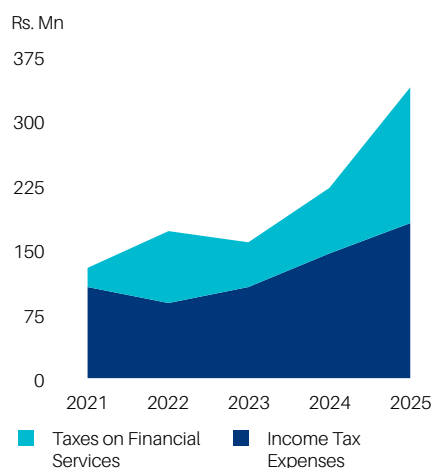
Financial Capital

Contribution Levy (SSCL). These increases are in line with the expansion of the company's revenue base across key business segments.

Income tax expenses rose sharply by 122.8%, bringing total Income tax expenses for the financial year 2024/25 to LKR 355.8 million, compared to LKR 159.7 million in 2023/24. This was primarily due to the company's strong earnings growth.

The increase in overall tax contribution underscores SDF's commitment to regulatory compliance and its role as a responsible corporate citizen. Through its tax contributions, the company continues to support the government's strategic development priorities and broader economic goals.

Taxes



Financial Stability - Statement of Financial Position Overview

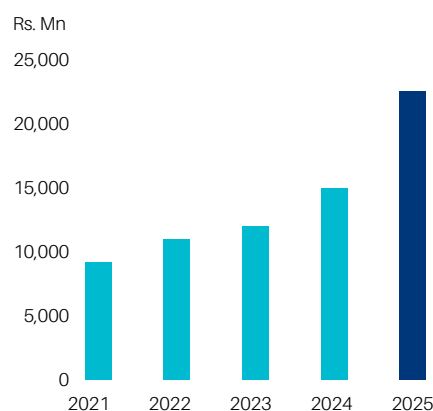
Total Assets

A key highlight for the year 2024/25 was the company surpassing the LKR 20.0 billion milestone in total assets, while maintaining its one of the leading positions in Category C of the Non-Bank Financial Institution (NBFi) sector. Demonstrating strong financial momentum, total assets grew by 51.3% to reach LKR 22.5 billion—an increase of LKR 7.6 billion, marking the highest

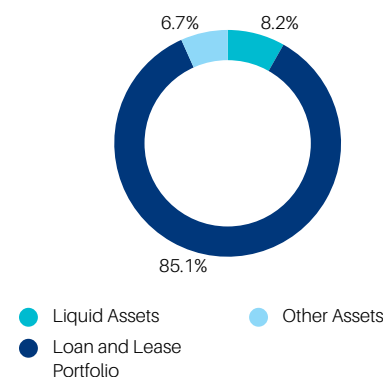
annual asset growth in the company's history.

This exceptional growth was primarily driven by the expansion of the loan and lease portfolio, alongside an increase in strategic investments. The company's ability to scale its asset base while preserving market leadership reflects its solid business model, effective risk management, and continued investor value creation.

Total Assets



Total Assets Mix

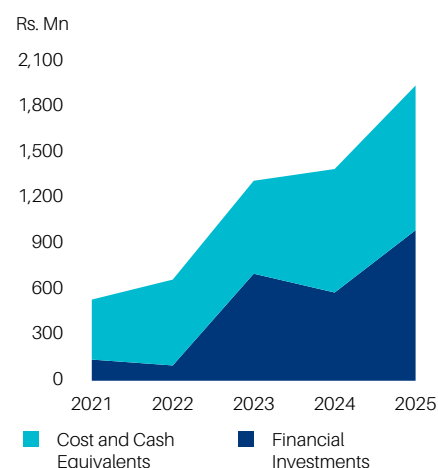


Liquid Assets

As at the end of the financial year, the company reported total liquid assets of LKR 1,834 million, comprising Cash and Cash Equivalents and Financial Investments held to meet liquidity requirements. In alignment with the significant growth in deposit liabilities and the overall expansion of the asset base,

the company prudently maintained a strong liquidity position. This deliberate approach to holding excess liquidity ensures operational stability and reinforces the company's ability to meet its short-term obligations without disruption.

Liquid Assets



Lending Portfolio

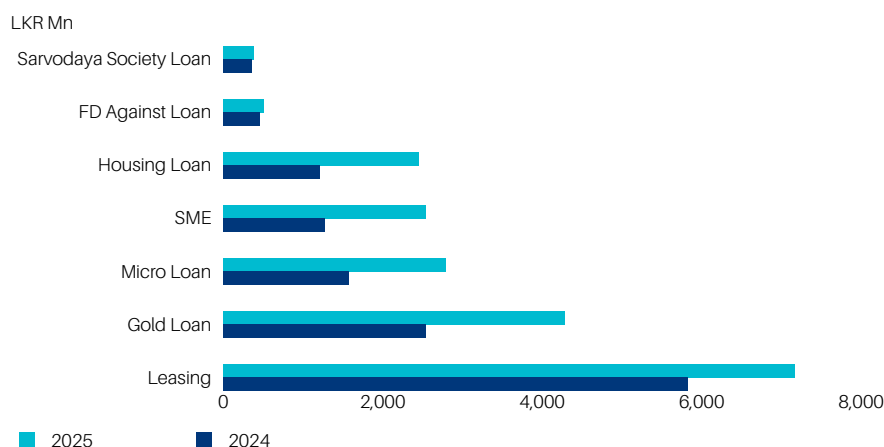
The company's lending portfolio, comprising loan and lease rental receivables, recorded a significant milestone during the financial year. The net lending portfolio reached LKR 19,182.2 million, reflecting a robust increase of LKR 6,607.6 million which is 52.5%, the highest annual growth in the company's history. This exceptional performance was achieved despite external challenges and economic uncertainties in the operating environment.

As the country entered a phase of economic recovery, the company remained focused on its core mission of empowering rural communities. Through the strategic expansion of its lending activities, SDF played a vital role in supporting the revival of grassroots economic activity, helping individuals and micro-enterprises rebuild their livelihoods following the adverse conditions experienced in the previous financial year.

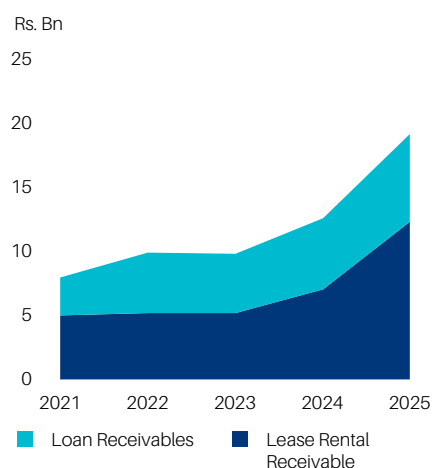
Lending Volume by Product (Without Gold Loan)

Product Type	2025 LKR Mn	2024 LKR Mn	2023 LKR Mn	2022 LKR Mn
Leasing	4,001	2,880	1,148	3,002
SME	1,691	954	145	591
Housing	1,734	834	83	311
Society	241	188	104	369
Cash Back	513	369	370	248
Micro Personal	1,833	877	63	136
Micro Business	502	174	14	25
Total	10,515	6,277	1,927	4,682

Product Wise Portfolio Movement



Lending Portfolio

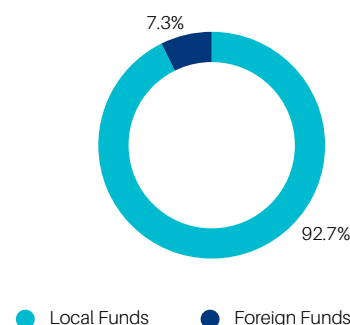


Loan portfolio increased by 36.6% during the financial year

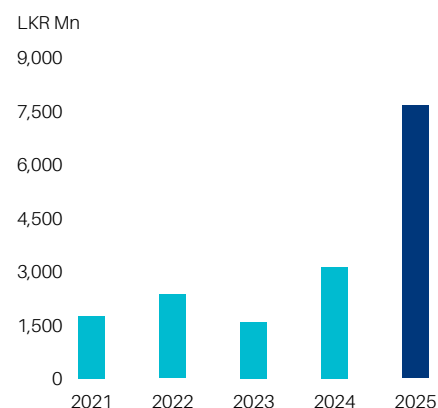
Due to Bank Other Financial Institutions

Exceptional financial performances showcased through the year was able to attract funding from local banks and international impact funding institutions at favourable interest rates. Accordingly, company was able to borrow LKR 5,824.3 million from local banks and LKR 459 million from international funding agencies. Net increase in reported borrowing was LKR 4,560.4 million, representing a 151.7% growth for the financial year. At the end of the financial year, the company reported LKR 7,565.8 million in bank and other institutional borrowings.

Funding Mix



Due to Banks



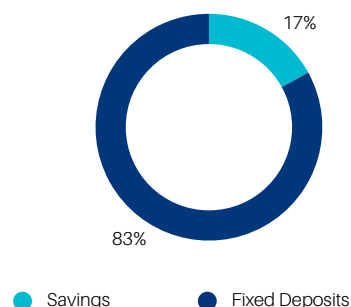
Due to Customers

In line with our commitment to maintaining a healthy liquidity position, the company proactively mobilized funds through public deposits, which continued to serve as a dependable and cost-effective source of funding.

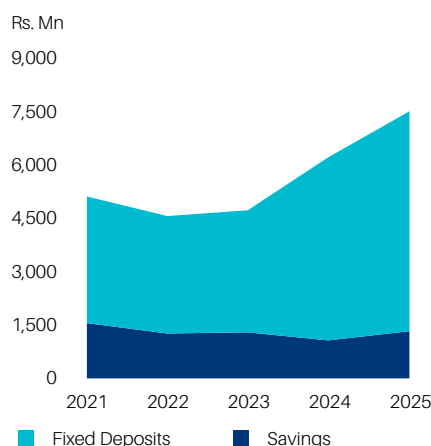
During the financial year, public deposits grew significantly by 31.2%, reaching LKR 9,832.7 million compared to LKR 7,492.0 million in the previous year. This strategic initiative played a crucial role in strengthening the company's liquidity profile, enabling us to navigate a challenging economic environment with resilience and financial stability.

Financial Capital

Deposit Mix



Due to Customers



Shareholder Fund

As of the end of the financial year, the company reported total shareholder funds of LKR 3,944.0 million, reflecting a healthy growth of 10.5%. This increase underscores the company's continued focus on delivering sustainable value to its shareholders.

During the year, LKR 373.2 million was added to shareholder equity through retained earnings from profitable operations. In recognition of shareholders' continued trust and support, a final dividend of LKR 97.0 million was declared and distributed for the financial year 2023/24, reinforcing the company's commitment to balancing reinvestment for growth with rewarding its shareholders.

Financial priorities for the year

Within the environment of sharp economic deterioration and rising interest rates, our strategic priorities for the year were focused towards financial stability and managing asset quality.

Strategic Priority	Key Initiatives
1. Sustain Profitability and Revenue Growth	- Expand tailored product offerings in agricultural finance. - Optimize product pricing strategies.
2. Strengthen Asset Quality	- Enhance credit risk management and loan monitoring. - Improve loan approval processes to sustain lower NPLs.
3. Enhance Capital Adequacy and Liquidity Management	- Maintain capital ratios above regulatory standards. - Raised required capitals parallel to the projected assets growth.
4. Expand Diversified Funding Sources	- Strengthen international impact funding relationships. - Increase stable public deposit mobilization. - Approach for new funding instruments to increase funding mix
5. Operational Efficiency and Cost Management	- Optimize processes through digital transformation. - Exercise disciplined expense management. - Strictly adhere to the implementation of the annual budget based on the revenue achievements.
6. Strengthen Investor Relations	- Improve transparency and frequent investor communication. - Conduct regular investor briefings.
7. Prudent Tax Management	- Ensure compliance and transparency in tax obligations. - Seek efficient and compliant tax management strategies.

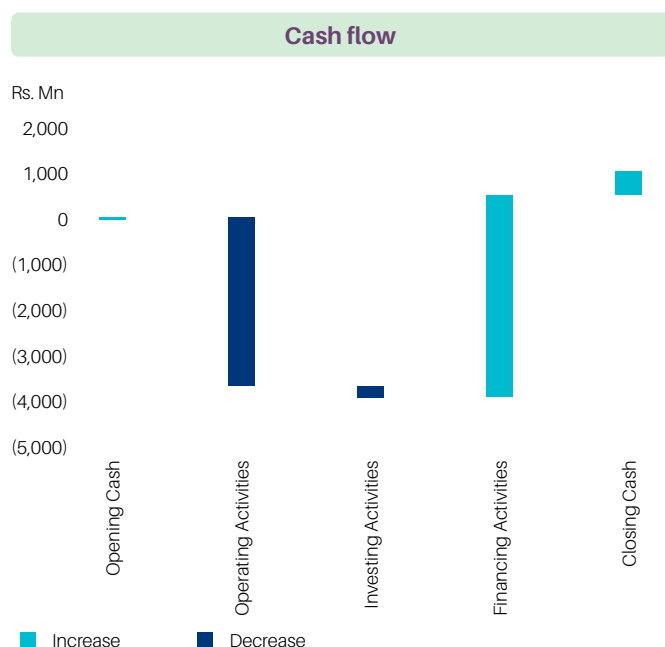
Financial Strength - Analysis of Statement of Cash Flows

The cash flow statement provides a comprehensive view of the Company's liquidity position and its ability to generate and manage cash across operating, investing, and financing activities. For the financial year ended 31 March 2025, the Company demonstrated a robust liquidity position, primarily driven by strong cash inflows from financing activities. Financing cash inflows increased significantly by 389% year-over-year, reaching LKR 4,413.07 million compared to LKR 902.95 million in the previous financial year. This substantial increase reflects the Company's effective capital-raising strategy to support its core business operations.

Funds raised through financing activities were effectively deployed to support both operating and investing activities. Cash outflows from operating activities rose to LKR 3,738.78 million in FY 2024/25 from LKR 1,082.23 million in FY 2023/24, indicating increased operational expenditure aligned with business expansion. Meanwhile, cash outflows related to investing activities declined to LKR 228.54 million from LKR 320.06 million, reflecting a more selective approach to capital investment.

The Company concluded the financial year with a closing cash balance of LKR 526.09 million, up from LKR 80.34 million as at 31 March 2024, signifying strengthened cash reserves and improved financial flexibility.

The company closed the year with a cash balance of LKR 80.33 million, down from LKR 579.67 million at the end of the previous year.



Financial Stability

Capital Base

The company's capital management policy is designed with a primary focus on ensuring full compliance with externally imposed regulatory capital requirements. In addition, it aims to maintain robust capital adequacy ratios and strong credit ratings to safeguard financial stability, support ongoing business operations, and enable sustainable growth. By maintaining an optimal capital structure, the company seeks to enhance shareholder value while ensuring sufficient capital buffers to absorb potential risks and meet strategic business objectives.

The capital ratios achieved by SDF during the year significantly exceeded the regulatory capital adequacy requirements of 8.5% for Tier 1 and 12.5% for Total Capital, as mandated by the Finance Business Act Direction No. 3 of 2018 and a moderate increase from industry average. This strong capital position underscores the company's low risk of insolvency, even amid economic downturns, and reflects a substantial buffer to absorb potential losses, reinforcing SDF's long-term financial resilience and stability.

Capital Adequacy

In June 2018, CBSL introduced a new Capital Adequacy Framework (CAF), revoking the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006. The new CAF is intended to foster a strong emphasis on risk management and to encourage improvements in LFC's risk assessment capabilities.

The existing Capital Adequacy Direction was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction, risks were confined to credit risk, and no capital requirements were applicable for market and operational risks. Therefore, the new CAF provides for the maintenance of Capital Adequacy Ratios (CARs) with a more risk-sensitive focus, covering credit and operational risk under the basic approach available in the Basel II Accord.

Item	2024/25	2023/24	2022/23
Tier 1 Capital	3,723,375	3,383,457	3,306,083
Total Capital	3,744,089	3,404,171	3,433,245
Total Risk Weighted Amount	18,141,264	13,091,678	10,095,254
Risk Weighted Amount for Credit Risk	15,625,550	11,192,282	8,515,848
Risk Weighted Amount for Operational Risk	2,515,714	1,899,396	1,579,406
Tier 1 Capital ratio %	20.5	25.4	32.7
Regulatory Minimum tier 1 ratio %	8.5	8.5	8.5
Total Capital ratio %	21	26	34
Regulatory Minimum total capital ratio %	12.5	12.5	12.5
Total capital ratio % Industry	20.5	21.9	22

Liquidity Position

The company maintained a strong liquidity position throughout the financial year, ensuring the availability of sufficient liquid assets to meet operational and financial obligations. Prudent liquidity management practices, including the strategic growth of public deposits and maintenance of a diversified funding base, enabled the company to navigate market challenges effectively while supporting continued business growth.

The Company was able to maintain liquidity well above the regulatory minimums during the financial year.

Financial Capital

Description	2025	2024	2023	2022	2021
Regulatory minimum liquid assets (LKR Mn)	1,130.2	829.8	677.5	553.0	338.3
Available liquid assets (LKR Mn)	1,791.4	1,298.7	1,227.3	634.3	493.5

Economic Impact

As Sri Lanka's first development finance company SDF always serves favourable results to all its stakeholders while ensuring long term sustainability. Together, Economic Value Added (EVA) and Market Value Added (MVA) demonstrate a company's ability to generate real economic impact by enhancing shareholder value, promoting efficient capital use, and supporting long-term financial growth.

Direct economic value generated and distributed

Below table shows how SDF has created and shared economic value with its stakeholders. Accordingly, LKR 529 million worth of EVA has been created by the company which is well above the number reported in the period prior. This provides a transparent view of the financial benefits generated by the company and how those benefits are distributed among stakeholders such as customers, employees, shareholders, governments, suppliers, and communities.

Economic Value Added Statement (EVA) (LKR Mn)

For the year ended 31 March	2025	2024	2023	2022	2021
Invested Equity					
Total equity	2,696	3,570	3,449	3,305	2,181
Add: Cumulative Loan Loss Provision/ Provision for Impairment	799	696	472	567	484
Total	3,495	4,266	3,921	3,872	2,665
Earnings					
Profit attributable to shareholders	474	250	222	215	183
Add: Impairment for loans and receivables and other losses	439	332	63	193	60
Total	913	582	285	408	243
Cost of equity (Based on 12 months weighted average T-Bond rate plus 2% for risk premium)	11%	14%	26%	12%	7%
Cost of average equity (Economic Cost)	384	597	1,025	392	150
Economic value added	529	(15)	(740)	16	93

Market Value Added (MVA) (LKR Mn)

For the year ended 31 March	2025	2024	2023	2022	2021
Market Capitalisation					
Market Value of Equity	2,947.04	1,959.70	1,645.56	1,869.95	NA
Less: Equity Owners' Funds					
Shareholders' Funds	3,943.95	3,570.71	3,449.49	3,304.80	2,181.38
Market Value Added/(Destroyed)	(996.91)	(1,611.01)	(1,803.93)	(1,434.85)	NA

Significant Indirect Economic Impacts

The Company was listed on the Colombo Stock Exchange in 2021 as the first recognized impact investment entity, an acknowledgment of the profound and lasting social impact generated through Sarvodaya's six-decade legacy. This designation underscores the Company's alignment with sustainable development principles and its commitment to creating positive societal outcomes. Currently, Sarvodaya-affiliated entities hold a 54.6% ownership stake in the Company. These entities remain actively engaged in social service initiatives, with a strong focus on uplifting local communities and empowering women, thereby reinforcing the Company's core purpose of inclusive, community-centered development.

Dividend payments to Sarvodaya and its entities from 2020 to 2024

For the year ended 31 March	2024	2023	2022	2021	2020
Dividend applicable for the year	53,091,639	60,586,401	Dividends withheld due to macro uncertainty.	Dividends withheld due to macro uncertainty.	Dividends withheld due to macro uncertainty.

In addition to dividend distribution, the company's primary focus is on development finance activities within the country. With the exception of the cash margin product, all other products are designed and implemented to support income-generating activities. By providing funding for these initiatives, the company helps create a broader range of job opportunities, particularly for communities in rural areas. This value creation contributes to the overall growth and development of the economy as a whole.

SDF lending by Region

A distinguishing characteristic of SDF is its strategically decentralized branch network, with over 80% of branches located outside the Western Province. The North Central, Eastern, and Southern Provinces represent the Company's strongest areas of business activity, reflecting its deep-rooted presence and focus on underserved and emerging regions.

Gross portfolio by province

Province	2025		2024		% Change
	Value (Mn)	(%)	Value (Mn)	(%)	
Western Province	3,158	16	2,283	17	27.72
Southern Province	2,677	13	1,174	9	56
Central Province	2,030	10	1,233	9	39
North Central Province	3,161	16	2,844	21	10
Uva Province	2,003	10	1,206	9	40
Sabaragamuwa Province	956	5	948	7	1
Eastern Province	2,880	14	1,735	13	40
North Western Province	2,419	12	1,604	12	34
Northern Province	698	3	244	2	65
Total	19,981	100	13,271	100	34

The company offers a range of value-added support services at no cost, including training programs, market linkages, and advisory assistance. These services are aimed at empowering rural entrepreneurs, enhancing product value, and facilitating the growth of micro and small enterprises.

In the agriculture sector, SDF supports modernization efforts by providing access to essential agricultural equipment, thereby improving operational efficiency and productivity. These initiatives not only foster entrepreneurial development but also contribute to the expansion of

rural economies and the creation of sustainable employment opportunities.

SDF lending to women

In the financial year 2024/25, women represented 51% of total loan recipients, reflecting our strong commitment to advancing gender inclusion and economic empowerment. Beyond access to finance, we actively support women entrepreneurs through targeted business training and capacity-building initiatives, equipping them with the skills and confidence needed to grow and sustain their enterprises.

Please also refer to our Social Capital chapter and Local Community Engagement for more information on activities pertaining to indirect economic impacts.

Approach to Tax

SDF maintains a transparent and responsible tax policy that fully complies with all applicable tax regulations, reflecting the company's commitment to supporting national welfare and development initiatives.

Financial Capital

With the exception of standard tax deductions permitted under the law, SDF does not engage in strategies aimed at sheltering income or minimizing tax liabilities. The company firmly believes that contributing to Sri Lanka's social welfare and economic progress is an integral part of its corporate responsibility.

SDF's sustainable business model is structured to accommodate full tax compliance, and as a matter of policy, the company does not engage in any form of tax evasion or avoidance. Robust internal control systems ensure continuous oversight of financial reporting and tax obligations, complemented by independent external audits to verify the accuracy of all tax computations.

Furthermore, the company has not claimed any tax deductions on the basis of charitable contributions, reinforcing its principled approach to tax transparency and governance.

Investor Relations

At SDF, we view our investors as long-term partners in our journey of growth and impact. Our Investor Relations approach is built on transparency, trust, and timely communication. We are committed to keeping our shareholders informed and engaged, not just with numbers, but with the story behind the business, how we create value, manage risks, and build a sustainable future. Investor confidence fuels our progress, and we always ensure that the investment is met with accountability and purpose.

Overview

As a publicly listed entity, we are committed to fostering strong, transparent, and consistent communication with our shareholders and the broader investment community.

Our investor relations strategy is rooted in the principles of transparency, accountability, governance, and sustainability with the ultimate goal of enhancing long-term shareholder value.

During the financial year, the company continued to strengthen investor engagement through a series of structured communications, including quarterly publications in Colombo Stock Exchange (CSE), annual general meetings, and timely disclosures via the CSE.

We also continued to advance our Environmental, Social, and Governance (ESG) reporting practices to meet the growing expectations of investors for responsible and sustainable business conduct. Key ESG highlights were integrated into the report on sustainability in page 42 in this annual report.

All investor communications and disclosures adhered strictly to the rules and regulations of the Securities and Exchange Commission of Sri Lanka (SEC) and the CSE Listing Rules. In addition, our corporate website was regularly updated to provide stakeholders with real-time access to financial reports, governance frameworks, and strategic updates.

Looking ahead, we aim to further align our investor relations practices with international standards by adopting more digital engagement tools, expanding ESG disclosures, and continuing to build trust and confidence among our valued shareholders.

Responsibility of SDF

We recognize our responsibility to deliver sustainable and satisfactory returns on the capital entrusted to us by our investors. This commitment is reflected in the consistent value we have provided, including the declaration of dividends for

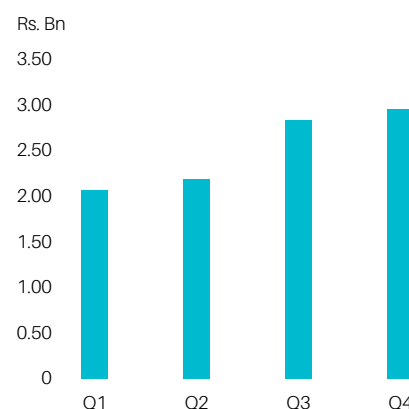
two consecutive years, demonstrating both financial stability and a focus on long-term shareholder value creation.

How SDF engage with investors

Method	Frequency
AGM	Annually
Annual report	Annually
Interim financial statements	Quarterly
Semiannual paper publication	Semiannually
Corporate website	Ongoing
Disclosures in CSE	As required
Press release	As required
Social media	Ongoing

SDF share trading

Market capitalization

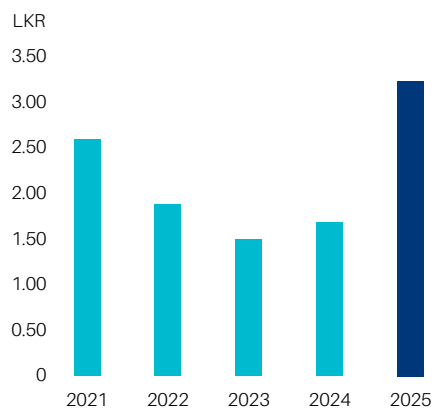


Share information

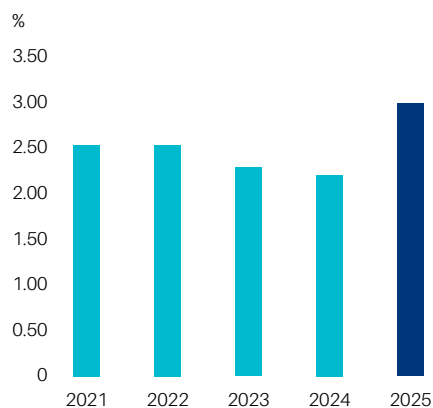
Quarterly	Q1	Q2	Q3	Q4
Share price				
- Highest	14.9	14.4	19.0	23.0
- Lowest	12.6	11.8	13.2	11.9
- Last traded price	13.80	14.4	18.8	19.7

Key investor ratios

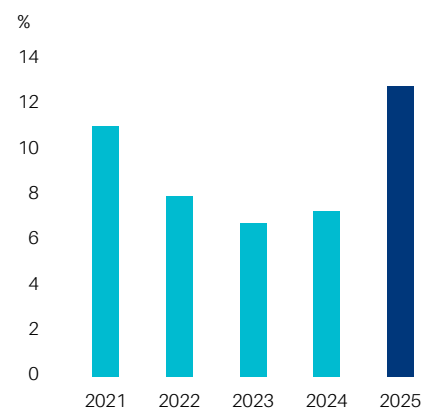
Earnings Per Share



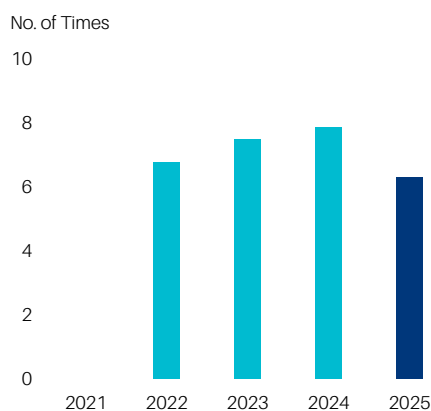
Return on Assets



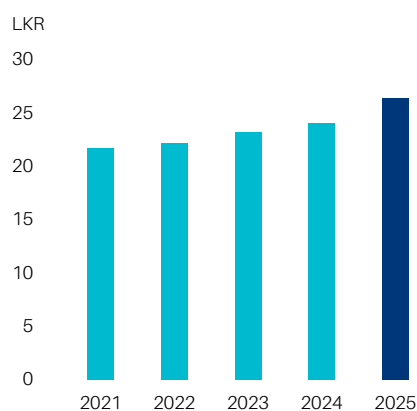
Return on Equity



Price Earning Ratio



Net Assets Per Share



Performance of Diversified Sector and SDF

	Sarvodaya Development Finance PLC	Diversified Financial Sector
P/E Ratio	6.22	6.66
PBV	0.75	1.00

Composition of equity

	2025	2024	2023	2022	2021
Stated capital	2,696,113,032	2,696,113,032	2,696,113,032	2,696,113,032	1,696,113,020
Reserves	1,247,845,885	874,605,325	753,374,686	608,682,082	485,272,206
Total shareholders' funds	3,943,958,917	3,570,718,357	3,449,487,718	3,304,795,115	2,181,385,226

Financial Capital

Analysis of shareholders

Shareholding	No of shareholders	Shareholder %	No of shares	Share %
Less than or equal to 1000	645	26.81	179,274	0.12
1,001 to 10,000	957	39.77	5,977,873	4.00
10,001 to 100,000	767	31.88	19,098,788	12.77
100,001 to 1,000,000	26	1.08	6,441,095	4.30
Over 1,000,000	11	0.46	117,899,022	78.81
Total	2,406	100.0	149,596,052	100.0

Composition of shareholders

Shareholding	No of shareholders	Shareholder %	No of shares	Share %
Resident individual	1,100	45.72	8,973,055	6.00
Non-resident individual	1	0.04	250,989	0.17
Resident institutions	1,304	54.20	126,872,004	84.81
Non-resident institutions	1	0.04	13,500,004	9.02
Total	2,406	100.0	149,596,052	100.0

Public holdings

As at 31 March 2025, the Company's public holding remained stable at 37.34%, consistent with the previous year. Notably, the number of shareholders representing the public holding increased by 2% year-over-year, reaching a total of 2,395 investors. This steady ownership base, coupled with a growing shareholder community, reflects sustained investor confidence and continued interest in the Company's long-term value creation.

Float adjusted market capitalization

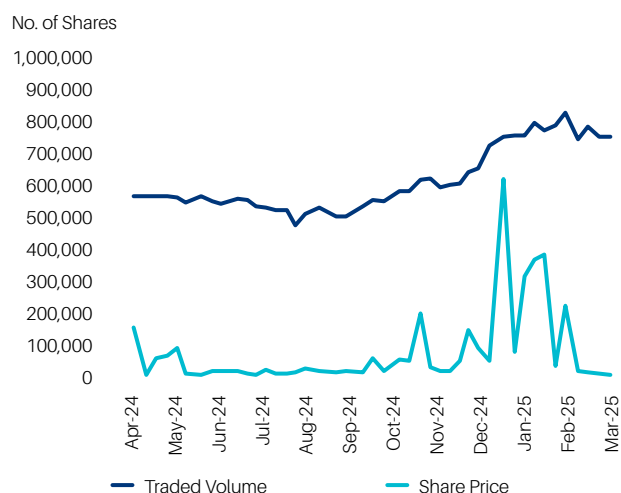
As at 31 March 2025, the Company's float-adjusted market capitalization stood at Rs. 1.06 billion, marking a significant increase from Rs. 726.2 million in the previous year. This growth reflects enhanced market valuation and investor interest. The Company continues to comply with the minimum public holding requirement under Option 5 of Rule 7.14.1(a) of the Colombo Stock Exchange Listing Rules, reinforcing its commitment to regulatory compliance and market transparency..

Share price movement

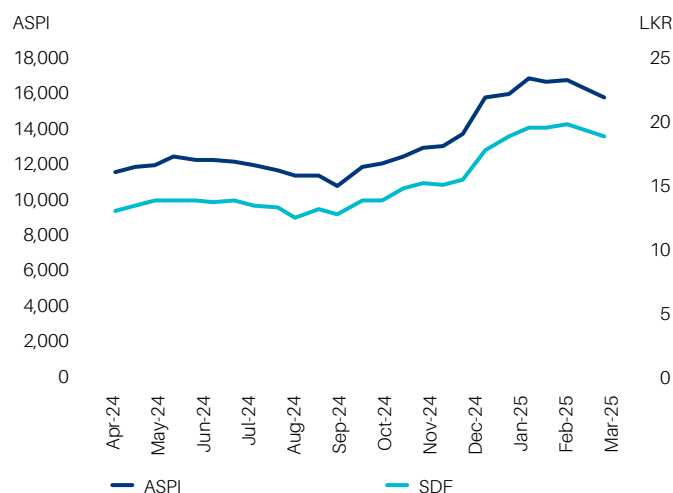
SDF experienced steady growth in its market price per share over the year, reflecting strong investor confidence and positive market perception of the company's financial performance and strategic direction.

The company's share price performance remained closely aligned with the All Share Price Index (ASPI), signaling strong alignment with broader market trends and reinforcing investor confidence in the company's strategic direction and financial stability. This steady performance reflects positive investor sentiment, driven by the company's consistent earnings, transparent governance, and proactive engagement with shareholders.

Share Price and Traded Volume



SDF vs ASPI



Twenty largest shareholders

No	Name of the shareholder	No of shares	%
1	Sarvodaya Economic Enterprises Development Services (GTE) Ltd	54,000,000	36.10
2	Sampath Bank PLC/Senthilverl Holdings (Pvt) Ltd	18,107,957	12.10
3	Janashakthi Capital Limited	16,089,270	10.76
	<i>Seylan Bank PLC/Janashakthi Capital Limited</i>	<i>11,365,000</i>	<i>7.60</i>
	<i>Commercial Bank Of Ceylon PLC/Janashakthi Capital Limited</i>	<i>4,724,270</i>	<i>3.16</i>
4	Gentosha Media Consulting Inc.	13,500,004	9.02
5	Lanka Jathika Sarvodaya Shramadana Sangamaya	4,645,000	3.11
6	Ideal Automobile (Pvt) Ltd	4,382,246	2.93
7	Sanasa Life Insurance Company PLC	3,579,900	2.39
8	Thalwila Pibidena Sarvodaya Shramadana Society	1,414,000	0.95
9	Sanasa General Insurance Company Ltd	1,108,445	0.74
10	Mr M A H Esufally & Mrs A M Esufally	1,072,200	0.72
11	Dr T H Rajudin	613,600	0.41
12	Mr J D Ariyaratne	454,600	0.30
13	Kekunawela Sarvodaya Shramadana Society	450,000	0.30
14	Porathota Sarvodaya Shramadana Society	450,000	0.30
15	DFCC Bank PLC/Mr P Pranavan	400,000	0.27
16	Mr W T D Ganegama & Ms N H Ariyaratne	365,000	0.24
17	Mr K Srikanthan	341,925	0.23
18	Mr G C A De Silva	323,200	0.22
19	Kuda Arukgoda Sarvodaya Shramadana Society	300,000	0.20
20	Dialog Finance PLC/Mr R Arifeen	275,000	0.18
	Other Shareholders	27,723,705	18.53
	Total	149,596,052	100

Financial Capital

Directors and CEOs shareholding

Name	Position	No of shares
Mr Ginige Channa Ajith de Silva	Chairman/Non-Executive, Non-Independent Director	323,200
Mr Withanatchi Thushara Dhammika Ganegama	Senior Director/Non-Executive, Independent Director	437,400
Mr Ramesh Schaffter	Non-Executive, Non Independent Director	-
Mr Christopher Amrit CanagaRetna	Non-Executive, Independent Director	-
Mr Senthil Nandhanan Senthilverl	Non-Executive, Non-Independent Director	-
Ms Shehara de Silva	Non-Executive, Independent Director	26,349
Ms Ramya Suranjani Wickremeratne	Non-Executive, Independent Director	-
Mr J K D N Pushpakumara	Chief Executive Officer	105,500

Solvency

	2025 %	2024 %	Change %
Debt to equity	441.14	293.99	50.05
Tier I Capital Ratio	20.52	25.84	20.6
Total Capital Ratio	20.64	26.00	20.7

Material foreseeable risk factors

Information pertaining to the material foreseeable risk factors that require disclosures as per rule 7.6 (vi) of the Listing Rules of the CSE are discussed in the section on Risk Management in Page 162.

Material issues - employee and industry relations

There were no material issues pertaining to employee and industrial relations in regard to the Company that occurred during the year under review which require disclosures as per Rule No.7.6 (vii) on the Listing Rules of the CSE.

Inquiries by shareholders

Shareholders may contact the Company Secretary, to direct questions/comments or request publicly available information.



Manufactured Capital

56

Branches

LKR **94.1 Mn**

Capital
Expenditure

7

ATMs



SDF's Manufactured Capital consists of the essential infrastructure that will enable Sarvodaya Development Finance PLC to deliver efficient financial services. Some of our recent strategic moves include expanding our branch network, integrated advanced IT systems and installing new ATMs. All of this in sum will enable operational efficiency to be improved and position SDF to better serve its customers.

Manufactured Capital

Our manufactured capital comprises the essential infrastructure and technology that enable Sarvodaya Development Finance PLC to deliver efficient financial services. Recently, we have undertaken several strategic investments, including the relocation of two branches, upgrading existing branch facilities, and installing new ATMs. Collectively, these initiatives enhance our operational efficiency and customer convenience. They also reflect our ongoing commitment to sustainability, economic development, and financial inclusion across Sri Lanka.

SDF manufactured capital is the infrastructure system both physical and digital that enable the customers to reach SDF. The manufacturing capital of SDF consists of property, plant and equipment, branch network including the ATM network and IT systems.

ATM Reach

Currently, SDF has a total of seven ATM machines enabling our customers to transact through the SDF accounts and other banks. One additional ATM was established in the financial year under review which brings the total to seven. The seven ATMs which are currently operated by SDF are located out of the Western Province, except one and strategically established in areas which have few banking facilities. Our approach is to set up ATMs in remote areas of the country and offer financial services to rural members of the population.

Our approach towards branch expansion including ATM reach has always been designed with the philosophy of promoting financial inclusion.

New ATM

Opened on: 5 July 2024

Address : Gallinda Watta, Meegaha Watta, Lewangama South, Lewangama

SDF Head Office

The SDF office is strategically located in the high value areas of Colombo 08, with easy public transport access to all parts of Colombo and the regions. The modern, state of the art building is equipped with all modern amenities and many facilities for employees, including a cafeteria, Gym and recreational areas.

Digital Presence

SDP corporate website is the primary source of information for all matters related to SDF. It provides a comprehensive overview of our financial instruments, services and activities. Any customer can reach out to SDF directly via our website.

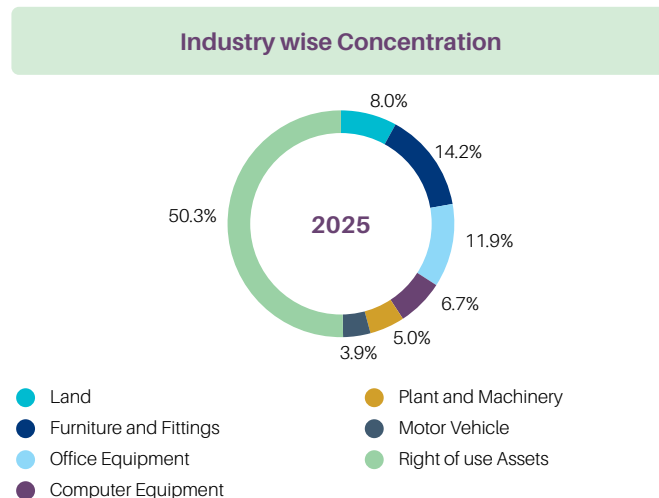
IT Infrastructure

Our IT infrastructure plays a pivotal role in enhancing our manufactured capital by integrating and connecting branches to enable effective communication with customers. The core banking system supports all customer transactions, while the Disaster Recovery site ensures data security and business continuity by acting as a secondary data centre. As part of our commitment to digital transformation, we implemented a workflow management system to promote a paperless environment and significantly improve processing efficiency.

Property, Plant and Equipment

Our property, plant, and equipment represent the tangible foundation upon which we deliver consistent value to our customers. These physical assets are essential to our day-to-day operations, supporting both customer engagement and service delivery across the country. Sarvodaya Development Finance (SDF) remains committed to preserving the condition and utility of these assets while strategically managing depreciation to sustain long-term value. As at 31 March 2025, the Company's portfolio of property, plant, equipment and right-of-use assets is valued at Rs. 499 million.

Composition of Manufactured Capital



Branch Network Across the Country

Our branch network which is spread across Sri Lanka represents one of the strongest elements of our manufactured capital. Our unique model which is different from other peer companies, in terms of branch expansion is the location of our branches. Since our prime objective is to serve the rural community of the country, our branch network is also strategically located in the areas which have less access to the financial institutions. The 56 branches that comprise SDF cover all nine (9) provinces in the country to provide access to our customers to experience our products and services.

During the year under review the following branch relocations took place:

Relocations

Ruwanwella

Shifted Date - July 24, 2024

Shifted from - No 22, Main Street, Ruwanwella

Shifted to - No 164, Main Street, Ruwanwella

Karadeniya

Shifted Date - Aug 08, 2024

Shifted from - 4TH Mile Post Karadeniya

Shifted to - Maha Edanda, Karadeniya

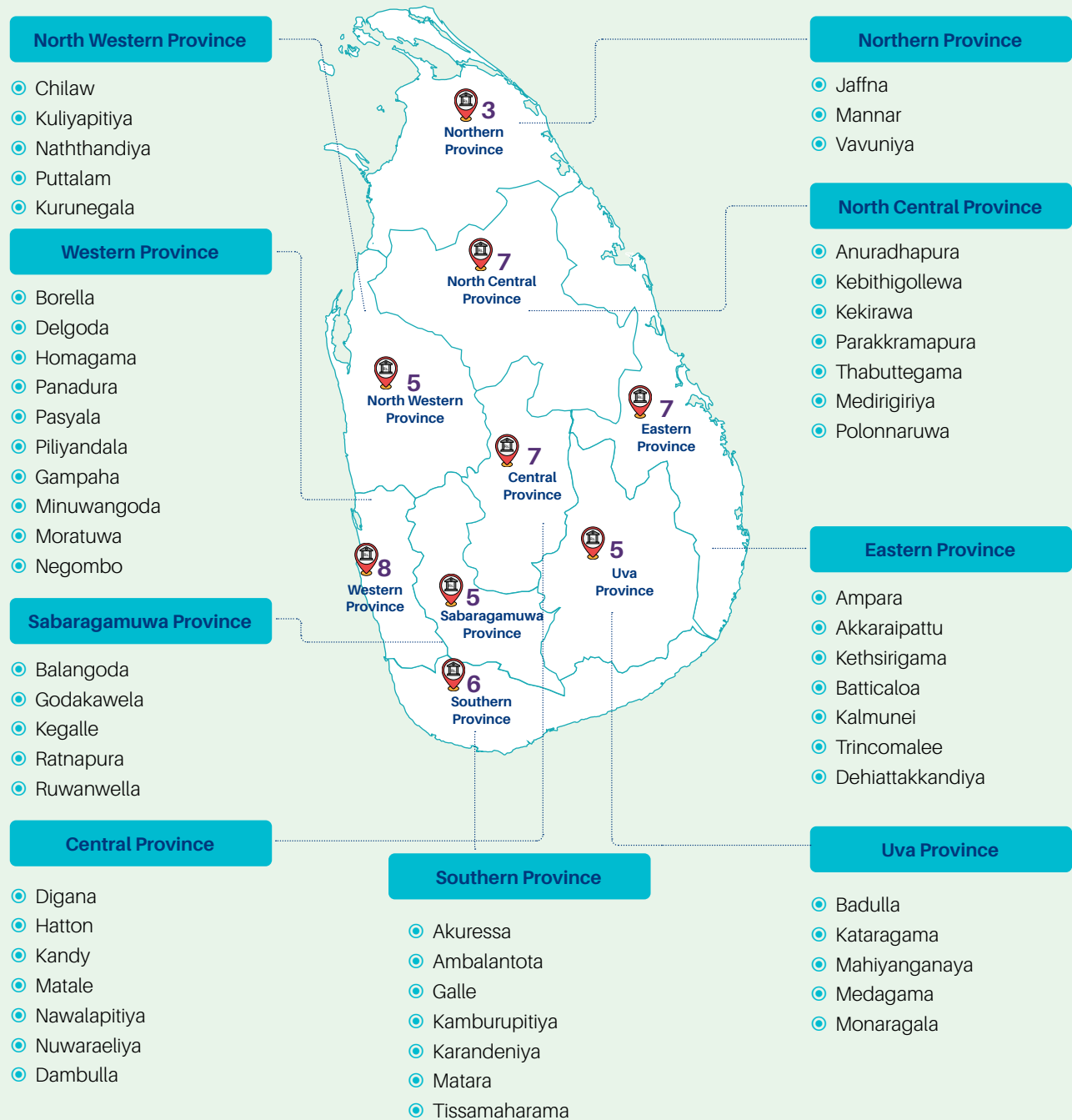
Ruwanwella Opening



Karadeniya Opening



Manufactured Capital





Intellectual Capital

32

Inhouse
Applications

200+

BI Base data
analytics

60+ Years

Sarvodaya
Brand



Our Intellectual Capital comprises knowledge systems and processes that lead to efficiency and innovation at Sarvodaya Development Finance PLC. Our primary focus is to enhance our governance frameworks, risk management, technical and non-technical skills as well as our ICT capabilities. Some of our recent activities include upgrading our core banking systems and investing in digital solutions. This will lead to improved service delivery and operational excellence. These efforts ensure that we stay ahead in a competitive landscape whilst creating a culture of continuous improvement which will allow us to serve our customers and stakeholders to the best of our ability.

Intellectual Capital

Overview

At SDF we are extremely proud of our intellectual capital which is a key component of our success and reputation. Our intellectual capital comprises the combined outcome of our impact investment business model and the collective knowledge amassed decades of operations in rural economies. This capital is continuously improved and increased as we improve our business model by integrating advanced Information and Communication Technologies (ICT) into our systems and processes. This integration process creates an excellent and effective operational model that spans a large geographic space, including areas with limited internet penetration.

Governance and compliance

Business Philosophy

As a member of the Sarvodaya Movement, which is dedicated to the social and spiritual wellbeing of all beings, SDF is guided by the ethical values ingrained in the Sarvodaya philosophy.

Accordingly, we do not support business activities traditionally considered anti-social by Sri Lankan Buddhist principles.



Code of Conduct

All SDF employees and Directors are bound by the Code of Conduct which outlines expected standards and behaviours and contains specific policies and guidelines regarding confidentiality, fair dealing, conflict of interest, anti-bribery and corruption and anti-money laundering.

SDF also has a Whistleblower Policy that protects employees who speak up against unethical and illegal activities.

Business Philosophy

SDF is guided by the principles and values of the Sarvodaya movement and as a key sister institution of the overall Sarvodaya movement we are dedicated to promoting an ethical business with an excellent reputation. Thus, we do not support business activities which are traditionally considered anti-social by Sri Lankan Buddhist principles.

Code of Conduct

Each and every employee at SDF is bound by a Code of Conduct which sets out expected standards and behaviours and contains specific policies and guidelines regarding confidentiality, fair dealing, conflict of interest and money laundering. SDF also has a Whistleblower Policy which protects employees who speak up against unethical and illegal activities.

Circular Image

- Profits from SDF activities are distributed as dividends-
- SDF provides development financial services and products
- Sarvodaya societies reinject the dividends into rural communities.

Our Brand

The Sarvodaya brand represents one of our most valuable intellectual assets, deeply rooted in the values and legacy of the Sarvodaya Movement. It embodies our enduring commitment to rural development, non-violence, community empowerment, and inclusive financial services. Built over decades of trust and grassroots engagement, the Sarvodaya name signifies credibility, compassion, and a deep-seated connection with Sri Lankan communities.

Recognised for its unwavering integrity and purpose-driven mission, the Sarvodaya brand enhances our ability to connect meaningfully with customers, partners, and stakeholders. It is this strong identity that has enabled Sarvodaya Development Finance PLC (SDF) to attract socially conscious investors and clients who value ethical finance and long-term impact.

The brand's alignment with sustainable development and community resilience continues to differentiate SDF within the financial services sector. By leveraging our affiliation with the Sarvodaya Movement, we gain access to a rich repository of insights into rural economies and community-focused financial practices. This not only informs our service delivery but also cultivates a culture of continuous learning, innovation, and inclusive growth. Moreover, the strength of the Sarvodaya brand fosters strategic alliances with both local and international partners dedicated to social impact. These collaborations further enrich our intellectual capital and enhance our ability to drive transformational change in underserved areas across the country.

Information Technology Assets

We are fortunate in that our IT systems create an environment that puts our company as the most digitally connected financial service provider for village communities in Sri Lanka. Since starting our digital journey, we have systematically increased our investment in IT infrastructure through a combination of in-house developments and licensed software obtained from credible global vendors.

In-House Software:

- Workflow Management System
- MIS Reporting Services

Licensed Software:

- Leasing Module
- Fixed Deposit Module
- Gold Loan Module
- Savings Module
- General Ledger Module
- HRIS System
- Data Visualization and Modeling Software
- Call Center Application
- Board Pack Application

Control Systems and Framework

Our control systems and frameworks are built to ensure that all our business functions operate seamlessly, even in the event of disruptions.

Being a very large financial institution, we prioritize Business Continuity Planning (BCP) to ensure seamless operations. This process is supported by a formal BCP policy and a board-approved crisis management plan which meets global standards. Our colocation data center, established in 2020 as a BCP measure, continued to provide critical support for our BCP program this year. Additionally, we are committed to managing IT risks and safeguarding data assets, with our information security measures certified under the ISO 27001 Information Security Standard. We conduct continuous monitoring, regular vulnerability assessments and penetration tests to ensure compliance with the highest standards and protection against emerging risks.

Knowledge-Based Systems and Processes

Innovation and knowledge management are key aspects of our strategy, forming the backbone of our continuous improvement and operational excellence.

Process Automation and Engineering

Sarvodaya Development Finance has actively pursued process automation by introducing workflow-driven solutions developed by our in-house team. To date, the company has successfully built and deployed over 30 proprietary applications, significantly advancing the goal of creating a paperless operational environment.

These automation initiatives have delivered the following key benefits:

1. Reduction in paper usage and elimination of unnecessary physical storage, promoting a more sustainable and efficient office environment.
2. Task automation and SLA-based notifications enable employees to respond promptly and proactively, improving operational responsiveness.
3. Remote accessibility empowers employees to perform their duties from any location via mobile devices, tablets, or other smart equipment, supporting flexible work arrangements.
4. Automated customer notifications ensure real-time updates about SDF services, enhancing customer engagement and service satisfaction.
5. Simplified internal audit processes through centralized data storage and access, allowing most verifications and reviews to be completed within the applications.
6. Clutter-free office space due to reduced documentation on desks and in storage areas.
7. Uninterrupted business continuity as employees can fulfill responsibilities effectively even when working remotely, reducing dependency on physical office presence.

Intellectual Capital

These achievements not only improve operational efficiency but also reflect SDF's commitment to innovation and sustainability through digital transformation.



Internal Dashboards for decision making



Workflow management system to automate internal processes

Data Analytics

Sarvodaya Development Finance has strengthened its decision-making and operational efficiency through strategic investments in data analytics. The company employs a dedicated Data Analytics Specialist who oversees the automation and utilization of data across the organization.

All branch-level data has been integrated into a centralized system, providing real-time insights to support day-to-day operations. A custom-built internal dashboard, incorporating over 200 performance parameters, enables the senior management team to make informed, data-driven decisions swiftly and effectively.

To foster a culture of transparency and performance ownership, dashboard access is granted to staff members based on their roles and responsibilities, empowering them with the data needed to improve outcomes and align with organizational goals.

Training Programmes

At SDF there is a very strong emphasis on training and development to ensure our employees are well equipped to perform at their full potential and meet all the challenges that come with being a leading institution in the financial services industry. Our newly recruited employees are put through an orientation and training programme which focuses on

operational systems and training. This allows new recruits to integrate smoothly into our organisational processes and culture. Furthermore, our Information Security Awareness Programme covers critical topics such as password practices and ransomware threats ensuring that our workforce is prepared to handle cybersecurity challenges effectively.

Process Excellence and Continuous Improvement

We at SDF conduct frequent audits and reviews of our processes to maintain and enhance operational efficiency. This approach ensures our systems remain efficient and effective. In addition, we are committed to investing time and resources in research and development so that we may identify new opportunities for innovation and growth. This ongoing process of evaluation and enhancement allows us to adapt to changing market dynamics and technological changes and all of this in sum ensures that our organization remains competitive in delivering the best services to our customers.

Plans for the Future

1. Upgrade the current core-banking system to the latest version
2. Expand the scope of the audit plan to cover non-critical systems
3. Implement branchless transactions model using handheld devices



Human Capital

603

Staff

16,284

Training Hours

LKR **688 Mn**

Staff benefits



Our Human Capital is at the forefront of Sarvodaya Development Finance PLC's success and includes the skills, talents and dedication of our employees. We offer regular training and career advancement opportunities. Some of our recent initiatives include enhancing employee welfare and introducing robust talent management approaches. Our goal is to attract and retain the brightest and the best and our commitment to the development of our human capital is second to none.

Human Capital

Compliance with Labour Regulations

As a responsible organization, SDF always ensures zero fines and/or penalties for non-compliances with any labour laws, and we were able to maintain the same standard during the year under review. We adhered to timeframes stipulated by applicable laws and regulations for all staff related payments such as salaries, increments and bonuses, and statutory payments, such as EPF, ETF and APIT. Consequently, we are fully compliant with all applicable labour laws, including legislation on child labour, forced labour and compulsory labour.

Employee Profile/Overview of Our Team

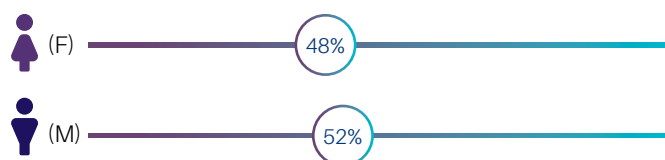
GRI 2-7

Our employees are the foundation upon which the organisation is built. We are proud to have an exceptionally talented team, many of whom have received education from leading schools and universities in Sri Lanka and abroad. Our staff are well-versed in technology and data analytics and demonstrate diligence and efficiency in their work. We provide comprehensive internal training for new recruits and continuous development opportunities throughout their journey at SDF to ensure their skills remain current and relevant.

We maintain a highly diverse workforce, and our recruitment policies actively promote diversity across age, gender, and experience. As at the end of March 2025, SDF's team strength increased to 603, up from 554 at the end of March 2024, reflecting workforce expansion to support the company's growth trajectory. SDF does not employ part-time or temporary staff; all employees are full-time and permanent.

Total Employees by Gender/Permanent Employees by Gender

Gender	31 March 2025		31 March 2024	
	Head Count	%	Head Count	%
Female	278	46	265	48
Male	325	54	281	52
Grand Total	603	100	546	100



The company has generated employment opportunities across all districts and regions through its island-wide branch network. Importantly, we have established branches in some of the most underserved and remote communities in Sri Lanka, including Kataragama, Monaragala, Thambuttegama, Parakramapura, Kebithigollewa, Dehiaththakandiya, and Kethsirigama. Our branch network is organized into 11 regions, structured according to both geographical distribution and business segmentation.

The total employee base spread into 11 regions are listed below.

Region	31 March 2025		31 March 2024	
	Head Count	%	Head Count	%
Head Office	154	25.54	121	22
Region 1	36	5.97	33	6.1
Region 2	48	7.96	46	8.5
Region 3	46	7.63	36	6.7
Region 4	29	4.81	26	4.9
Region 5	39	6.47	34	6.3
Region 6	38	6.30	33	6.1
Region 7	46	7.63	47	8.7
Region 8	43	7.13	44	7.9
Region 9	33	5.47	34	6.1
Region 10	47	7.79	49	8.8
Region 11	44	7.30	43	7.8
Total	603	100	546	100

Workers who are not Employees

GRI 2-8

SDF has instructed workers who are not employees of the company to perform functions such as security services, janitorial services as well as other non-core operational activities. Outsourced non-core operational service individuals during the year under review included 5 janitorial staff, 3 security staff and 2 IT staff.

Annual Total Compensation Ratio

GRI 2-21

The ratio of the annual total compensation for SDF's highest-paid individual to the median annual total compensation for all employees (excluding the highest paid individual) is approximately 3: 1.

The ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) is 1:3:1.

New Employee Hires and Employee Turnover

GRI 401-1

During the year under review, 318 new staff members joined the SDF team to contribute their know-how to the growth trajectory of SDF.

New Employee Hires by Age Group

Age Category	31 March 2025		31 March 2024	
	Head Count	%	Head Count	%
20-30	207	65.09	258	71.7
30-40	79	24.84	75	20.8
40-50	28	8.81	22	6.1
Above 50	4	1.26	5	1.4
Grand Total	318	100	360	100

New Employee hires by Gender

Gender	31 March 2025		31 March 2024	
	Head Count	%	Head Count	%
Female	138	43	159	44
Male	180	57	201	56
Grand Total	318	100	360	100



New Employee hires by Region

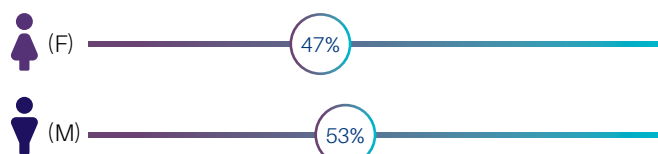
Region	31 March 2025		31 March 2024	
	Head Count	%	Head Count	%
Head Office	81	25.47	87	24.2
Region 01	17	5.35	22	6.1
Region 02	14	4.40	25	6.9
Region 03	27	8.49	30	8.3
Region 04	21	6.60	25	6.9
Region 05	27	8.49	30	8.3
Region 06	25	7.86	14	3.9
Region 07	21	6.60	25	6.9
Region 08	24	7.55	30	8.3
Region 09	24	7.55	26	7.2
Region 10	18	5.66	30	8.3
Region 11	19	5.97	16	4.4
Grand Total	318	100	360	100

Employee Turnover

During the year under review, 263 members left the organization. SDF continues to refine its employee retention and benefits schemes to remain competitive in talent acquisition and retention within the industry. The employee turnover ratio stood at 45% for the year, an improvement from 52.2% reported at the end of the previous financial year, reflecting increased stability in the market.

Employee Turnover by Gender

Gender	31 March 2025		31 March 2024	
	Head Count	%	Head Count	%
Female	124	47	96	42
Male	139	53	132	58
Grand Total	263	100	228	100



Human Capital

Employee Turnover by Age Group

Age Category	31 March 2025		31 March 2024	
	Head Count	%	Head Count	%
20-30	160	60.84	123	53.90
30-40	78	29.66	66	28.90
40-50	21	7.98	31	13.60
Above 50	4	1.52	8	3.50
Grand Total	263	100	228	100

Employee Turnover by Region

Region	31 March 2025		31 March 2024	
	Head Count	%	Head Count	%
Head Office	60	22.81	73	32.02
Region 01	15	5.70	14	6.14
Region 02	12	4.56	13	5.70
Region 03	22	8.37	20	8.77
Region 04	17	6.46	14	6.14
Region 05	21	7.98	25	10.96
Region 06	17	6.46	8	3.51
Region 07	19	7.22	15	6.58
Region 08	22	8.37	13	5.70
Region 09	30	11.41	14	6.14
Region 10	21	7.98	11	4.82
Region 11	7	2.66	8	3.51
Grand Total	263	100	228	100.00

SDF HR Policies

At SDF, the regulation and management of Human Resources are guided by a comprehensive framework of 21 policies, systematically categorized into seven key areas. These policies are subject to periodic reviews to ensure their continued relevance and adaptability to evolving workplace dynamics, regulatory changes, and employee expectations.

The policies encompass the entire employee lifecycle—ranging from recruitment and onboarding to compensation and benefits, performance evaluation, training and development, and grievance handling. This structured approach ensures consistency, fairness, and strategic alignment with the company's overall objectives, while also fostering a productive and engaging work environment.

As an equal opportunity employer, SDF is firmly committed to promoting diversity and inclusion. The organization ensures that all employment decisions are made without bias or discrimination, providing equal access to growth, learning, and advancement opportunities for all employees, irrespective of gender, ethnicity, religion, or other personal attributes.

Employee Benefits

Sarvodaya Development Finance (SDF) offers a competitive remuneration package that aligns with industry standards, along with a range of benefits accessible to employees upon joining the organization.

- The employee insurance scheme extends coverage to the parents of unmarried employees and the spouses and children of married employees. It includes outpatient (OPD) medical coverage, a critical illness cover of LKR 1 million, and a life insurance policy exceeding LKR 1 million for all staff. Additionally, a critical illness cover of up to LKR 5 million is available for emergency situations. Employees are also entitled to accident insurance coverage of up to LKR 2 million and life insurance of the same value.
- During the financial year 2024/25, SDF awarded employees an annual bonus equivalent to three months' salary, an increase from the two-month bonus granted in the previous year.
- The company also hosted its annual staff gathering, which included recognition of outstanding performers. The 2024/25 event was attended by all staff and saw 71 employees honored as top achievers across 17 categories. A total of LKR 17 million was allocated for this event.
- To support employee well-being and work-life balance, the company provides access to CrossFit training, Yoga, a fully equipped gym, a library, and a music studio at the head office. Staff are permitted to use these facilities during office hours.



GRI 404-2

Training and Development

SDF devotes a substantial amount of internal resources to training and development and ensures it is catering to both genders as well as all employee categories.

The training model that SDF has pursued this year has included training on a variety of matters which would equip our employees to perform their duties diligently in a leading finance company. All new recruits are trained on company etiquette, protocol, professional conduct and regulation, grooming and other performance related matters. Other online and virtual training include training on legal frameworks and matters relevant to employee performance.

Gender	Number of Hours
Male	7,646
Female	8,537

Employee Category	Number of Hours
Senior Management	489
Manager	1,140
Assistant Manager	1,628
Senior Executive	2,443
Executive	4,071
Junior Executive	4,071
Trainee	2,443
Total	16,284

Investment in training, development and coaching during the financial year under review is approximately 4.5 Mn.

SDF is constantly improving and updating its internal training model to ensure that it is inline with industry standards. Our training programmes are refined based on employee feedback and management decisions. We train all our employees including those operating out of our Head Office and our branches.

Furthermore, SDF also provides regular coaching sessions for staff to update and improve their skill set. A budgetary allocation is made at the Human Resources department of SDF to conduct all training, development and coaching for each financial year.

Human Capital



Diversity of Governance Bodies and Employees

SDF employs a diverse workforce with our staff being recruited from all parts of the country and all ethnic groups including ethnic and religious minorities.

Diversity of Employees by Gender and Ethnicity

Category	Female	%	Male	%	Total	%
Buddhist	239	85.97	271	83.38	510	84.58
Catholic	17	6.12	21	6.46	38	6.30
Tamil	22	7.91	29	8.92	51	8.46
Muslim	0	0.00	4	1.23	4	0.66
Grand Total	278	100	325	100	603	100

Diversity of Employees by Age Group

Category	Age Group			Grand Total
	Below 30	30-50	Above 50	
Buddhist	246	34	229	510
Catholic	17	1	21	38
Tamil	23		28	51
Muslim	4			4
Grand Total	290	35	278	603
%	48.09	5.80	46.10	100.00

Performance Evaluations

At SDF, performance evaluation is a cornerstone of our talent development strategy. Moving beyond traditional appraisal methods, we have adopted a more dynamic and employee-centric approach. Performance reviews are now viewed not just as assessments, but as collaborative dialogues aimed at identifying individual skill gaps, setting personalized development goals, and aligning training needs with organizational objectives. These evaluations also serve as a platform for setting clear and mutually agreed-upon performance targets.

Importantly, the results of these evaluations are directly linked to key employee rewards, including annual salary increments, performance-based bonuses, and promotions. This ensures a transparent and merit-based system that recognizes and rewards high performance while encouraging continuous improvement. During the year under review, a total of 364 employees including those who had completed six months of service underwent performance evaluations as part of our continuous development framework.

GRI 403-3

Occupational Health and Safety

While the nature of our operations does not expose employees to significant occupational health and safety risks, SDF is fully committed to fostering a safe and healthy work environment. We adhere strictly to all applicable national health and safety regulations and maintain our facilities to high safety standards.

To ensure preparedness and employee well-being, we regularly monitor our safety infrastructure and conduct emergency drills. Comprehensive safety training sessions are also held to educate staff on preventive measures and emergency protocols.

As part of our proactive approach, SDF provides employees with both health and accident insurance coverage. This includes access to routine medical check-ups, further reinforcing our commitment to employee wellness. These measures collectively reflect our dedication to the safety, health, and overall care of our team.



SDF values its people as its greatest asset and has invested in developing leadership skills through the Leadership Excellence Program, in partnership with the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

Grievance Management

SDF upholds an open-door policy that encourages transparent communication, allowing any employee—regardless of level—to directly approach the Chief Executive Officer (CEO) or the Head of Human Resources. The CEO holds monthly meetings with the HR team to discuss and resolve employee concerns proactively. Additionally, the SDF Whistleblower Policy provides a confidential and anonymous channel for employees to raise grievances, ensuring that all voices are heard and addressed without fear of retaliation.

Succession Planning

The SDF succession planning process ensures that the correct skills and talent occupy key management positions. Our staff's talents are honed and developed through continuous coaching and training at all our offices including the branches and the head office.

Employee Engagement in 2024-25

The management of SDF is fully aware of the need to ensure a high level of employee engagement especially during a period of high employee attrition. SDF will continue to spearhead initiatives to empower our workforce and our employees, equipping them with the skills and confidence to discharge their duties appropriately.



Human Capital



In conjunction with international women's day, celebrating 'Abhimani - 2025' to witness the strengths, spirits and stories of our female staff



At SDF, we value work-life balance and believe health is true wealth. To support employee well-being, we dedicate one hour on two weekdays for CrossFit sessions during office hours.



At SDF, we embrace and celebrate the beauty of all religions honoring traditions through events like Christmas carols, Bakthi Gee, and the Sinhala-Tamil New Year festival.



Social and Relationship Capital

165,401

Customers

BB+

Credit Rating

LKR **19.6 Bn**

Disbursement



Social Capital is central to SDF's mission of inclusive development. Through our deep-rooted connection with the Sarvodaya Movement and its community network, we build trust, promote financial inclusion, and empower underserved populations. By supporting entrepreneurship, financial literacy, and community well-being, we strengthen our stakeholder relationships and drive sustainable impact across Sri Lanka.

Social and Relationship Capital

Brand Building

During the year under review we continued conducting brand building activities. These were primarily below the line activities to enable greater connectivity between different stakeholders and the Company. We conducted many door-to-door promotional campaigns to raise awareness in towns and villages. In addition, branch teams designed and conducted suitable localised campaigns, tailored to the particular target markets in these areas. SDF also participated in Sarvodaya Society activities to gain brand visibility in deeper rural areas.

SDF also conducted branding and marketing initiatives working together with business organizations whose values are in line with SDF's philosophy and operating model. One of the business organizations we work closely with is our leasing partners who supply SDF customers with agricultural vehicles and equipment.

Product Portfolio

We offer a diverse range of products and services which form our core financial products portfolio.



Micro Loans

The company provides finance to the micro scale customer mainly for the income generating activities

- Micro Business Loans
- Agri Input Loans
- Micro Women Loans
- Education Loans



Gold Loans

SDF enables a short-term, quick financing option for urgent fund requirements using customers' own gold assets. This service primarily supports agricultural communities and provides short-term working capital for home-based small businesses.



SME Loans

SME loans provide the necessary capital to fuel growth, enhance operations, and expand market reach. SMEs can utilize these funds for various purposes, including purchasing inventory, upgrading equipment, managing cash flow for working capital, or funding new projects.



Society Loans

SDF connects with 1,200+ village societies and provides bulk term loans to finance their village members. The societies' funds are used to finance agricultural inputs, education, home-based businesses, and small enterprises in villages.



Assets Back Loans (Leasing)

Provides financial support for SDF customers to purchase income-generating assets. The company provides leasing facilities in the categories mentioned below:

- Agricultural equipment
- Four wheel Vehicles
- Three wheel vehicle
- Two wheel vehicles



Housing Loans

SDF provides housing loans to unbankable customers, including daily wage earners and micro customers who have benefited from SDF.



Demand Deposits (Saving Deposit)

As a development finance company, SDF fosters a savings habit among rural communities. Alongside its business objectives, SDF actively promotes savings to enhance financial inclusion.



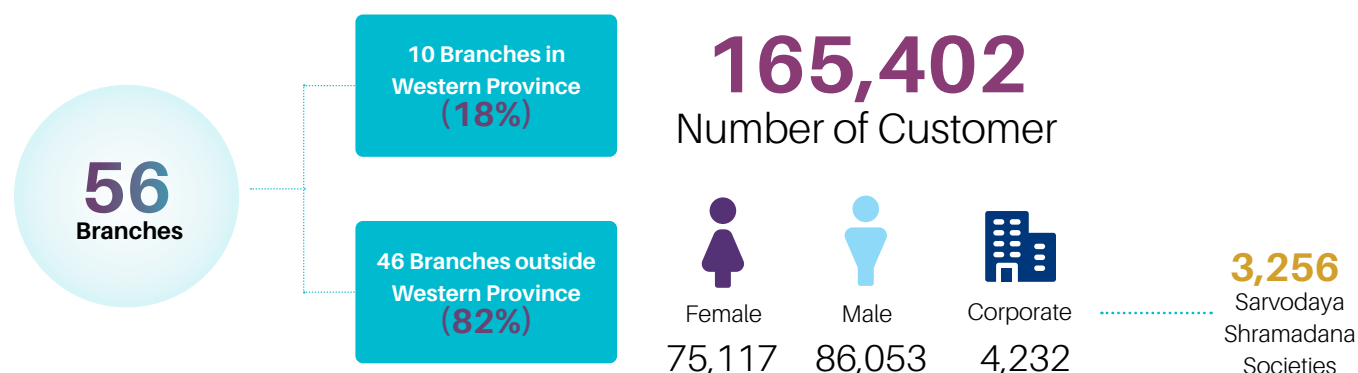
Time Deposits (Fixed Deposit)

SDF allows customers to deposit their long-term savings, providing an opportunity for those who wish to invest with an impact. Investors in SDF contribute to social development, as 54% of the benefits are directed to society through unique ownership.

Expanding our Footprint

Current Presents

With over 80% of operations outside the Western Province, SDF's constituency is primarily, but not exclusively, within Sri Lanka's rural communities.



Over 1,200 Sarvodaya Shramadana Societies are direct SDF shareholders of the company, strengthening the goodwill towards SDF in villages. We have also diversified our shareholder base beyond the Sarvodaya network, as many local and foreign independent investors brought into the Company. Our investment roadshows made it possible to internationally publicise the SDF brand name and impact investment model, to gain some extent of international goodwill towards SDF.

Branch Relocations

During the current financial year, the Ruwanwella and Hatton branches were relocated to enhance customer service by providing easier access and a more welcoming office environment.

Hatton Branch Relocation



SDF Technology and Digital Strategy

We added another ATM in Ruwanwella as part of our ongoing commitment to expanding access to financial services. Our policy is to strategically locate ATMs in interior regions of the island, where communities have limited access to bank or finance company branches. These ATMs therefore serve as an important social service, enabling village communities to conveniently access their funds without incurring additional costs to travel long distances to the nearest branch. SDF customers with savings accounts are issued ATM debit cards, which provide access to our ATM network. This network is integrated with LankaPay, giving customers access to over 4,500 ATMs island-wide.

SDF maintains a strong presence across major social media platforms, offering interactive content to engage younger audiences. Our upgraded website includes several enhancements, with more in the pipeline. Currently, both our website and social media

Social and Relationship Capital

channels are used as platforms for customer inquiries, lead generation, financial awareness (including updates on interest rate changes), and marketing campaigns. We are also expanding our digital reach via mobile phones to support seamless transactions.

To help bridge the digital divide between urban and rural communities, we have equipped 100 Sarvodaya Societies with handheld devices that facilitate financial transactions on behalf of society members for a nominal fee. This initiative enables rural small and micro entrepreneurs—who may not be able to afford smartphones or computers at current inflated prices—to access digital financial services conveniently.

We have also deployed Pay&Go-enabled PoS terminals at most Sarvodaya Shramadana Societies. These allow customers to pay their utility bills and other payments with ease. In addition, we have partnered with Megapay (Pvt) Ltd to offer enhanced payment facilities to SDF customers.

GRI 418

Customer Privacy

SDF adopted all the necessary customer protection guidelines which were issued by the regulator, the Central Bank in 2024-25.

SDF has installed the latest up-to-date data protection software to safeguard the data and information of all our customers. In addition our employees are trained regularly to ensure that they are fully able to comply with all the relevant laws and rules in relation to customer privacy. Furthermore this training allows employees to be fully aware of all the relevant duties and responsibilities they have to safeguard and uphold customer privacy.

Moreover, SDF uses corporate websites, social media accounts and email messages to inform customers about potential security threats and breaches and provide customers with relevant and applicable content as to how best to safeguard themselves from any such risks.

Complaint management

SDF complies fully with the Central Bank of Sri Lanka's customer protection directives. SDF has a formal complaints handling policy and the Customer Protection Framework is available on our website with the information on the Financial Ombudsman's Office. A customer complaints number is available on the SDF website and all customer complaints are reviewed by the Head of Credit, Head of Gold Loan and Product Head- Deposit Mobilisation. A dedicated 24-hour customer hotline (1319) is available and social media inquiries are also directed to the hotline, even outside normal working hours.

All concerns reported through any of these channels are documented and handled in compliance with board approved guidelines, which include specific workflows, set timelines and designated authorities to oversee the process.

SDF responds to all customer complaints within the specified timelines specified in the Customer Complaint Handling Policy.

Partnership and Collaboration

AFIFORUM 2025

As part of our continued commitment to expand access to impact-oriented funding, SDF participated in the Asia Financial Inclusion Forum (AFIFORUM) 2025 held in Thailand for the second time. This prestigious platform brought together regional and global leaders in inclusive finance, development finance institutions, and impact investors.

Our participation focused on showcasing our unique community-based financial model, aligning with global impact investment priorities such as financial inclusion, women's empowerment, sustainable livelihoods, and climate resilience. The event provided valuable opportunities to initiate strategic dialogue with prospective impact funders, strengthen regional partnerships, and explore blended finance mechanisms that can support our mission-driven growth.



Funded from European Union for Sustainable Agriculture

The Company successfully secured its first international impact funding line of USD 3 million from EDFI Management Company, financed by the European Union. This achievement is a result of SDF's unique agriculture-focused business model.

The collaboration between the European Union and SDF is expected to directly benefit smallholder farmers in Sri Lanka by promoting sustainable agricultural practices. This marks the first investment in Sri Lanka under the AgriFI project, a key milestone in driving inclusive rural development. To mark this initiative, the European Union, in partnership with SDF, hosted a forum in Sri Lanka to introduce future funding opportunities aimed at enhancing sustainable agriculture and rural livelihoods.



Impact Investors

In recent months, SDF has attracted increased interest from impact investors, several of whom have conducted due diligence visits to assess the strength of our business model, operational framework, and infrastructure. As a result of this growing confidence, an additional USD 7 million in funding facilities has reached the disbursement stage. These funds are earmarked for high-impact sectors, with a strategic focus on empowering women entrepreneurs and advancing housing development in underserved communities—reinforcing our commitment to inclusive and sustainable development.



Excellence in Reporting

SDF won the Gold Award for its annual report for the fourth time and the third consecutive year, confirming excellence in reporting under Transparency, Accountability, Governance, and Sustainability (TAGS). It is a high-level endorsement to all our stakeholders regarding the disclosed information about the company, allowing them to rely on this information for their decision-making and to continue their relationship with the company. This award event was organized by CA Sri Lanka for the 59th year.

Social and Relationship Capital



Compliance on Labeling

GRI 417-2

There were no incidents of non-compliance concerning product and service information and labeling.

We comply fully with all Central Bank directions on all promotional material for all our financial services and to date have faced no penalties and/or fines for non-compliance. We have also not received any customer complaints regarding misleading, or incorrect information in any of our communications including branding and marketing materials.

SDF's Board approved Marketing Policy requires that all our advertising and promotional material are designed in compliance with regulatory requirements applicable to local financial institutions. Moreover, in keeping with globally-accepted best practices we strive to ensure that the information we provide regarding our products and services are clear, understandable, accurate, and accessible.

Customer Protection

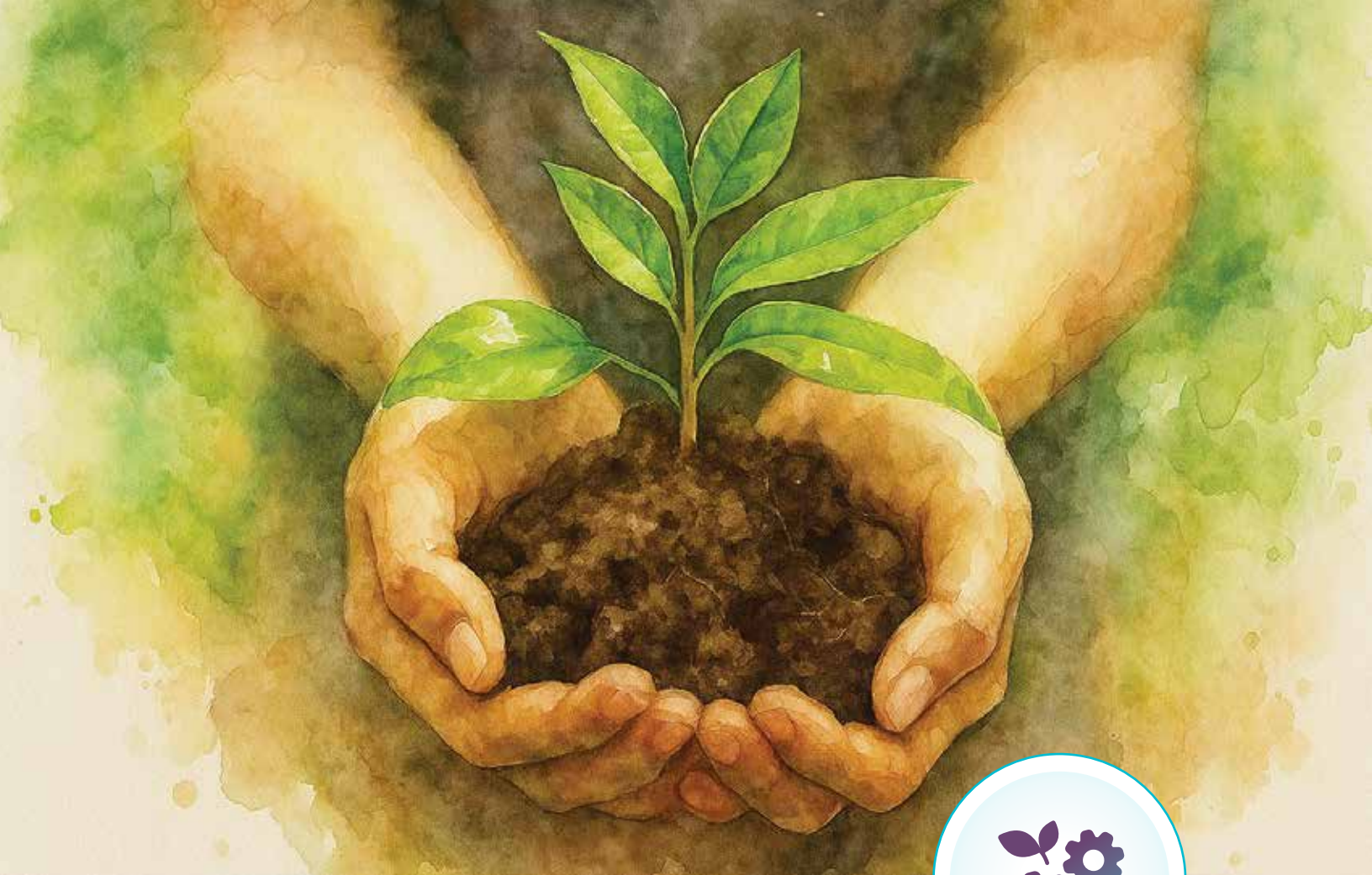
There have been no incidents of non-compliance with regards to health and safety standards in the provision of our products and services in our network of offices across the country, and we did not face any fines, or penalties in this regard during the year.



Sanitation procedures are maintained such as regular cleaning and disinfection of office premises and sanitation facilities, including toilet facilities, are available for customers at SDF branches.

Protecting Customers Beyond Local Boundaries

At Sarvodaya Development Finance PLC (SDF), our commitment to customer protection extends far beyond national borders. As part of our strategic drive to align with global best practices, SDF has embarked on the journey to obtain the prestigious CERISE+SPTF Client Protection Certification (CPC). This internationally recognized certification underscores our dedication to ethical, transparent, and responsible financial practices. It is a prerequisite for securing impact funding from global investors. By joining the CERISE+SPTF Client Protection Pathway, SDF is subjecting its operations to rigorous third-party validation, ensuring our clients especially those in underserved communities are safeguarded through fair and respectful treatment. This milestone not only reinforces our client-first philosophy but also positions SDF as a trusted financial partner on the international stage.



Natural Capital

94,465 kWh

Solar Power

506 mtCO₂-e

Carbon Footprint



As a development finance institution operating in a biodiversity-rich island nation like Sri Lanka, the health of our natural environment directly impacts the well-being of the communities we serve and the long-term viability of the businesses we support. SDF recognizes Natural Capital not just as a resource to be protected, but as an asset critical to societal prosperity and our own business resilience in the face of climate change and resource scarcity.

Natural Capital

This section outlines Sarvodaya Development Finance PLC's (SDF) management approach and performance related to natural capital, reflecting our commitment to environmental stewardship and sustainable development. As a responsible development finance institution, we recognize the critical interdependencies between a healthy natural environment and long-term financial stability and societal well-being. Our strategy is built on minimizing our ecological footprint, fostering sustainable practices within our operations, and promoting environmental responsibility across our value chain.

Our Commitment for Environmental Stewardship

GRI 300, 307

SDF's commitment to natural capital is intrinsically woven into our core philosophy, deeply rooted in the Sarvodaya principle of holistic development. We consider environmental stewardship a material issue due to our operational impacts (e.g., energy, water, waste), our role as a financial intermediary (avoiding support for environmentally harmful activities), and the increasing importance of environmental risks and opportunities for our stakeholders. While no direct environmental regulatory frameworks are specifically applicable to financial institutions in Sri Lanka, we proactively adhere to globally accepted environmental best practices recommended for the financial services sector.

Management Approach

Our management approach to natural capital is built on a framework of continuous improvement, stakeholder engagement, and strategic alignment with national and global sustainability agendas.



Policy and Strategy

Our strategy is designed to minimize our ecological footprint and promote sustainable practices. We are actively refining our approach and have adopted a more structured strategy for our environmental projects. This strategic alignment ensures our efforts contribute meaningfully to both global and local policy frameworks, including the United Nations Sustainable Development Goals (SDGs) and the Sustainable Finance Road Map introduced by the Central Bank of Sri Lanka (CBSL). This directly addresses our commitment to the SDGs and national sustainability goals.



Organizational Responsibility

Environmental performance is integrated into our operational management. We track key environmental indicators (energy, water, waste) and set targets where feasible. Responsibility for overseeing environmental initiatives rests with the Operations Department, a dedicated Sustainability Committee, with oversight from senior management.



Stakeholder Engagement

We believe in collaborative progress. We regularly engage with key stakeholders, including the Government, to adapt our approaches in line with the latest developments and emerging trends in environmental sustainability. This ongoing dialogue ensures our strategies remain relevant and effective.



Certifications and Systems

Looking ahead, we are planning to implement a certified Environmental Management System (EMS), such as ISO 14001. This will provide a robust framework to systematically guide and enhance our environmental endeavors, ensuring continuous improvement and measurable outcomes.



Risk Management

As a financial institution, we recognize our duty to minimize and mitigate negative environmental impacts, both directly from our operations and indirectly through our relationships with customers and suppliers. Our rigorous due diligence processes ensure we refrain from supporting or lending to environmentally harmful business activities conducted by other parties, aligning with our risk management framework for environmental and social risks.

Environmental Performance Highlights



Carbon Footprint

- Total Carbon Footprint - 506.15 mtCO₂-e
- Scope 1 - 34.03 mtCO₂-e
- Scope 2 - 470.77 mtCO₂-e



Energy & Electrification

- 35% of Head Office electricity from solar
- Total electricity consumption - 702,486 kWh



Resource Efficiency (Water & Waste)

- 51.6% reduction in water consumption from last year
- 80% Paperless Back-Office Operations



Mobility

- 72% employees use public transport

Emissions

GRI 305-3

While our direct operational emissions (Scope 1 and 2) are comparatively small, we recognize the significance of our Scope 3 emissions, particularly those related to employee commuting and procurement. A majority of our employees utilize public transport, significantly reducing our per capita commuting emissions. We are currently developing a methodology to conduct a comprehensive Scope 3 inventory by 2027, which will inform targeted reduction strategies across our value chain, including sustainable procurement policies and potentially incentivizing lower-carbon commuting options.

Recognizing the urgency of climate action, SDF is exploring the feasibility of setting science-based targets (SBTs) for emissions reduction in alignment with the 1.5°C global warming goal. While this is a complex undertaking for a financial institution, we are committed to understanding our pathway to Net-Zero emissions across our operations and potentially our financed emissions in the long term.

Energy type	Amount (Joules)	
	2025	2024
Total fuel consumption non-renewable sources	1.02 x 10 ¹³	3.71 x 10 ¹²
Total fuel consumption renewable sources	NA	NA
Electricity consumption	2.41 x 10 ¹²	1.86 x 10 ¹²
Heating consumption	NA	NA
Cooling consumption	NA	NA
Steam consumption	NA	NA
Electricity sold	3.19 x 10 ¹¹	1.01 x 10 ¹¹
Heating sold	NA	NA
Cooling sold	NA	NA
Steam sold	NA	NA
Total energy consumption	1.29 x 10 ¹³	5.57 x 10 ¹²

Energy - Performance Indicators

GRI 302

Following our overall environmental performance highlighted above, this section provides detailed data on our energy consumption and efficiency initiatives.

Energy Consumption within the Organization

GRI 302-1

Our energy consumption refers to the non-renewable fossil fuel consumption for work-related travel, electricity consumption at the Head Office and the 56 branch offices, and solar power, which we generate and sell to the national grid.

Energy Intensity

GRI 302-3

Our operations, though island-wide, have a comparatively small carbon footprint. Our office premises consume lower levels of natural resources and energy, and a majority of our employees use public transport, significantly reducing per capita energy consumption. We track energy usage per employee and against overall revenue and cost structures to monitor intensity.

Natural Capital

Reduction of Energy Consumption

GRI 302-4

The reduction in energy consumption primarily stems from our investment in renewable energy.

Energy consumption	Amount (Joules)		Energy type
	2025	2024	
Fuel	No reduction	No reduction	
Electricity	1.31 x 10 ¹⁰	8.4 x 10 ¹⁰	Through the solar panel system in Head office

A key milestone in our energy efficiency journey was the commissioning of rooftop solar panels at our Head Office in 2019. This initiative has been highly successful, with almost 35% of the monthly electricity requirement of the Head Office building now being met through solar power. We are actively exploring opportunities to expand renewable energy solutions to more of our branches.

To further control electricity usage in our day-to-day operations, we have established clear consumption targets at both regional and corporate levels. Annual electricity usage levels are measured against overall revenue and cost structures, while usage per employee is also monitored digitally through handheld devices. Similar metrics are applied to monitor fuel consumption across the Company, enabling us to identify areas for further optimization.

Water and Effluents - Performance Indicators

GRI 303

Recognizing the importance of responsible water usage, we have initiated procedures to monitor our water consumption diligently. Our goal is to introduce comprehensive waste minimization systems in the future to further reduce our water footprint.

Total Water Consumption

GRI 303-3

Water consumption	Volume (Megalitres)	
	2025	2024
Total water consumption	8.23	17.02
Total water consumption from all areas with water stress	8.23	17
Change in water storage	NA	NA

Waste - Performance Indicators

GRI 306

SDF is committed to reducing waste generation, with a particular focus on paper, which historically constituted our primary waste stream.

Waste Generated

GRI 306-3

The primary waste generated by our offices is paper, which is now significantly reduced. We hope to extend our recycling efforts to all our branches and start monitoring this activity in the future.

Waste generated	Volume (MT)	
	2025	2024
Paper	0.012	0.03
Plastic	0.012	NA
Food waste	2.74	NA
Electronic waste	NA	NA
Any other type of waste	NA	NA

Waste Management Initiatives

We have made significant strides in reducing paper consumption through strategic investments in digital transformation.

We have invested in a comprehensive paperless office environment and are progressively introducing a workflow management system across the entire Company, including our branch network.

Over the last four years, SDF has successfully launched over 30 applications, automating numerous manual paper-based processes. This workflow application is designed to manage various types of soft documents and store raw data for analytical purposes. As a direct result of these efforts, almost 80% of our back-office functions are now entirely paperless.

Our investment in a cutting-edge workflow management system and the deployment of digital handheld devices for energy and fuel tracking are not just about operational efficiency; they are integral to our sustainability strategy. These technologies provide real-time data for informed decision-making, enabling proactive management of resource consumption and providing granular insights for setting precise targets and identifying areas for innovation.

GRI 306-4

The remaining 20% of paper that is still in use is diligently reused and recycled whenever possible. To ensure responsible disposal, we partner with a Central Environmental Authority-approved recycling partner.

Beyond waste reduction, SDF is exploring principles of the circular economy within our operations. Our significant investment in a paperless office not only reduces waste but also promotes a more circular use of digital resources. We are also evaluating opportunities for responsible end-of-life management of IT equipment, aiming to reuse or recycle components rather than simply disposing of them. For our electronic waste (e-waste), we collaborate with a specialized disposal company, ensuring that it is never dumped or sent to landfills, but rather processed in an environmentally sound manner. We are currently developing systems to monitor paper consumption and recycling efforts across all our branches, aiming for comprehensive oversight.

GRI 304

While our direct operational footprint on biodiversity is limited, our green financing portfolio aims to support projects that promote sustainable land use and protect local ecosystems, thereby contributing indirectly to biodiversity conservation. SDF has initiatives that, supporting eco-tourism projects. We aim to develop a more robust framework for assessing and mitigating our biodiversity footprint, including potential partnerships with local conservation organizations.

GRI 201-2

Environmental risks, including the physical risks of climate change (e.g., severe weather impacting operations or client assets) and transition risks (e.g., shifts in policy or market preferences for green solutions), are systematically identified, assessed, and managed within our Risk Management (RM) framework. Our 'refrain from supporting harmful business activities' policy is a key control measure, mitigating both reputational and financial risks associated with adverse environmental impacts. We conduct regular environmental due diligence for new financing proposals and monitor existing portfolios for emerging environmental risks. We assess the resilience of our lending portfolio to various climate scenarios and identify opportunities arising from the transition to a low-carbon economy, such as green financing growth.

GRI 417

Beyond our internal operations, SDF actively seeks to empower our clients to adopt more environmentally conscious practices. Through our green financing products, we provide accessible capital for investments in renewable energy, energy-efficient technologies, and sustainable agricultural practices. We also engage with clients to provide guidance on best practices, thereby amplifying our positive environmental impact across the communities we serve.

The global and local drive towards sustainability presents significant opportunities for SDF. Our green financing projects are positioned to capitalize on the growing demand for renewable energy, energy efficiency, and sustainable agriculture solutions in Sri Lanka.

Our employees are crucial to our natural capital strategy. We foster a culture of environmental stewardship through regular awareness campaigns, internal challenges (e.g., 'reduce your waste' campaigns), and a suggestion scheme for green innovations. This empowers our team to identify and implement new ways to reduce our footprint, contributing to our overall sustainability goals.

Future Outlook and Commitments

Our journey towards enhanced natural capital management is continuous.

Natural Capital

We are committed to:



Expanding Renewable Energy: Investigating and implementing further renewable energy solutions across our branch network to further reduce our reliance on the national grid

GRI 302-5



Implementing a Certified Environmental Management System:

Achieving certification for an environmental management system (e.g., ISO 14001) to provide a structured and auditable framework for our environmental efforts.



Enhancing Water Management:

Implementing waste minimization systems for water consumption and exploring opportunities for water efficiency across all operations

GRI 303-5



Broadening Recycling Efforts: Extending our recycling initiatives beyond paper to include plastics and other recyclable materials across all our branches, with robust monitoring systems in place

GRI 306-4



Sustainable Procurement:

Integrating environmental considerations into our procurement processes, prioritizing suppliers with strong environmental performance and sustainable products/services

GRI 308



Employee Engagement and Awareness:

Continuously promoting environmental awareness and responsible practices among our employees, encouraging them to be champions of sustainability.



Transparent Reporting:

Continuously improving the transparency and comprehensiveness of our natural capital reporting, aligning with international best practices and frameworks.

SDF's vision is to be a leader in sustainable finance within Sri Lanka, continuously innovating our operations and leveraging our financial services to foster a resilient and environmentally conscious economy. Our natural capital strategy is a cornerstone of this commitment, ensuring we contribute meaningfully to a thriving planet for future generations.

Governance and Compliance

Corporate governance at Sarvodaya Development Finance PLC (SDF), comprises of carefully considered rules and principles on management, control and delegation of responsibility between the shareholders, the Board of Directors (the Board) and the Chief Executive Officer (CEO).

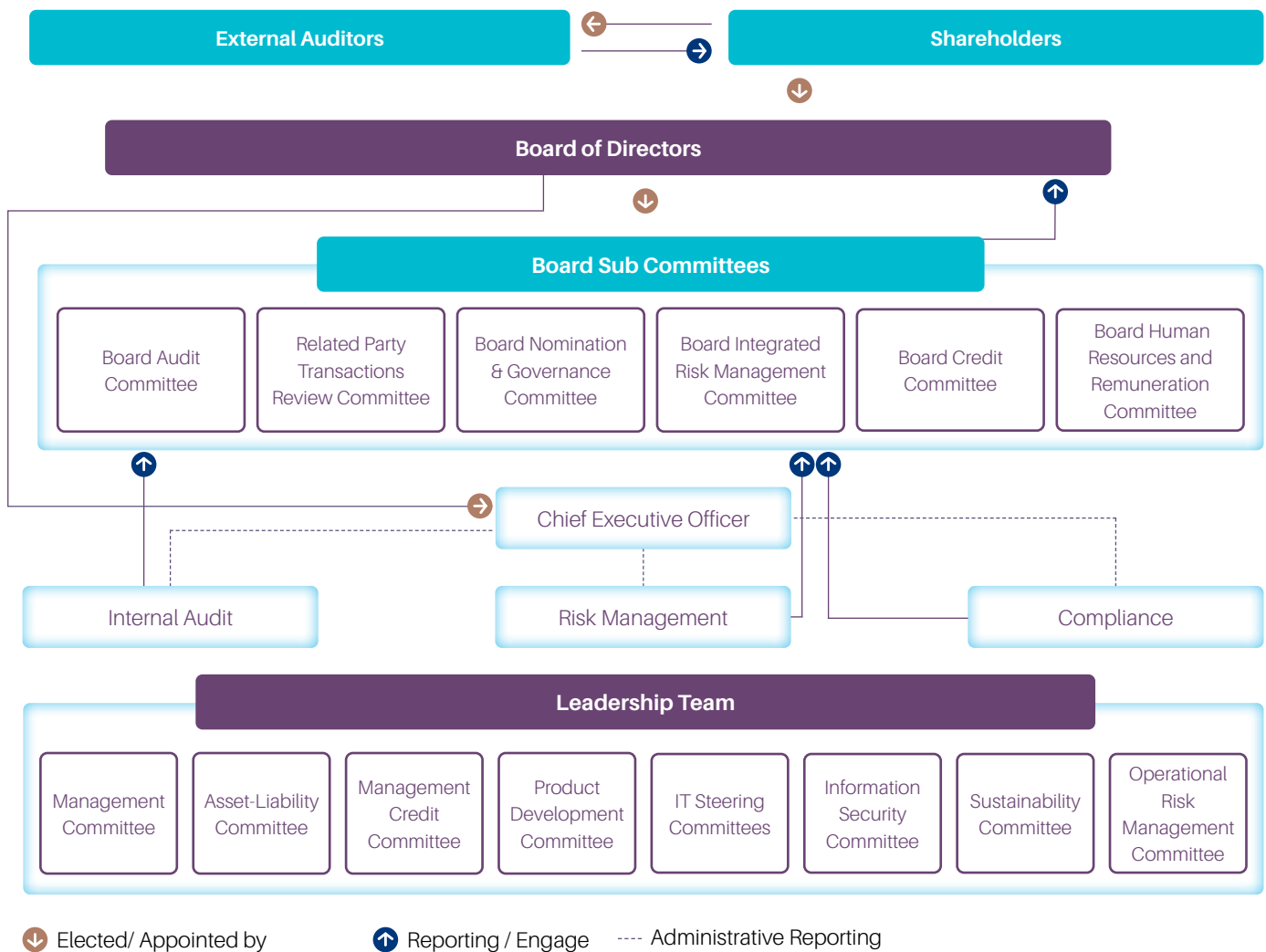
Incorporation of Sustainability Oversight into the Governance Structure

A unique component in SDF's governance structure is the Sarvodaya Movement's policies, which incorporates an additional sustainability component into the Company from top to bottom by making social and environmental responsibility, a non-negotiable requirement in the Company's strategy development, decision making and day-to-day activities.

In addition, SDF as a development finance company values its stakeholder opinions and takes these into considerations when developing and delivering products and services.

Governance Structure and Composition

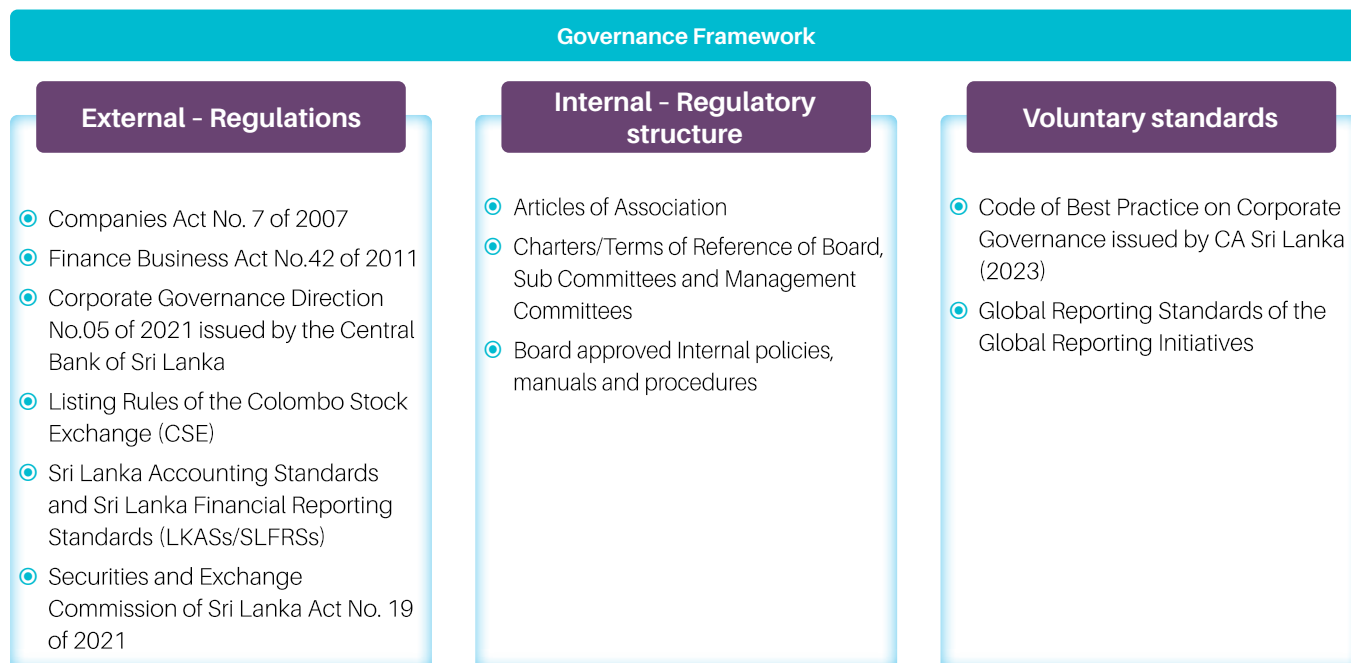
GRI 2-9



The governance structure of SDF is built on well described roles and responsibilities, greater transparency & accountability and clear reporting lines of the Board, Board's sub committees, management and management committees.

Governance and Compliance

SDF as a development finance company values its stakeholder engagement and take into consideration of stakeholder expectations when designing value creation of the Company.



GRI 2-9

(A) Highest governance body

The Board of Directors of SDF PLC, is the highest governing body of the Company, responsible for setting in place a governance framework for driving sustainable growth.

The Board provides the direction and leadership to SDF by setting strategy and risk appetite with oversight responsibility. The Board has an overarching responsibility for managing the affairs of SDF in the interests of the Company and all shareholders. The Board's tasks include, but are not limited to,

- Approving and overseeing the implementation of the Company's overall business strategy
- Ensuring a sound corporate culture within the Company
- Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems
- Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.

The Board of Directors are 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.

GRI 2-9

(B) Composition of the highest governance body and its committees

In terms of the section 3 of Finance Business Act Directions No. 05 of 2021 Corporate Governance, the Board currently comprises seven (7) Directors including the Chairman, who functions in a Non-Executive, Non-Independent capacity. Since the Chairman is in the capacity of Non-Independent, an Independent Director has been appointed as the Senior Director. Out of the remaining Six (6) Non-Executive Directors, two (2) are in the capacity of Non-Independent and four (4) are Independent Directors.

Changes in the Board composition during the financial year 2024/2025

• New appointment to the Board

Ms. Suranjani Wickremeratne was appointed to the Board as Non-Executive Independent Director w.e.f. 01st August 2024.

• Resignations of Directors

There were no resignations of Directors during the financial year 2024/2025.

• Retirements of Directors

There were no retirements of Directors during the Financial Year 2024/2025.

• Structural changes to the Board

In terms of section 3.2 of Corporate Governance Direction the Board's composition was revised from six (6) to seven (7) Directors and accordingly the number of Independent Directors was increased to four (4).

The Board of Directors are responsible for bringing independent judgement on issues of strategy, performance, resources and standard of business conduct.

GRI 2-10

Board Appointments

Nomination and Selection of the Board of Directors

The Director appointments to the Board are recommended by the Board Nomination & Governance Committee. On approval by the Board, names are referred to the Central Bank of Sri Lanka for approval as a fit and proper person. The newly appointed Directors be elected by the shareholders at the immediate subsequent Annual General Meeting.

Director appointments are communicated to the Colombo Stock Exchange and shareholders through announcements with a brief resume of the director.

Retirement By Rotation and Re-Election of Directors

At each Annual General Meeting one third (1/3) of the Directors shall retire from the office.

Be subject to retirement by rotation or be taken into account in determining the Directors to retire in each year (Article No.85 of the Articles of Association of the Company).

Accordingly, Ms. Shehara De Silva retires under Article No. 85 and being eligible offer herself for re-appoint with the unanimous support of the Board of Directors.

Mr. Senthil Nandhanan Senthilvel retires under Article No. 85 and being eligible offers himself for re-election with the unanimous support of the Board of Directors.

Diversity and Inclusion

SDF Board combines an appropriate and diverse balance of skills, industry experience and perspectives to objectively and effectively discharge its responsibilities. The Board of Directors of SDF shares well diversified profiles which enable them to contribute in wide areas of the business. Accordingly, the Board comprising of members with expertise in finance & accounting, risk management, legal, credit, business management, marketing and information technology.

Mr. Channa de Silva represents SEEDS Gurantee Limited and Mr Ramesh Schaffter and Mr. Senthil Nandhanan Senthilvel represent major shareholders of SDF.

The profiles of the Board disclosed in pages 28 to 31.

GRI 2-16

Communication of Critical Concerns

The Board can be made aware of any matters deemed critical through the reporting arrangements of Leadership Committees and Board Sub Committees, as described in the Governance Structure. There is a well-established, bottom-up monitoring and reporting mechanism for communicating macro environmental developments from branch level, regional level, to head office and from there, to Management Committees and Board Sub-committees.

There were no sudden critical concerns brought to the attention of the Board during the year under review, as the Board meets regularly, and operational and market information is communicated and reviewed on a regular basis.

Collective Knowledge of the Board

As SDF is part of the Sarvodaya Movement, the Company's mandate is for sustainable development, in harmony with society and nature. The SDF Board comprises individuals who are aware of, and are supportive of, the Sarvodaya philosophy, and sustainable development. Therefore, there has been no requirement for separate dedicated measures to advance the collective knowledge, skills, and experience of the Board on sustainable development. Board members themselves are interested in the subject and invest in advancing their knowledge on the subject, and share their knowledge at Board discussions.

Governance and Compliance

GRI 2-11

Chair of the highest governance body

The Chairman of the Board is not a senior executive in the organisation. The Chair of the Board has specific responsibilities including;

- Provide leadership to the Board
- Ensure the Board works effectively and discharges its responsibilities
- Implement decisions/directions of the regulator
- Building and maintaining stakeholder trust and confidence.
- Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary

The diverse experience, professional qualifications and competencies of the Chairman is disclosed under his profile on page 28.

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 Chairman of the Board leads the Board, preserving good corporate governance and ensuring that the Board works effectively. The Chief Executive Officer is accountable for implementation of strategic plan and driving performance.

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.

Director Independence

All Non-Executive, Independent Directors of SDF met the criteria for independence according to the section 3.7 of Finance Business Act Directions No.5 of 2021. The Board evaluates the independence annually through submitting annual declarations by the Non-Executive, Independent Directors.

Appointment of Senior Independent Director

Mr. Dhammika Ganegama Non-Executive, Independent Director has been appointed as the Senior Independent Director, with effect from 10th January 2022 to strengthen the independence of the Board.

Informed Decision Making

The Board as a whole and Directors individually, identify their duty to comply with the laws of the country. The Board ensures that processes and procedures are in place to ensure that the Company complies with all applicable laws and regulations.

The Company has a Board-approved procedure in place for seeking independent professional advice. The Board obtains independent professional advice in appropriate circumstances, at the expense of the Company.

Board Induction and Training

Every new Director was given appropriate induction about the Company background, its business affairs and rules and regulations when first appointed to the Board. The Directors participate in training conducted by the Heads of the Departments and external parties in many business key areas.

Evaluation of Performance of the Directors

The Board submits self-evaluations of the Board members annually in line with the Corporate Governance regulations set by the Central Bank of Sri Lanka. Copies of the Board evaluation forms are presented to the Board, for the Board members to discuss and critically assess how they have performed during the year and the weaknesses identified and for them to take required remedial action, if deemed necessary. The Board recognises that the Board evaluation is an essential component of good governance.

Remuneration Policies

SDF has a Board Human Resources and Remuneration Committee (BHRRC) which makes recommendations on remuneration policy relating to Key Responsible Persons (KRPs) of SDF and fees and allowance structure for Non-Executive Directors. The Remuneration policy is to ensure a transparent and a smooth "Hire to Retire" process, to enhance SDFs brand through quality recruitment and retention of staff while complying with the statutory and regulatory requirements of the Central Bank and other regulatory bodies.

Aligning with the principles of good governance, our remuneration policy reinforces our desired culture and encourages behaviour consistent with our values, while motivating the employees to deliver and sustain high levels of performance supporting achievement of our strategic priorities.

The remuneration paid to the Board of Directors is disclosed in aggregate in note number 43 to the Financial Statements on page 263 and in 'the Report of the Board of Directors of the Affairs of the Company' on page 195 of this Annual Report.

GRI 2-20

Process to Determine Remuneration

The BHRRC reviews the remuneration packages of the employees, taking into consideration the performance of the Company vs set KPIs, the individuals at the management level, remuneration comparison with peer companies, institutional guidelines and reports from specialist consultants at the industry level.

Company Secretary

The present Company Secretary, who is a qualified Chartered Corporate Secretary and a registered Company Secretary in accordance with the Companies (Secretaries) Regulations No.1 of 2023 made under Section 527 read with Section 222 of the Companies Act No.07 of 2007, was appointed by the Board with effect from 1st November 2023. She is not an employee of any other organization or institution.

The Company Secretary guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance. All Directors have access to the Company Secretary. The Company Secretary's service is available to all Directors and advise the Board on Board procedures, applicable rules and regulations and Corporate Governance matters.

Board Meetings and Attendance

The Board of Directors meets once a month and whenever the need arises. The Board convened Twelve (12) routine monthly meetings during the year under review. The Board dedicates adequate time and effort to the meetings of the Board and sub committees to ensure that the duties and responsibilities are satisfactorily discharged. The Company Secretary maintains meeting minutes which shall be opened for inspection at any reasonable time to any Director. The Board meeting attendance of the Board of Directors are indicated as follows.

No.	Name of the Director	Executive	Non-Executive Non-Independent	Non-Executive Independent	Alternate	Attendance at Board meetings (held within monthly intervals)											
						25/04/2024	29/05/2024	27/06/2024	31/07/2024	28/08/2024	25/09/2024	30/10/2024	27/11/2024	18/12/2024	29/01/2025	26/02/2025	26/03/2025
1	Mr Channa de Silva		√			√	√	√	√	√	√	√	√	√	√	√	√
2	Mr Dhammika Ganegama			√		√	√	√	√	√	√	√	√	√	√	√	√
3	Mr C Amrit CanagaRetna			√		√	√	√	√	√	√	√	√	√	√	√	√
4	Mr Ramesh Schaffter		√			√	X	√	√	√	X	X	√	X	√	√	√
5	Mr S N Senthilvel		√			√	√	X	√	√	√	X	√	√	√	√	√
6	Ms Shehara De Silva			√		√	√	√	√	X	√	√	√	√	√	√	X
7	Ms Suranjani Wickremeratne (Appointed w.e.f.01/08/2024)			√		N/A	N/A	N/A	N/A	X	√	√	√	√	√	√	√

Present - √ Absent/Excused - X Not Applicable - N/A

Committees of the Highest Governance Body

The Board of Directors has delegated the authority to the following Board sub-committees for the effective function of operations of the Company. Each sub-committee functions according to its Board approved Terms of Reference.

- I. Board Integrated Risk Management Committee (BIRMC)
- II. Board Audit Committee (BAC)
- III. Board Human Resources and Remuneration Committee (BHRRC)
- IV. Board Nomination and Governance Committee (BNGC)
- V. Related Party Transactions Review Committee (RPTRC)
- VI. Board Credit Committee (BCC)

Governance and Compliance

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 Responsible Persons (KRPs) in monitoring specific areas under their purview to committee meetings, for effective discussion and decision making and attend meetings on invitation. The respective reports of the above committees for the year ended 31 March 2025 are given in pages 147 to 159 in this Annual Report.

GRI 2-14

Role of the highest governance body in sustainability reporting

The Board of SDF has given its approval for annual sustainability reporting. SDF's sustainability report is compiled under the direct supervision of the senior management with the full approval of the Board, and it is the Chairman of SDF who describes the Company's vision in terms of the sustainable growth strategy.

GRI 2-9

(b) List the committees of the highest governance body that are responsible for decision making and overseeing the management of impacts on the economy, environment, and people

The entire Board, participates in sustainability related decision making and in trying to minimise any negative impacts, while augmenting positive impacts. The CEO is directly involved in making sustainability related decision making at operational level. In addition, the below committees are actively involved in monitoring impacts of our operations on customers and other stakeholders.

1. Management committee
2. Product Development Committee

Board Sub-committee Meetings and Attendance

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

Name	Status	Appointment Date to the Board	Attendance 2024/2025					
			BIRMC	BAC	BCC	RPTRC	BHRRC	BNGC
Mr. Channa de Silva	Chairman/Non-Executive, Non-Independent Director	19th April 2011 and reappointed on 10th January 2022	6 of 6**	2 of 2***	8 of 8	3 of 4	5 of 5	5 of 5
Mr. Dhammika Ganegama	Senior Director/Non-Executive, Independent Director	15th July 2020 and appointed as the Senior Independent Director on 10th January 2022	12 of 12	N/A	N/A	4 of 4	5 of 5	5 of 5
Mr. C Amrit CanagaRetna	Non-Executive, Independent Director	19th October 2018	12 of 12	7 of 7	8 of 8	4 of 4	4 of 5	4 of 5
Mr. Ramesh Schaffter	Non-Executive, Non-Independent Director	20th April 2022	N/A	5 of 7	N/A	N/A	N/A	N/A
Mr. S. N. Senthilverl	Non-Executive, Non-Independent Director	15th July 2021	N/A	N/A	7 of 8	N/A	N/A	N/A
Ms. Shehara De Silva	Non-Executive, Independent Director	27th June 2019	N/A	N/A	N/A	N/A	4 of 5	4 of 5
Ms. Suranjani Wickremeratne	Non-Executive, Independent Director	1st August 2024	3 of 6**	6 of 6*	N/A	N/A	N/A	N/A

N/A – Not a member

* Ms Suranjani Wickremeratne, Non-Executive, Independent Director was appointed to the BAC w.e.f. 01/08/2024

** Mr Channa de Silva, Non-Executive, Non-Independent Director and Ms Suranjani Wickremeratne, Non-Executive, Independent Director were appointed to the BIRMC w.e.f. 28/08/2024.

*** Mr Channa de Silva, Non-Executive, Non-Independent Director stepped down as a BAC member w.e.f. 22/08/2024.

GRI 2-12**Role of the highest governance body in overseeing the management of impacts**

The Board is ultimately responsible for managing SDF's impacts on the economy, environment and people, and for ensuring compliance with regulations and codes of conduct. This responsibility is delegated to functional heads of management and progress is reported to the Board.

GRI 2-15**Conflicts of interest****(a) Processes for the Board to ensure that conflicts of interest are prevented and mitigated.**

Under Article 115 of the Company's Articles of Association addresses the provisions on management of conflicts of interest of Directors.

The Company has established a Related Party Transactions Review Committee that meets periodically and has developed a Related Party Transaction and Avoidance of Conflict of Interest policy and 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.

The Company's Related Party Transaction Policy clearly defines the responsibilities of the Board of Directors, among other things, to ensure that the Company does not engage in transactions with related parties in a manner that would grant such party 'more favourable treatment' than that is accorded to other similar constituents of the Company.

Please refer section 12 on Related Party Transactions Review Committee in the Compliance status of corporate governance table in pages 315 to 316.

(b) Whether conflicts of interest are disclosed to stakeholders

Related party transactions that have been carried out during the year are disclosed under related party transactions on pages 262 to 264 of these Financial Statements.

GRI 2-16**Communication of critical concerns**

The Board, Board subcommittees and Management Committees meet regularly and can be made aware of any matters deemed critical through the reporting arrangements of Management Committees and Board Sub-committees, as described in the Governance Structure. There is a well-established, bottom-up monitoring and reporting mechanism for communicating business impacts on the economy, environment and people and also external developments from branch level, to regional level, to head office and from thereto Management Committees and Board Sub-committees.

Despite the precipitous deterioration of the economic situation in the country at the start of the financial year, SDF did not experience any sudden critical concerns that needed to be brought to the attention of the Board. The Board continued to meet regularly, and operational impacts and market information was communicated and reviewed on a regular basis.

GRI 2-17**Collective knowledge of the BoD on sustainable development**

With the approval of the Board, during the current year, the Chairman and CEO participated in Asia Pacific Investor Forum (AFI Forum) to seek impact funds. They have updated the Board on their learnings, and are currently considering ways of channelling this knowledge to the agriculture sector in Sri Lanka.

As SDF is part of the Sarvodaya Movement, the Company's mandate is for sustainable development, in harmony with society and nature. The SDF Board comprises individuals who are aware of, and are supportive of, the Sarvodaya philosophy, and sustainable development. Therefore, there has been no requirement for separate dedicated measures to advance the collective knowledge, skills, and experience of the BOD on sustainable development. Board members themselves are interested in the subject and invest in advancing their knowledge on the subject, and share their knowledge at Board discussions.

GRI 2-21**Annual Total Compensation Ratio**

The ratio of the annual total compensation for SDF's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) is approximately 40:1.

Governance and Compliance

GRI 2-13

Management

Delegation of Responsibility for Managing Impacts

The Board has delegated its responsibilities to duly appointed Board Committees and also Management Committees. The functional heads are responsible for management of risks and impacts on their respective operational areas and report on progress to the CEO.

The Management of SDF is responsible for strategy execution and driving performance of the Company.

Management's Role in the Structure of Corporate Governance

The Chief Executive Officer, 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 in Corporate Governance.

Leadership team



Management committee

Decision-making body for major operational matters. Overall review of performance.



Asset-Liability Committee

Defining strategies for balance sheet planning in optimising risk-return dynamics



Management Credit Committee

To approve credit facilities within the delegated authorities and monitor portfolios.



Product development Committee

To develop new products.



IT Steering Committee

Exercise oversight and governance over SDF's IT function



Information Security Committee

Oversees the information security and technology resilience.



Sustainability Committee

Overseeing sustainable strategy and environmental practice.



Operational Risk Management Committee

Identify, Assessing, monitoring and managing operational risk

Appraisal of Chief Executive Officer

The CEO is appraised by the Chairman and the Board annually using aligned to the short, medium and long-term objectives of the Company. The performance of the CEO is reviewed at the end of the financial year and the Board evaluates the set targets and the actual performance.

Shareholder Communication

SDF is committed to promoting effective and open communication with all shareholders, ensuring consistency and clarity of disclosure at all times. SDF aims to engage with shareholders transparently and regularly in order to facilitate a mutual understanding of our respective objectives. SDF strives to be accessible to investors and pro-actively encourages all shareholders to participate at the AGM. Communication with shareholders governs by the Stakeholder communication policy of the Company, which is approved by the Board.

Annual General Meeting

The shareholders of SDF exercise their influence at the Annual General Meeting (AGM), which is the Company's highest decision making forum. In addition, Extraordinary General Meetings can be called.

- 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

Board subcommittee Chairpersons, Directors and KRPs are available at the AGM to interact with Shareholders and respond to queries raised by the shareholders. All shareholders are encouraged to exercise their voting rights at the AGMs.

Employee Participation In Corporate Governance

The active participation of the employees has helped serve the interest of the stakeholders. SDF has been able to do so by empowering employees to positively contribute towards good corporate governance. To assist and facilitate transparency, SDF has institutionalised processes across all functionalities.

Moreover, SDF has been able to provide a safe, secure and conducive environment for employees. Equally, SDF also ensures that human resource standards and regulations are followed. SDF does not condone discrimination of any kind.

Financial Disclosures and Transparency

Financial Statements have been prepared in accordance with accounting standards comprising of SLFRSs/LKASs. Financial Statements are also in accordance with the Finance Business Act No. 42 of 2011, Companies Act No. 07 of 2007, Directions issued by Central Bank of Sri Lanka and internal policies.

Messrs, Deloitte Associates are the External Auditors of the Company. The External Auditors are permitted to act independently without the intervention of the Corporate Management or the Board of Directors. All the information required by the External Auditors has been provided to them for audit requirements.

Refer pages 294 to 347 for the Compliance Status of Corporate Governance Principles.

**Members of Ihala Wehigala
Sarvodaya Shramadana
Society produces accessories
and bags using Palmyrah
leaves, an eco-friendly initiative
led by women to promote
sustainable, handcrafted
products.**



Customer Name :-
Mallika Sriyalatha

Central Province
Matale District, Ihala Wehigala





Report of the Senior Independent Director



Dhammika Ganegama

Senior Independent Director

In compliance with Section 9.6.3 (e) of the Revised Listing Rules of the Colombo Stock Exchange

This report is presented in accordance with the requirements set out in Section 9.6.3 (e) of the revised Listing Rules of the Colombo Stock Exchange (CSE), which came into effect on 1st October 2023.

In line with Section 6.3 of the Finance Business Act Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka (CBSL), Sarvodaya Development Finance PLC (SDF) is required to appoint a Senior Independent Director (SID) in cases where the Chairperson of the Licensed Finance Company is not classified as an Independent Director. This regulatory provision is aimed at enhancing the independent oversight within the Board, thereby reinforcing the principles of sound corporate governance. As per the requirement, a suitably qualified Independent Director must be appointed as the Senior Independent Director with a clearly documented Terms of Reference that outlines the scope and expectations of the role.

Accordingly, Mr Channa de Silva, a Non-Executive, Non-Independent Director, was appointed as Chairman of the Board of SDF with effect from 10th January 2022. In compliance with the above regulatory directive, I was appointed as the Senior Independent Director of the Company on the same date.

The role of the Senior Independent Director is set out in the Company's Terms of Reference and is focused on promoting good governance within the Board. The SID is entrusted with the responsibility of facilitating the effective functioning of the Board by promoting a greater degree of independent judgment and ensuring that Board proceedings are conducted with due regard to transparency and accountability. In particular, the SID plays a key role in supporting the effective participation of Non-Executive Directors in Board deliberations and ensuring that their views are adequately considered in the decision-making process. The SID also serves as a channel of communication between the Chairman and the Non-Executive Directors, where necessary, thereby ensuring a balanced and inclusive approach to Board discussions.

As the Senior Independent Director, I am committed to strengthening Board governance by promoting independent judgment, transparent decision-making, and inclusive dialogue, in line with evolving regulatory standards and best practices.

A critical aspect of the SID's function is to assist the Chairman in discharging his duties effectively, while also acting as a sounding board for both the Chairman and the Board. This involves fostering open dialogue among Directors, encouraging rigorous debate, and contributing to an environment where diverse perspectives are valued and respected. Through these efforts, the SID contributes meaningfully to the governance framework of the Company and supports the continuous improvement of Board performance.

As regulatory standards and expectations around corporate governance continue to evolve, the responsibilities of the SID remain pivotal in ensuring that the Board remains aligned with best practices and is responsive to the changing needs of the Company and its stakeholders. I remain committed to upholding these responsibilities and to working collaboratively with the Chairman, my fellow Directors, and the executive leadership of the Company to support the continued enhancement of governance standards and the overall effectiveness of the Board.

Dhammika Ganegama

Senior Independent Director

28 May 2025

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

The Directors of Sarvodaya Development Finance PLC (SDF) 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 31 March 2025, in compliance with Section 168 of the Companies Act No. 07 of 2007, Finance Business Act Directions No. 5 of 2021 on Corporate Governance, and the Listing Rules of the Colombo Stock Exchange. The Report is also guided by the Recommended Best Practices on Corporate Governance.

This Report was approved by the Board of Directors at its meeting held on 28 May 2025

Corporate Philosophy

The Vision and Mission Statements, Guiding Values, and the Arthadharma Geethaya (Song) articulate the overarching philosophy and culture of the Company.

Legal Form

The Company was incorporated as a limited liability company in Sri Lanka on 1 January 2010 under the Companies Act No. 07 of 2007, bearing Registration No. PQ 00251293. It was converted into a public limited liability company on 6 January 2022 and was admitted to the Official List of the Colombo Stock Exchange on 14 December 2021. The Company commenced operations as a Licensed Finance Company (LFC) on 19 December 2012, under the Finance Business Act No. 42 of 2011.

Location

The Company's Registered Office, which also serves as its Head Office, is located at No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka. The Company's contact details are listed under Corporate Information.

Branch Network

As at 31 March 2025, the Company's branch network consisted of 56 Branch Offices under eleven regions (pages 101 to 104). During the financial year, five (5) branches were rebranded and strategically relocated to improve visibility and ensure better access for customers in key locations. This initiative not only retained existing customers but also attracted new ones.

Review of Performance and Risk Management

The Chairman's Message (pages 19 to 22) and the Chief Executive Officer's Review (pages 23 to 25) provide an overview of the Company's performance for the year, set against the broader economic landscape as discussed in the Management Discussion and Analysis (pages 78 to 128). A detailed report on Assessing and Managing Risk is provided on pages 162 to 187.

Statutory/Regulatory Compliance

The disclosures in this Annual Report comply with the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and its amendments, and the Directions, Rules, Notices, Determinations, and Guidelines for Non-Bank Financial Institutions issued by the Central Bank of Sri Lanka (CBSL). The Board is actively addressing any instances of non-compliance with these and the Listing Rules of the Colombo Stock Exchange.

Principal Activities

Pursuant to obtaining the finance company's license in December 2012, the Company's principal business activities during the year were deposit mobilisation, microcredit (represented by bulk loans to Sarvodaya Societies), microcredit including gold loans to individuals and individual entrepreneurs, corporate and retail credit (represented by personal loans, business loans, mortgage loans, SME, and leasing), and other credit facilities and related services.

Financial Statements

The Financial Statements of the Company (pages 202 to 285) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by The Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange.

The Financial Statements have been signed by the Head of Finance and the Chief Executive Officer with the approval of the Chairman and a Director on behalf of the Board. These statements form an integral part of this Annual Report.

Directors' Responsibility for Financial Reporting

In terms of Sections 150(1) and 151 of the Companies Act No. 07 of 2007, the Directors confirm, by declaration (page 193), their responsibility for the preparation and presentation of the Financial Statements, which provide a true and fair view of the Company's affairs for the year ended 31 March 2025.

The Directors affirm that the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies, and Notes to the Financial Statements have been prepared in compliance with SLFRSs/ LKASs, the Companies Act, the Listing Rules of the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the relevant Directions issued under the Finance Business Act No. 42 of 2011.

Further, the Directors confirm that the Company has sufficient resources to continue operations for the foreseeable future and has adopted the going concern basis in preparing these Financial Statements.

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

Directors' Statement on Internal Control Over Financial Reporting

In accordance with Section 16.1(ix) of Finance Business Act Directions No. 5 of 2021 on Corporate Governance, the Board has issued a statement on the Company's internal control mechanism.

The Directors confirm, by declaration (page 195), their responsibility for ensuring the adequacy and effectiveness of the internal control system. A robust and continuous process for identifying, evaluating, and managing significant risks has been implemented, including controls over financial reporting.

The Board also reviews this process periodically and ensures compliance with all applicable laws and industry standards. It further affirms that the internal control mechanism is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in line with SLFRSs/LKASs and the regulatory requirements of the Central Bank of Sri Lanka.

Auditors' Report

The Auditors' Report on the Financial Statements of the Company for the year in review is set out in this Annual Report (pages 202 to 205).

Accounting Policies and Changes During the Year

The Board confirms that there were no changes to the Accounting Policies during the financial year under review. The Directors believe that the accounting policies have been applied consistently and are supported by sound judgement. Significant Accounting Policies and notes to the Financial Statements are given from page 212 and comply with LKAS 01 - "Presentation of Financial Statements" and Section 168(1)(d) of the Companies Act No. 07 of 2007.

Articles of Association and Changes During the Year

During the financial year under review, no revisions and/or amendments were made to the Company's Articles of Association.

Accounting Period

The financial accounting period reflects the information from 01 April 2024 to 31 March 2025.

Financial Results and Appropriations

Interest Income

The Company recorded an interest income of Rs. 4,374.39 Mn for the year ended 31 March 2025 (Rs. 3,326.77 Mn in 2024), reflecting a growth of Rs. 1,047.62 Mn or 31.5%. A detailed breakdown is provided in Note No. 5 (page 218) to the Financial Statements.

Profit and Appropriations

The Company recorded a profit after tax of Rs. 473.81 Mn for the year ended 31 March 2025 (a profit after tax of Rs. 249.59 Mn in financial year 2024). This represents an increase of Rs. 224.21 Mn or 89.8% compared to the previous year. The Company recorded a total comprehensive income of Rs. 470.47 Mn for the year ended 31 March 2025 (a total comprehensive income of Rs. 233.42 Mn in financial year 2024).

As per the guidelines and criteria laid down in the Section 3 (b) (i) of Finance Companies (Capital Funds) Direction No.1 of 2003 of the Central Bank of Sri Lanka, the Board of Directors transferred Rs. 23.69 Mn (Rs. 12.47 Mn in financial year 2024) to the Company's 'Statutory Reserve Fund' during the year under review.

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

	2025 Rs. ('000)	2024 Rs. ('000)
Profit /(Loss) After Taxation	473,813	249,597
Profit Brought Forward from Previous Year	679,677	570,927
Profit Available for Appropriation	1,153,490	820,523
Appropriations		
Other Comprehensive Income /(Expenses)	(3,335)	(16,169)
Transfer to Reserves	(23,691)	(12,480)
Final Dividend	(97,237)	(112,197)
Total Appropriation	124,263	(140,846)
Un-appropriated Profit Carried Forward	1,029,227	679,677

Property, Plant & Equipment

The total capital expenditure incurred on Property, Plant and Equipment (including capital work in progress) of the Company in the year ended 31 March 2025 amounted to Rs. 94.19 Mn (Rs. 114.34 Mn in financial year 2024). The detailed analysis of Property, Plant & Equipment belonging to the Company as at year end are disclosed in note no 25, on pages 241 to 244.

During the financial year under review, Company revalued its land as at 31 March 2025 to comply with the provisions of section 31 of LKAS 16 : Property, Plant and Equipment. The details of such revaluation are fully described under note no 25 (Page 244) to the Financial Statements.

Stated Capital

The stated capital of the Company as at 31 March 2025 amounted to Rs. 2,696.11 Mn (Rs. 2,696.11 Mn as at 31 March 2024). 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, including Retained Earnings, stood at Rs. 1,247.84 Mn (Rs. 874.60 Mn in the financial year 2024) at the end of the financial year.

A summary of Reserves of the Company at the end of the financial year is as follows.

	2025 Rs. ('000)	2024 Rs. ('000)
Statutory Reserve Fund	162,104	138,413
Revaluation Reserve	56,515	56,515
Retained Earnings	1,029,227	679,677
Total	1,247,846	874,605

Contingent Liabilities

There were no material contingent liabilities as at the reporting date except as disclosed in note no 38 on page 259 to these Financial Statements.

Outstanding Litigations

In consultation with the Company Lawyers, the Board of Directors opine that the pending litigations against the Company as at the reporting date will not have any material impact on the reported financial results or the future operations of the Company. The litigations against the Company are fully disclosed under note no 38 on page 259 to the Financial Statements.

Environmental Protection

The Directors, to the best of their knowledge and belief, are satisfied that the Company has not engaged in any activities, which have caused adverse effects on the environment and it has complied with the relevant environmental regulations.

Events Occurring After The Reporting Date

There have been no material events and/or circumstances that have arisen since the reporting date that would require adjustments to or disclosure in the financial statements, other than those disclosed in note no 44 on page 265 to the Financial Statements.

Issue of Shares or Debentures

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

Share Information

There were 2,406 shareholders registered as at 31 March 2025 (2,361 shareholders as at 31 March 2024). Top 20 shareholders and the shareholding structure information are set out on page 99 under Investor Review.

Directors' Shareholdings

The Directors shareholding and the relevant interests of Directors in the shares of the Company as at 31 March 2025 and as at 31 March 2024 are disclosed in page 100. The Directors' Interest Register as at 31 March 2025 is Annexed to this report under Directors' Shareholdings.

Directorate

Ms. Suranjani Wickremeratne was appointed to the Board as Non-Executive Independent Director w.e.f. 01st August 2024

Accordingly, the following Directors held office at the end of the financial year.

Name	Status
Mr. Channa de Silva	Chairman/Non-Executive, Non-Independent Director
Mr. Dhammika Ganegama	Senior Director/Non-Executive, Independent Director
Mr. Amrit CanagaRetna	Non-Executive, Independent Director
Mr. Ramesh Schaffter	Non-Executive, Non-Independent Director
Mr. S Nandhanan Senthilverl	Non-Executive, Non-Independent Director
Ms. Shehara De Silva	Non-Executive, Independent Director
Ms. Suranjani Wickremeratne	Non-Executive, Independent Director

The seven member Board of Directors of the Company who held directorships as at 31 March 2025 are 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 28 to 31.

Meetings of the Board of Directors

The Board of Directors held twelve (12) monthly meetings, during the year under review. The attendance schedule is given in the Corporate Governance Report on page 133.

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

Board Sub-Committees

The Board has delegated some responsibilities to six (6) oversight committees without derogating from its ultimate responsibility to the Company. They are:

- (i) Board Integrated Risk Management Committee (BIRMC);
- (ii) Board Audit Committee (BAC);
- (iii) Board Nomination and Governance Committee (BNGC);
- (iv) Board Human Resources and Remuneration Committee (BHRRC)
- (v) Related Party Transactions Review Committee (RPTRC) and;
- (vi) Board Credit Committee (BCC).

The composition, functions and responsibilities of the first five committees are set out in their respective reports as at 31 March 2025 and included in this Annual Report.

Management Level Committees

The Board also appointed five (5) management level committees in line with industry norms. These are:

- (i) Asset-Liability Committee (ALCO)
- (ii) Management Committee (ManCom)
- (iii) IT Steering Committee (ITSC)
- (iv) Sustainability Committee (SC)
- (v) Management Credit Committee (MCC) and;
- (vi) Product Development Committee (PDC).

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 31 March 2025 and 31 March 2024 are stated below and disclosed under note no 10 to these Financial Statements on page 263.

	2025 Rs. ('000)	2024 Rs. ('000)
Directors' Fees and Emoluments	10,210	9,140

Corporate Governance

The Company's report on Corporate Governance, which appears on pages 294 to 347, complies Finance Business Act Directions No.5 of 2021 - Corporate Governance and other regulatory requirements.

SDF has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.

The Board has obtained the Assurance Report from its External Auditors, Messrs Deloitte Associate (Chartered Accountants) on the Internal Control over Financial Reporting and the same is disclosed on page 194. Also, the Company has obtained a factual findings reports on Corporate Governance from External Auditors over the compliance of corporate governance directions and the Company is in the process of strengthening the procedure.

GRI 2-18

Appraisal of Board Performance

Each Board Director of the Company, in conformity with the section 1.5 (d) of Finance Business Act Directions No.5 of 2021 - Corporate Governance, undertakes a self-assessment annually by answering a self-assessment questionnaire. The Board of Directors undertook the self-assessment for the year under review. The extent of compliance is fully described on pages 294 to 347 in the Company's report on Corporate Governance.

The Board also carried out an annual self-evaluation of its subcommittees to ensure that they discharge their duties and responsibilities satisfactorily, in terms of Finance Business Act Directions No. 5 of 2021 - Corporate Governance and the Best Practices of Corporate Governance.

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 schemes.

Auditors

The Company's External Auditors during the period under review were Messrs Deloitte Associate, Chartered Accountants. They were appointed with effect from 1st April 2024, 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.

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

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

The Company paid the following sums for audit and related services, as well as non-audit services, to M/s. Deloitte Associates, Chartered Accountants. Agreed Upon Procedures engagement to comply with the Finance Business Act Directions No. 5 of 2021 - Corporate Governance and Assurance engagement on the Directors' Statement of Internal Control have been classified as audit related services. The fees paid for these services during the year under review are included under audit and related services accordingly. Non-audit services mainly comprised fees paid during the year under review for tax consultancy services and payment for the Accountants' Report provided by auditors.

	2025 Rs. ('000)	2024 Rs. ('000)
Audit and Related Services	3,300	2,470
Non Audit Services	250	1,522

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 193) 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 on page 194.

Going Concern

The Company's Management 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 in the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Preparations for Adopting New Regulations

An alternative format has been used in presenting accounting policies to minimize disclosure overload and clutter in the Financial Statements. These Financial Statements comply with the requirements of the Sri Lanka Accounting Standards - LKAS 1 on 'Presentation of Financial Statements' and with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 210 to 217. The significant changes to accounting policies adopted if any, in the preparation of the Financial Statements are given in Note 3.1 on pages 212 to 213.

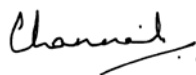
Notice of Meeting

Notice convening the 15th Annual General Meeting of the Company is given on page 353.

Acknowledgment of the Contents of the Report

As required by section 168 (1) (k) of the Companies Act No 07 of 2007 the Board of Directors hereby acknowledge the contents of this report.

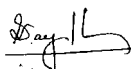
For and on behalf of the Board of Directors of Sarvodaya Development Finance PLC.



Channa de Silva
Chairman



Dhammika Ganegama
Senior Director



Shiromi Patabendige
Company Secretary

28 May 2025

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

Annexure to The Report of the Board of Directors on the State of Affairs of the Company

Directors' Interest Register as at 31st March 2025

Full Name of the Director		Other Positions held by the Director	
		Name of the Entity	Position held
1. Mr Ginige Channa Ajith de Silva (Chairman/Non Executive, Non Independent Director)	1	First Capital Treasuries PLC	Non Executive Director
	2	K Seeds Investments (Pvt) Ltd	Non Executive Director
	3	Bansei Royal Resort	Non Executive Director
	4	Capital Media	Chairman
	5	Echolen Media	Chairman
	6	Neelan Tiruchelvam Trust	Trustee
	7	Bansei Capital	Non Executive Director
	8	Lake Village Pvt Ltd	Chairman
	9	Sarvodaya Movement	Vice President
2. Mr Withanatchi Thushara Dhammika Ganegama (Senior Director/Non Executive, Independent Director)	1	Mitra Innovation Ltd (UK)	Co-Founder/Managing Director
	2	Mitra Innvation Pvt Limited (SL)	Co-Founder/Managing Director
	3	Mitra Innovation Ltd (AUS)	Co-Founder/Director
	4	Mitra Innovation Ltd (Singapore)	Co-Founder/Director
	5	Mitra Ventures Ltd (UK)	Co-Founder/EVP
	6	Sri Lanka & Australia Chamber of Commerce	Vice President
	7	Dama Japan Auto Imports	Founder/Managing Director
3. Mr Christopher Amrit CanagaRetna (Non Executive, Independent Director)		International Needs Lanka	Honorary Director
4. Mr Ramesh Schaffter (Non Executive, Non Independent Director)	1	First Capital Treasuries PLC	Non Executive Director
	2	First Capital Holdings PLC	Non Executive Director
	3	Serendib Land PLC	Non Executive Director
	4	Janashakthi Insurance PLC	Non Executive Director
	5	Acland Insurance Services Limited	Non Executive Director
	6	Janashakthi Capital Limited	Non Executive Director
	7	Janashakthi Limited	Managing Director / Group Chief Executive Officer
	8	Janashakthi Corporate Services Limited	Non Executive Director
	9	Janashakthi Business Services (Private) Limited	Non Executive Director
	10	Janashakthi Foundation (Guarantee) Limited	Non Executive Director
	11	Tea Leaf Trust(Guarantee) Limited	Non Executive Director
	12	Pan Nippon Development (Private) Limited	Non Executive Director
	13	Rock Foundation (Pvt) Ltd	Non Executive Director
	14	Schaffters (Pvt) Ltd	Non Executive Director
	15	Beckett Capital (Pvt) Ltd	Non Executive Director
	16	El Shaddai Trust	Chairman
	17	Espalier Futures Limited	Non Executive Director
	18	First Capital Limited	Non Executive Director
5. Mr Senthil Nandhanan Senthilvel (Non Executive, Non Independent Director)	1	Amana Bank PLC	Non Executive Director
	2	Senthilvel Holdings (Pvt) Ltd	Director
	3	Dollar Corporation	Chief Executive Officer
6. Ms Shehara De Silva (Non Executive, Independent Director)	1	Keells Food PLC	Non Executive Director
	2	Amana Takaful Life PLC	Non Executive Director
	3	Expacorr Corrugated Cartons PLC	Non Executive Director
	4	Optima Design Pvt Ltd	Chairperson/Non Executive Director
	5	Quickshaws Pvt Ltd	Non Executive Director
	6	Quickshaws Travel Pvt Ltd	Non Executive Director
	7	Chimneys Pvt Ltd	Non Executive Director
	8	Informatics Institute of Techonogy	Non Executive Director
	9	Neelan Tiruchelvam Trust	Trustee/Director
	10	Family Planning Association Sri Lanka	Non Executive Director
7. Ms Ramya Suranjani Wickremeratne (Non Executive, Independent Director)	1	Dental Care International	President
	2	Tarana Foundation	President
	3	Damrivi Foundation	Board Member of the Board of Trustees
	4	Sri Lanka Sumithrayo	Chairperson

Report of the Board Nomination and Governance Committee



Dhammika Ganegama

Chairman – Board Nomination and Governance Committee

Our steadfast commitment to governance excellence led to the establishment of a dedicated Nomination and Governance Committee, reinforcing Board diversity, leadership continuity, and regulatory alignment key pillars for sustainable growth and stakeholder confidence.

Regulations/Rules Relevant to the Functions of the Board Nomination and Governance Committee (BNGC)

A dedicated committee was formed with effect from 25th September 2024, in line with the Best Practices on Corporate Governance. It conforms to Direction 10.4 of the Finance Business Act Direction No. 5 of 2021, and its composition aligns with Rule 9.11.4 of the Listing Rules of the Colombo Stock Exchange. Until 24th September 2024, the same function was undertaken by the Board Nomination and Remuneration Committee, prior to the separation and formation of the dedicated committee.

The Functions of the BNGC Shall Include the Following ;

- To regularly review the structure, size, composition, and competencies of the Board, the requirement of additional/new expertise, and the succession arrangements for retiring Directors and make recommendations to the Board regarding any structural changes in the Board.
- To consider the making of any appointments to the Board and other key responsible positions and provide advice and recommendations to the Board on such appointments.
- To ensure that Directors are fit and proper persons to hold office as per the criteria set out in the Directions issued by the Central Bank of Sri Lanka and the relevant Rules / Statutes.
- To evaluate and recommend the appointment, promotion, extension, transfer and re-designation of the CEO and other KRPs.
- To evaluate and recommend (where appropriate) the re-election of Directors who are retiring by rotation to be placed before the shareholders, for re-election.
- The committee shall set criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and other key responsible persons.

Composition

The BNGC comprised four (4) Non-Executive Directors as at 31st March 2025 as mentioned below. The Chairman of the BNGC is an Independent, Non-Executive Director.

Name	Designation
Mr. Dhammika Ganegama	Chairman of the Committee/ Non-Executive, Independent Senior Director
Mr. Channa de Silva	Member/Chairman of the Board/Non-Executive, Non- Independent Director
Mr. Amrit CanagaRetna	Member/Non-Executive, Independent Director
Ms. Shehara De Silva	Member/Non-Executive, Independent Director

The Profiles of the BNGC members are set out on pages 28 and 31 of this Annual Report. The Head of Human Resources, functions as the Secretary to the BNGC.

Meetings

The BNGC convenes regularly, with a minimum of two meetings per financial year. The Chief Executive Officer and the Head of Human Resources attend these meetings by invitation. Since the BNGC functions as part of the BHRRC during FY 2024/25, we have provided the BNRC meeting dates applicable to FY 2024/25.

Report of the Board Nomination and Governance Committee

Name of the Director	Designation	No. of Meetings Attended
Mr Dhammika Ganegama	Chairman of the Committee/Non Executive, Independent Director	3/3
Mr Channa de Silva	Member/Chairman of the Board/Non Executive, Non Independent Director	3/3
Mr Amrit CanagaRetna	Member/Chairman of the Board/Non Executive, Independent Director	3/3
Ms Shehara De Silva	Member/Chairman of the Board/Non Executive, Independent Director	2/3

Activities During the Year

During the year under review, the Committee deliberated on key matters including succession planning for Key Responsible Persons (KRPs), leadership development, and the grooming of potential successors to ensure continuity in critical roles. Based on these discussions, the Committee recommended the appointment of Ms. Suranjani Wickremeratne as a Non-Executive / Independent Director, with effect from 01st August 2024. In line with strengthening the leadership team, the Committee also recommended the appointment of two new KRPs during the financial year: Ms. Manori Wannigama as Head of Finance and Mr. Randil Keerthipala as Head of Recovery.

The Committee also evaluated the structure and composition of the Board Sub-Committees in light of the requirements under the Finance Business Act Direction No. 5 of 2021 and the new Listing Rules on Corporate Governance. Recommendations made by the Committee were submitted to the Board of Directors and were approved, subject to obtaining the necessary regulatory approvals where applicable.

Policies and Procedures

The Committee functions in accordance with its Terms of Reference approved by the Board, subject to timely revisions as deemed necessary. As stipulated in these Terms, the Committee is to comprise Non-Executive Directors, with a preferred majority being Independent Non-Executive Directors.

In compliance with its mandate, the Committee undertook a review of its Terms of Reference in October 2023, followed by another review in March 2024. Based on the recommendations arising from these reviews, the Committee's name and functions were revised. As a result, it was renamed the Board Nomination and Governance Committee in line with the updated Listing Rules of the Colombo Stock Exchange.

A documented and Board-approved Terms of Reference for the Nomination of Directors is in place, which the Committee adheres to when recommending candidates for Board appointments, subject to the necessary regulatory approvals.

In accordance with the Articles of Association (Articles 85 and 86), one-third of the Directors eligible for retirement by rotation must step down at each Annual General Meeting. Following a structured evaluation process, the Committee makes recommendations, where appropriate, for the re-election of such Directors to be placed before the shareholders.

The Committee places a strong emphasis on Board diversity, including but not limited to academic and professional qualifications, relevant skills, industry experience, age, gender, and integrity. These criteria are assessed in light of the Company's business model and the specific needs of the non-bank financial sector. The extent of compliance is fully described on pages 294 to 347 in the Company's report on Corporate Governance.



Dhammika Ganegama

Chairman - Board Nomination and Governance Committee

28 May 2025

Report of the Board Human Resources and Remuneration Committee



Dhammika Ganegama

Chairman – Board Human Resources and Remuneration Committee

In our commitment to robust human capital governance, the Board Human Resources and Remuneration Committee played a vital role in aligning employee reward structures with corporate goals, ensuring fairness, market competitiveness, and strategic talent retention across all levels.

Clarification on Structures Changes

During the reporting period, matters pertaining to both the Board Human Resources and Remuneration Committee (BHRC), formerly known as the Board Remuneration Committee (BRC), and the Board Nomination and Governance Committee (BNGC) were discussed under the meetings of the Board Nomination and Remuneration Committee (BNRC). This was due to the fact that both committees were comprised of the same Directors. As such, the discussions covering the respective scopes of the BHRC and BNGC were jointly deliberated within the BNRC meetings and duly recorded in the BNRC minutes. This approach was adopted to ensure efficient use of resources while maintaining compliance with governance requirements.

Objectives and Scope

The Committee plays a critical role in safeguarding the long term sustainability and financial health of Sarvodaya Development Finance PLC (SDF). The Committee is entrusted with the responsibility of aligning the company's human resource strategies with its overarching corporate goals, thereby enhancing organizational performance through sound governance and strategic oversight.

The Functions of the BHRC Shall include the following:

- Sets the remuneration policy for executive directors, Key Responsible Persons (KRPs), and the fee structure for non-executive directors, ensuring no individual is involved in determining their own remuneration.
- Oversees any major changes in employee remuneration and benefit structures across the Company, and considers and examines such matters as deemed appropriate.
- Makes recommendations on other related matters referred to the Committee by the Board of Directors.
- To make recommendations on other related matters referred to the Committee by the Board of Directors.

Composition

The BHRC comprised four (4) Non-Executive Directors as at 31 March 2025 as mentioned below. The Chairman of the BHRC is an Independent, Non-Executive Director.

Name	Designation
Mr. Dhammika Ganegama	Chairman of the Committee/ Non-Executive, Independent Senior Director
Mr. Channa de Silva	Member/Chairman of the Board/Non-Executive, Non-Independent Director
Mr. Amrit CanagaRetna	Member/Non-Executive, Independent Director
Ms. Shehara De Silva	Member/Non-Executive, Independent Director

The Profiles of the BHRC members are set out on pages 28 to 31 of this Annual Report. The Head of Human Resource, functions as the Secretary to the BHRC.

Meetings

The BHRC convenes regularly, with a minimum of two meetings per financial year. The Chief Executive Officer and the Head of Human Resources attend these meetings by invitation. Minutes of each BHRC meeting are submitted to the Board to facilitate informed decision making and the implementation of the Committee's recommendations.

The BHRC held four (4) meetings during the current year and the recommendations made by the BHRC were circulated and ratified by the Board of Directors.

Report of the Board Human Resources and Remuneration Committee

Name of the Director	Designation	No. of Meetings Attended
Mr Dhammika Ganegama	Chairman of the Committee/Non Executive, Independent Director	4/4
Mr Channa de Silva	Member/Chairman of the Board/Non Executive, Non Independent Director	4/4
Mr Amrit CanagaRetna	Member/Chairman of the Board/Non Executive, Independent Director	4/4
Ms Shehara De Silva	Member/Chairman of the Board/Non Executive, Independent Director	3/4

GRI 2-19

Remuneration Policy

The Committee plays a pivotal role in shaping and guiding the Company's approach to employee rewards. Its primary focus is to ensure that remuneration frameworks are equitable, competitive, and reflective of each employee's contribution in terms of performance, expertise, and role accountability. This ensures the Company remains an attractive workplace for high caliber talent necessary to drive strategic execution.

Our reward practices are grounded in principles of transparency, fairness, and alignment with corporate values. The remuneration policy is purposefully crafted not only to recognize and reward high performance but also to reinforce a results driven and ethically sound culture. In doing so, it serves as a catalyst for achieving the Company's broader strategic ambitions.

Activities During the Year

The Committee conducts a thorough evaluation of the Company's compensation framework to ensure it remains competitive, equitable, and performance oriented. As part of this process, a comprehensive industry salary survey has been carried out to benchmark our remuneration against peer organizations. This helps ensure alignment with market standards while recognizing individual contributions, particularly at managerial levels. The review also incorporates KPI achievements, institutional guidelines, and expert recommendations from industry consultants.

The Committee reviewed and made recommendations to the Board on bonus payments to KRP and staff, the structure for staff performance evaluations, increments and promotions and staff salaries in general, the Policies on Remuneration to be aligned with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance, and the remuneration structure.

In addition to financial rewards, the Company places strong emphasis on employee well-being. We offer a wide range of benefits, including staff loan facilities, extensive medical insurance, critical illness coverage, and personal accident protection demonstrating our commitment to holistic employee welfare and long-term security.

Directors' Remuneration

The total amount paid as Directors' remuneration during the year under review is set out in Note 43 to the Financial Statements, which is in line with the Policy on Remuneration adopted by the Board on 25 March 2024.



Dhammika Ganegama

Chairman - Board Human Resources and Remuneration Committee

28 May 2025

Report of the Board Audit Committee



Suranjani Wickremeratne

Chairman – Board Audit
Committee

The principles of integrity, oversight, and accountability form the foundation of sound governance. The Board Audit Committee is dedicated to enhancing financial stewardship by ensuring rigorous risk management and adherence to regulatory standards. Through independent oversight, the Committee upholds trust, promotes transparency, and supports the creation of sustained value for all stakeholders.

Terms of Reference of the Committee

The Board Audit Committee operates under its Terms of Reference, which are periodically reviewed and updated with the Board of Directors' concurrence. This process ensures that emerging developments and concerns are effectively addressed. Reporting directly to the Board, the Committee plays a vital role in financial oversight, internal and external audits, regulatory compliance, and risk management. By fulfilling these responsibilities, the Committee enhances governance and strengthens the organization's financial integrity.

Role and Responsibilities of the Board Audit Committee

The primary objective of the Board Audit Committee is to support the Board of Directors in fulfilling its responsibilities toward stakeholders. Empowered by the Board, the Committee plays a crucial role in financial oversight, regulatory compliance, and risk management. Its key responsibilities include:

- Ensuring the effectiveness of the financial reporting system, providing accurate, timely, and relevant information to the Board, regulatory authorities, and stakeholders.
- Reviewing the Annual and Interim Financial Statements before publication to verify compliance with statutory and regulatory requirements, accounting standards, and consistently applied accounting policies.
- Evaluating the efficiency of the internal control framework and the company's risk management system.
- Assessing the independence and adequacy of the scope, functions, and resources of the Internal Audit function.
- Confirming the company's ability to continue as a going concern in the foreseeable future.
- Reviewing and monitoring the independence and effectiveness of the company's external auditors.

By diligently carrying out these responsibilities, the Board Audit Committee strengthens corporate governance, enhances financial integrity, and mitigates risks, ensuring long-term sustainability.

Authority of the Board Audit Committee

The Board Audit Committee is fully empowered to conduct investigations into any matter within its scope. Its authority includes:

- Summoning any employee for questioning during a Committee meeting.
- Having unrestricted access to all relevant information necessary for its inquiries.
- Obtaining external professional advice at the company's expense to support its assessments and decisions.

This broad authority ensures the Committee can effectively fulfill its responsibilities, reinforcing corporate governance and financial oversight.

Composition of the Board Audit Committee

The Board Audit Committee consists of three (3) Non-Executive Directors, appointed by the Board of Directors. As of March 31 March 2025, the following Directors served on the Committee:

Name of the Director	Designation
Ms. Suranjani Wickremeratne	Chairperson of the Committee/ Non-Executive, Independent Director
Mr. Amrit CanagaRetna	Member / Non- Executive, Independent Director
Mr. Ramesh Schaffter	Member / Non-Executive, Non- Independent Director

Report of the Board Audit Committee

This composition ensures that the Committee maintains independence and brings diverse expertise to financial oversight, compliance, and risk management.

The detailed profiles of the Board Audit Committee members are provided on pages 28 to 31 of this Annual Report.

Changes in the Board Audit Committee Leadership

Ms. Suranjani Wickremeratne was appointed as the Chairperson of the Board Audit Committee with effect from 01st August 2024 succeeding Mr. Ramesh Schaffter, who served as Chairman until 01st August 2024 and will continue to serve as a member of the committee.

Mr Channa De Silva Non-Executive/Non- Independent Director resigned from the Board Audit Committee with effect from 22nd August 2024.

Committee Meetings and Member Attendance

During the year under review, the Board Audit Committee (BAC) convened seven times to effectively discharge its assigned duties. The attendance of the members at these meetings was as follows:

Name of the Director	Designation	Number of Meetings Attended
Ms. Suranjani Wickremeratne	Chairperson w.e.f. 01st of August 2024	6/6
Mr. Amrit CanagaRetna	Member	7/7
Mr. Ramesh Schaffter	Chairperson until 01st of August 2024 and thereafter a member of the Committee	5/7
Mr. Channa de Silva	Member of the Committee until resignation on the 22nd of August 2024	2/2

This consistent engagement underscores the committee's commitment to governance, financial oversight, and regulatory compliance.

The CEO, COO, Head of Finance, Head of Internal Audit, and other members of the Key Responsible Personnel (as deemed necessary) also attend meetings by invitation. The External Auditors also attend meetings whenever they are invited to be present.

The Head of Internal Audit functions as the Secretary to the Board Audit Committee. Proceedings of these meetings, with adequate details of matters discussed, are regularly reported to the Board.

Summary of Activities During the Year 2024/25

Financial Reporting

The Board Audit Committee, in its oversight role, ensures the integrity of the company's financial reporting process on behalf of the Board of Directors. Throughout the year, the Committee:

- Reviewed and recommended interim and annual financial statements before submission to the Board for approval.
- Evaluated compliance with Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, the Securities & Exchange Commission Act, and other relevant financial reporting regulations.
- Assessed the effectiveness of the financial reporting system to ensure reliability and transparency.
- Examined accounting policies to determine the most appropriate choices.
- Verified whether financial disclosures were fair and appropriate.
- Evaluated the company's ability to continue as a going concern and its resource adequacy.
- Obtained assurance statements from the CEO and Head of Finance, confirming the proper maintenance of financial records and the accuracy of the financial statements.

Risk and Internal Control

The company maintains a robust internal control environment to mitigate material risks. While management is responsible for implementing and maintaining internal controls, the Committee ensures their effectiveness by:

- Conducting evaluations with the support of the Internal Auditors.
- Reviewing audit observations, recommendations, and management responses.
- Assessing findings from External Auditors and corresponding management actions.
- Overseeing the effectiveness of the company's risk management function, with assistance from the Internal Audit Division.
- Reviewing and approving the Internal Control System over Financial Reporting report for inclusion in the annual report.

External Auditors

The Committee supported the Board in engaging Messrs. Deloitte Associates, Chartered Accountants, as the company's external auditors in June 2024 in compliance with regulatory provisions. The Committee reviewed and monitored their independence and objectivity.

Key activities included

- Meeting with Deloitte to discuss and approve the audit approach and plan.
- Conducting discussions on audit findings at the conclusion of the audit, in the absence of management.
- Reviewing the Management's Letter from the External Auditors and corresponding management responses.
- Evaluating audit fees, non-audit service fees, and other expenses.
- Assessing non-audit services to ensure compliance with the Board-approved Policy on Engagement of External Auditors for Non-Audit Services, preventing any impairment of auditor independence.
- Recommending the reappointment of Messrs. Deloitte Associates for the financial year ending 31st March 2026, subject to shareholder approval at the upcoming Annual General Meeting.

Internal Audits

The Board Audit Committee reviewed the scope, functions, and resources of the Internal Audit Department, ensuring it possesses the necessary authority to execute its duties effectively. As part of its oversight, the Committee:

- Ensured that the internal audit function remains independent, impartial, and proficient, maintaining due professional care in all audit activities.
- Confirmed that the Head of Internal Audit reports directly to the Board Audit Committee and engaged in regular interactions throughout the year.
- Evaluated the performance of the Internal Audit staff to maintain audit effectiveness.

Additionally, the Committee

- Approved the Internal Audit Plan for the financial year.
- Monitored and reviewed the scope, extent, and effectiveness of internal audit activities.
- Assessed the progress of the Internal Audit Plan alongside resource requirements.

During the year, the Committee reviewed internal audit reports covering:

- Functional Audits
- Annual Branch Audits (full-scope)
- Branch Spot & Follow-Up Audits
- Gold Stock Audits
- Special Investigation Audits

To enhance transparency, Internal Audit Reports were also made available to the External Auditors for further review.

Oversight on Regulatory Compliance

The Board Audit Committee plays a vital role in ensuring the company adheres to regulatory requirements and accounting standards. In fulfilling this responsibility, the Committee:

- Reviewed management's compliance procedures, ensuring they align with regulatory bodies' expectations and industry best practices.
- Reviewed compliance status reports, tracking progress on implementing recommendations from the Central Bank of Sri Lanka's Statutory Examination Reports, along with management's responses.
- Assessed the effectiveness of compliance frameworks, identifying potential areas for improvement and risk mitigation.
- Ensured that regulatory reporting obligations were met, reinforcing transparency and corporate accountability.
- Engaged with internal and external auditors to review compliance-related findings and determine necessary corrective actions.

Through these oversight measures, the Committee helps safeguard the company's regulatory integrity while fostering a strong compliance culture within the organization.

Ethics and Good Governance

The company is dedicated to maintaining the highest standards of corporate governance, ensuring ethical conduct, transparency, and accountability in all its operations. Adherence to the Company's Code of Ethics is actively reinforced across all levels of the organization.

Report of the Board Audit Committee

To uphold governance integrity, the company has established comprehensive mechanisms to detect, address, and prevent unethical behavior. These include:

- Robust whistleblowing procedures that empower employees to report concerns without fear of retaliation.
- Independent investigations into reported incidents, ensuring impartiality and confidentiality.
- Proactive monitoring through audits and compliance reviews to identify and mitigate potential ethical breaches.
- Strict enforcement of ethical guidelines, with appropriate corrective measures in cases of misconduct.
- Continuous education and training for employees to promote ethical awareness and professional integrity.

The company remains committed to fostering a culture of accountability and trust, ensuring that ethical principles remain at the core of its business practices and stakeholder relationships.

Whistleblowing

The company is committed to fostering a transparent, ethical, and accountable work environment, where employees feel empowered to report any suspected wrongdoing or improprieties.

As part of this commitment, a Whistleblowing Policy has been established to encourage staff to report concerns when they have reasonable grounds to believe misconduct has occurred. Employees are educated on the policy and its procedures, ensuring they understand their rights and responsibilities.

To ensure the effectiveness of whistleblowing mechanisms, the company has implemented structured procedures, including:

- Independent investigations into all reported incidents to maintain impartiality.
- Confidentiality protections to safeguard the identity of whistleblowers.
- Acceptance and thorough investigation of anonymous complaints, ensuring no concern goes unaddressed.
- Systematic tracking and monitoring by the Board Audit Committee, ensuring timely resolution and oversight.
- Corrective and preventive actions to address reported concerns and strengthen governance.
- Regular awareness initiatives to encourage a culture of integrity and transparency.

Through these measures, the company reinforces its commitment to ethical business practices and provides employees with a secure and reliable platform to report misconduct, safeguarding its values and corporate reputation.

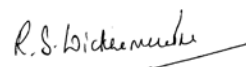
Conclusion

Following a comprehensive review of reports submitted by External and Internal Auditors, as well as insights gathered by the Committee, the Board Audit Committee has conducted a thorough evaluation of the company's internal control framework, financial stability, and governance practices.

The Committee is confident that:

- The company's internal controls are robust, well-structured, and effectively designed to provide reasonable assurance to the Board of Directors regarding the safeguarding of company assets.
- The financial position of the company is closely and regularly monitored, ensuring accuracy, transparency, and compliance with regulatory requirements.
- A continuous commitment to enhancing the control environment is evident through proactive governance measures, reinforcing risk management and operational resilience.
- The company is dedicated to maintaining the highest standards of integrity, financial accountability, and corporate governance, fostering long-term sustainability and stakeholder trust.

The Board Audit Committee remains steadfast in its mission to uphold strong oversight mechanisms, ensuring ongoing improvements to financial reporting, compliance, and risk management. Through these efforts, the company continues to reinforce transparency, accountability, and operational excellence.



Suranjani Wickremeratne

Chairman – Board Audit Committee

28 May 2025

Report of the Related Party Transactions Review Committee



The Committee ensured robust oversight of related party transactions, upholding transparency, regulatory compliance, and governance standards by reviewing all transactions quarterly and confirming that no material related party transactions occurred during the year

C Amrit CanagaRetna

Chairman – Related Party Transactions Review Committee

The Related Party Transactions Review Committee (“the Committee” or “RPTRC”) of Sarvodaya Development Finance PLC (“SDF”) presents its report for the year ended 31st March 2025. This report was approved by the Board of Directors.

Charter & Terms of Reference of the Committee

The Charter & Terms of Reference (“ToR”) of the Committee which was reviewed annually, set out the scope and objective of the Committee in accordance with the Section 9.14 of the Listing Rules of Colombo Stock Exchange (“CSE”) and the Section 12.1 of the Finance Business Act Directions No. 05 of 2021 and operates within its Terms of Reference.

Composition and Attendance at the Meetings of the Committee

During the year under review, the Committee comprised the following Non-Executive Directors. Profiles of the members as at 31 March 2025, are indicated on pages 28 to 31.

Name of the Director	Designation	Attendance at the Committee Meetings
Mr. C Amrit CanagaRetna	Chairman of the Committee/ Non-Executive, Independent Director	4/4
Mr. Channa de Silva	Member/ Chairman of the Board/ Non-Executive, Non-Independent Director	4/4
Mr. Dhammika Ganegama	Member/ Senior Director/ Non-Executive, Independent Director	4/4

The Company Secretary functions as the Secretary to the Committee.

Functions of the Committee

The mandate of the Committee is derived from the the CSE Rules, and the Finance Business Act Directions No. 05 of 2021 on Corporate Governance as applicable to Licensed Finance Companies which includes mainly the following:

- The Committee shall review all Related Party Transactions (RPTs) prior to the transaction being entered into as required by Finance Business Act Directions No. 05 of 2021 on Corporate Governance.
- The Committee shall identify and report all recurrent and non-recurrent related party transactions as required in Section 9.14.6 of CSE Rules for shareholder approval as necessary.
- The Committee shall identify related party transactions that require immediate disclosures, in terms of Section 9.14.7 of CSE Rules, and ensure that required disclosures are made by the Company Secretary to CSE.
- The Committee shall ensure that there is an adequate, effective, and efficient process/system in place at the Company to capture the information with regard to related party transactions relevant to its review function.
- The Committee shall adopt an acceptable process to ensure that conflict of interest situations are avoided, in exercising the review function.
- To publish required disclosures in the Annual Report.
- The Committee shall consider any other areas and enlarge its scope of review if the Board desires to do so.

Report of the Related Party Transactions Review Committee

Methodology

In accordance with the guiding principles, a Self-Declaration is obtained from each Director and Key Management Personnel (KMPs) of the Company to identify persons related to the Directors and KMPs. Therefore, the Company adopts a disclosure based approach when identifying related parties.

Based on the information provided in these declarations, the Company has established a process that enables the Company to generate related party transaction data across the Company's network.

If a member has a material personal interest in the matter under consideration, or if the RPT directly or indirectly involves a member of this committee, the conflicting member immediately informs the committee and excludes himself from the meeting, and the member was not present at the meeting during the matter considered and abstained from voting on the matter.

Activities in FY 2024/2025

- The Committee met four (04) times for the financial year ended 31 March 2025, and the proceedings of the Committee meetings have been regularly reported to the Board of Directors during the financial year.
- There were no non recurrent or recurrent RPT that exceeded the respective thresholds mentioned in the Listing Rules of the CSE.
- Reviewed all Related Party Transactions for four quarters and confirmed that such transactions occurred at arm's length price.

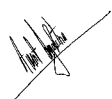
Details of other RPT's entered into by the Company during the above period are disclosed in Note 43(Pages 262) to the Financial Statements.

Declaration

The Board of Directors declares that the Company has no related party transactions within the scope of the listing rules in 2024/25, as set out in the annual report of the Board of Directors on the Affairs of the Company on pages 315.

Evaluation of the Committee

The Committee carried out a Self-Evaluation of the performance and effectiveness of the Committee and was satisfied that it had carried out its responsibilities in an effective manner.



C Amrit CanagaRetna

Chairman – Related Party Transactions Review Committee

28 May 2025

Report of the Board Integrated Risk Management Committee



A strong comprehensive risk management system safeguards the interests of depositors, investors, and key stakeholders while promoting sustainable long-term growth for the organization. BIRMC consistently maintains a proactive approach, considering the ever-evolving risk environment.

C Amrit CanagaRetna

Chairman – Board Integrated Risk Management Committee

Sarvodaya Development Finance PLC (SDF) recognizes that risk management is fundamental to the organization's operations, given its role as a financial intermediary. A strong comprehensive risk management system safeguards the interests of depositors, investors, and key stakeholders while promoting sustainable long-term growth for the organization. The Board Integrated Risk Management Committee (BIRMC) consistently maintains a proactive approach, considering the ever-evolving risk environment. The Committee has reviewed and reinforced the Company's integrated risk management framework by implementing strategic measures to mitigate identified risks, ensuring that the risk levels remain within the risk appetite levels established by the Board.

Charter of the Committee

The Board Integrated Risk Management Committee (BIRMC) has been established by the Board of Directors in accordance with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance. The composition and scope of the Committee's work is fully aligned with the provisions outlined in the aforementioned Direction.

The BIRMC Charter explicitly defines the membership, authority, duties, and responsibilities of the Committee. It plays a key role in supporting the Board of Directors to ensure the financial viability and sustainability of the Company by regularly evaluating a broad range of risks associated with SDF's business operations and verifies the adequacy and effectiveness of the Risk Management Framework in place.

Main Responsibilities and Duties of the Committee

The BIRMC;

- Establishes an independent risk management function responsible for managing risk taking activities within its ordinary course of business across the Company.
- Establishes an independent Compliance Function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on the business operations.
- Works with the Senior Management closely and takes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
- Assesses the impact of risks, including credit, market, liquidity, operational, compliance, technology, legal, reputational and strategic risks to SDF at least on a once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- Develops the risk appetite of the Company through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Company will accept, or avoid, in order to achieve the Company's strategic business objectives.
- Reviews the Company's risk policies including RAS, at least annually.
- Review any issues raised by External Auditors or Internal Audit that may materially impact the Company's Risk Management Framework or the risk management.

Report of the Board Integrated Risk Management Committee

- Reviews the adequacy and effectiveness of senior management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- Oversees and reviews the implementation of risk management as well as compliance and control systems.
- Assesses all aspects of risk management including updated business continuity and disaster recovery plans.
- Submits a risk assessment report for upcoming Board meetings following the BIRMC meeting seeking the Board's views, concurrence and/or specific directions.

Composition of the Committee and Committee Meetings

In accordance with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance, the regulatory requirement stipulates that BIRMC meetings be held once every two months, given the Company's asset base exceeding Rs. 20 billion. However, in line with current practice and the Company's rapid growth, the Committee convenes monthly, recognizing the importance of frequent meetings to effectively address the dynamic and changing risk landscape.

During FY2024-25, the BIRMC consisted of 4 Non-Executive Directors, majority being Independent and their attendance for the twelve (12) meetings held during the financial year has been tabled as below.

Name	Designation	No. of Meetings Attended
Mr. C. Amrit CanagaRetna	Non- Executive, Independent Director Chairman of the Committee	12/12
Mr. Dhammika Ganegama	Member/ Non- Executive, Independent Director Senior Director	12/12
Ms. Suranjani Wickremeratne *	Member/ Non-Executive, Independent Director	3/6
Mr. Channa de Silva*	Non-Executive, Chairman of the Board/ Non-Executive, Non-Independent Director	6/6

*Ms. Suranjani Wickremeratne and Mr. Channa de Silva were appointed to the BIRMC w.e.f. 28 August 2024.

The Profiles of the BIRMC Members are given on pages 28 to 31 of this Annual Report.

The CEO, the COO, Head of Risk Management, Head of Compliance and the other Key Management Personnel supervising broad risk categories i.e. credit, market, liquidity, Capital adequacy, legal, operational, IT & IS, and strategic risks, attended the meetings on invitation. Currently, the Head of Risk Management functions as the Secretary to the BIRMC.

All 'key' risk pillars such as Credit, Liquidity, Market, Capital Adequacy, IT and Operations are assessed by the Committee on a regular basis through MIS reports and other reports prepared to cover the risk profile of SDF. Apart from assisting the Board in identifying and performing its oversight in relation to both qualitative and quantitative risks, the Committee also ensures the adequacy, soundness and effectiveness of the Risk Management Framework of the Company.

Key Activities Implemented in the FY 2024-25

Following is a summary of the key areas addressed by the BIRMC during the year under review;

Credit Risk

- Reviewed the credit quality of the loan book covering the gross amount of non-performing advances, NPA ratios, equipment/product-wise credit quality, provision coverage and comparison against industry.
- Frequently reviewed the results of the Stress Tests developed on credit risk parameters.
- Reviewed Credit Risk Management Policy & Framework and Credit Procedure Manual.

Operational Risk

- Reviewed policies and procedures related to Operational risks such as Business Continuity Management Policy and Operational Risk Management Framework and Policy in line with the Finance Business Act Directions No. 4 of 2024 on Operational Risk Management.
- Reviewed the Business Continuity Plan of the Company.
- Frequently reviewed the Operational Loss Database.
- Reviewed the Branch Operational Risk Assessment on a quarterly basis.
- Reviewed exception reports generated by the Risk Management Department.

Market Risk & Liquidity Risk

- Reviewed the functioning of ALCO activities.
- Review the liquidity position, funding pipeline and liquidity management strategies of the Company.
- Review policies and procedures related to liquidity risk such as Contingency Funding Policy, and Asset & Liability Management Policy.
- Frequently review the results of the Stress Tests developed on Liquidity risk.

IT Risk

- Reviewed the IT Risk Database formulated.
- Reviewed Information Security Policy and Disaster Recovery Policy.
- Reviewed the risk of Cyber Security.

Compliance

- Assessed the Company's compliance to the local laws, regulations and regulatory guidelines, CBSL directions, internal policies in all areas of business operations with special focus to Money Laundering and Terrorist Financing (ML & TF) related regulations.
- Reviewed Transaction Monitoring reports, Compliance Risk database and Branch wise compliance reviews and the Departmental Wise Compliance confirmations to the CBSL Directions and regulations.
- Reviewed the annual Risk Assessments conducted on ML & TF for product, processes, customer wise and overall Company wise.

ESG Risk & Sustainability

- Reviewed ESG Risk Management Policy.

General

- Reviewed and approved the Terms of Reference of the BIRMC.
- Reviewed the KRIs developed for FY 2024/25 to identify significant risks and assessed the adequacy of risk mitigation actions.
- Reviewed the Risk Database and top risks of the Company.
- Formulated the Risk Appetite Statement (RAS) in line with the SDF's Corporate Strategy.
- Assessed all risks, i.e., credit, market, liquidity, operational, legal and reputational and strategic risks of the Company.

Committee Evaluation

- The BIRMC has carried out its self-assessment for the financial year 2024/25.

The Integrated Risk Management Report on page 162 to 187 provides a detailed account of the procedures, methodologies, and frameworks employed by the Company in evaluating and managing risks. It outlines the systematic approach taken to assess the various risks encountered by the Company, the strategic initiatives implemented to mitigate these risks, and the mechanisms established to monitor and evaluate the effectiveness of the risk management practices.



C Amrit CanagaRetna

Chairman – Board Integrated Risk Management Committee

28 May 2025

A member of the Kahathuduwa Sarvodaya Shramadana Society produces curd as a family business to empower local livelihoods and promote community-based entrepreneurship.

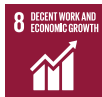


Customer Name :-

M Gunarathne

Western Province

Colombo District, Kahathuduwa





Integrated Risk Management Report



Risk Environment

During the year under review, Sri Lanka's economy demonstrated a strong rebound from its severe financial crisis of 2022. The country recorded a real GDP growth rate of 5.0% for the year, surpassing the Central Bank's projection of 3%. This growth was primarily driven by solid performances in the industrial and tourism sectors, underpinned by significant structural and policy reforms.

Inflation, which had previously been a major concern, showed signs of stabilization. The Central Bank took proactive measures to strengthen its regulatory and governance frameworks, thereby enhancing financial stability. In line with these efforts, a unified policy interest rate of 8% was introduced, easing monetary conditions to stimulate private sector credit expansion. Notably, Sri Lanka recorded a current account surplus for the first time in nearly five decades, buoyed by increased remittances and a revival in tourism activity.

Despite these positive developments, the country continues to face persistent structural challenges, including poverty, income inequality, and labour market inefficiencies, which must be addressed to ensure sustainable and inclusive economic growth.

Looking ahead, Sri Lanka's economy is projected to continue its recovery. The World Bank forecasts a growth rate of 3.5% for 2025, supported by ongoing reform efforts and a favourable external environment.

In this evolving economic landscape, prudent risk management and strong capital adequacy remain critical. Continued engagement with the Central Bank and adherence to regulatory guidelines will reinforce the Company's stability and resilience. SDF remains firmly committed to maintaining its financial soundness while actively supporting the nation's ongoing economic recovery.

Risk Landscape

The Company remains committed to maintaining a proactive and adaptive approach to risk management in a rapidly evolving business environment. By continuously monitoring emerging developments and adjusting its risk strategies accordingly, the Company aims to effectively manage its risk profile. This disciplined approach is essential to safeguarding long-term sustainability, resilience, and value creation for all stakeholders.

Development in the risk landscape	Impact to the Company	Risk Level	Trend in FY 2025-26	Risk Mitigation Strategies Implemented
Global Market Volatility due to U.S. Tariff Escalation.	Uncertainty surrounding President Trump's tariff measures can pose risks to Sri Lanka's export-driven industries, particularly apparel, and could affect foreign exchange reserves and investor confidence.	●	↑	Closely monitoring of the portfolio performance based on sectors over which risk appetite levels have been set in terms of concentration risk.
2024 Sri Lankan Presidential Election marking a significant political realignment.	Government policies, especially regarding economic reforms and international relations, could influence investor confidence and financial market dynamics.	●	➔	The new developments have been closely evaluated at the ALCO level and necessary actions and decisions have been taken promptly.
Natural disasters such as floods.	Between May and June 2024, heavy monsoon rains led to flash floods and mudslides, affecting over 20 districts. The resulting damage to crop harvest disturbing the cash flows of the customers in the agricultural sector.	●	↑	Company is focusing on diversification within its agro portfolio and the impact to the credit portfolio has been closely monitored. The strategic partnership with industry leaders supplying agro equipment.
Increase in Interstate armed conflicts degrading global security and destabilizing the global financial system and supply chains.	<ul style="list-style-type: none"> Would result in volatilities in the exchange rate and commodity prices (gold prices, oil prices etc.). Would cause higher NPLs in Gold Loan product. Would lead to an increase in utility expenses. 	●	➔	Closely monitoring the fluctuations in the market variables and taken prompt corrective measures.
Increased trend in cyberattacks.	<ul style="list-style-type: none"> A breakdown in critical information infrastructure/system could result in leakage/ misuse of customer/business sensitive data. Would expose the Company to reputational and/or legal risks while impairing the customer confidence earned by the Company. Heavy investments required for implementation of preventive and detective measures in technology risk management to ensure resilience. 	●	↑	<ul style="list-style-type: none"> Conducting continuous cyber risk assessments. Revised the Company's IT related policies. Continuous trainings given to the staff regarding IT awareness. Conducting VA/PT risk assessments & DR drills and addressing the gaps identified. Continuously investing on strengthening the IT Security infrastructure. Established a Board Level sub-committee to oversee IT & IS functions.
Labor market pressure and brain drain.	<ul style="list-style-type: none"> Would result in difficulties in talent acquisition and talent retention. Increase the acquisition cost which would result in a higher cost to income ratio. 	●	➔	<ul style="list-style-type: none"> Focused on employer branding Introduced minimum salary band widths Promoting work-life balancing activities Enhanced training programs

➔ No Significant Change ↑ Increasing Trend ● Medium ● Low

Integrated Risk Management Report

Risk Management at SDF

Risk is an inherent part of all business activities, particularly within a financial institution like SDF that offers a wide range of financial services. Effective risk management is crucial for safeguarding the interests of depositors and investors while ensuring a satisfactory, risk adjusted return for shareholders.

Risk management efforts at SDF are aimed at risk steering, as opposed to risk prevention or minimization. The Company takes a comprehensive approach to risk management with a defined Risk Management Framework approved by the Board of Directors. The Company's risk management process is steered by the Board Integrated Risk Management Committee (BIRMC). Additionally, SDF has established independent Risk Management and Compliance functions, led by the Head of Risk Management and the Head of Compliance, respectively.

An appropriate and effective risk management system, ensures that risks and their impacts are identified and evaluated at an early stage. It also allows for timely implementation of contingency measures to address risks and prevent their accumulation.

Through the implementation of a robust Enterprise Risk Management (ERM) system, SDF aims to achieve the following objectives:

- Foster a risk-aware culture across all departments and functions
- Ensure protection of capital for both internal and regulatory compliance
- Minimize fluctuations in earnings
- Risk-based performance measurement and decision-making
- Enable proactive and effective responses to adverse events
- Gain a deeper understanding of risks to enhance competitive positioning
- Improve transparency and facilitate efficient communication between business units, control functions, management committees, and the Board.

Risk Monitoring and Reporting

An Enterprise Risk Management (ERM) Framework, supported by a strong risk-aware culture, has been established to systematically identify, assess, monitor, and manage risks across the Company. All material risks are centrally monitored by the Risk Management Department, and any significant deviations or concerns are promptly escalated to Corporate Management, the Board Integrated Risk Management Committee (BIRMC), and the Board of Directors for review and appropriate action.

In addition, the Branch-wise Operational Risk Assessment (ORA) process empowers both management and staff to take ownership of internal controls. It also serves as an effective bottom-up feedback mechanism, promoting early detection of risks and encouraging a proactive approach to risk management.

Main Risk reports prepared by the RMD and submitting for the BIRMC

Report	Frequency of submitting the report	Reported to
Key Risk Indicators (KRIs) and key highlights of KRIs	Once in two months	BIRMC & BoD
IT Risk Database	Once in two months	BIRMC & BoD
Risk Database (excluding IT Risks)	Once in two months	BIRMC & BoD
Top risks	Once in two months	BIRMC & BoD
Branch Wise Operational Risk Assessment (ORA)	Quarterly	BIRMC

Principles for Managing Risks

01

Risk Management (RM) is an integral part of all organizational activities

02

RM is structured and comprehensive

03

RM is customized

04

RM is inclusive

05

RM is dynamic and responsive to change

06

RM is based on best available information

07

RM takes human and cultural factors into account

08

RM facilitates continual improvement of the organization

Process for Managing Risk

Scope, Context, Criteria

Risk Assessment

Risk Identification

Risk Analysis

Risk Evaluation

Communication
& Consultation

Monitoring
& Review

Risk Treatment

Recording
& Reporting

Framework for Managing Risk

This Framework is not intended as a management system, but rather to assist in integrated risk management into SDF's overall management system. Components of this framework should be adopted according to specific organizational needs.

Leadership and Commitment

- Strong and sustained commitment by the management
- Strategic and rigorous planning to achieve commitment at all levels

Integration

- Making sure risk management is part of (integrated in) all aspects of the organization

Design and Use of Framework for Managing Risk

- Understand the organization and its content
- Establish Risk Management Policy
- Accountability
- Integration into organizational processes
- Resources
- Establish internal communication and reporting mechanism
- Establish external communication and reporting mechanism

Implement Risk Management

- Implement framework for managing risk
- Implement risk management process

Monitor and Review of Framework

- Measure risk management performance against indicators
- Periodically measure progress against and deviations from ERM Framework
- Periodically review whether the ERM Framework is still appropriate
- Report risk progress with risk management and how well the Risk Management Policy is being followed
- Review the effectiveness of the ERM Framework

Continual Improvement of Framework

Integrated Risk Management Report

Key Risk Management Initiatives - FY 2024/25

During the financial year 2024/25, SDF undertook several initiatives to strengthen its risk management capabilities:

- Developed a Risk Appetite Statement (RAS) aligned with the corporate strategy and established new risk tolerance levels
- Reviewed the Risk Database and identified top risks
- Expanded the coverage of Key Risk Indicators (KRIs)
- Updated the Risk Management Policy and Procedures, along with related policies
- Conducted a Money Laundering and Terrorist Financing (ML/TF) risk assessment for the Company, customers, products, and processes
- Performed a comprehensive risk assessment of all outsourcing arrangements
- Formed an Operational Risk Management Committee (ORMC) at management level
- Conducted quarterly reviews of the Branch Operational Risk Assessments
- Enabled BIRMC to evaluate the effectiveness of Management Committees
- Monitored the IT Risk Database and tracked the implementation of risk mitigation actions
- Formed a new Board Sub-Committee to oversee IT and Information Security
- Reviewed transaction monitoring reports, the Compliance Risk Database, and branch/department-level compliance confirmations
- Initiated the Internal Capital Adequacy Assessment Process (ICAAP) project under BASEL III
- Introduced a formal ESG Risk Management Policy.

Risk Management Priorities -FY 2025/26

Looking ahead, the Company has set the following priorities for enhancing its risk management framework:

- Enhance asset quality through portfolio reviews and concentration risk management, in line with the Finance Business Act Directions No. 2 of 2024
- Further strengthen the Operational Risk Management Framework in accordance with updated policies
- Introduce department-level Risk and Control Self-Assessments (RCSAs)
- Expand the Stress Testing Framework and exception reporting
- Conduct 100% reliability testing of the upgraded Disaster Recovery (DR) site

- Continuously review and refine the Business Continuity Plan
- Fully implement the ICAAP under Basel III
- Update policies and procedures in alignment with CBSL Directions
- Strengthen adherence to guidelines on Sustainable Finance and ESG Risk Management through the Sustainability Committee.

Risk Governance Structure

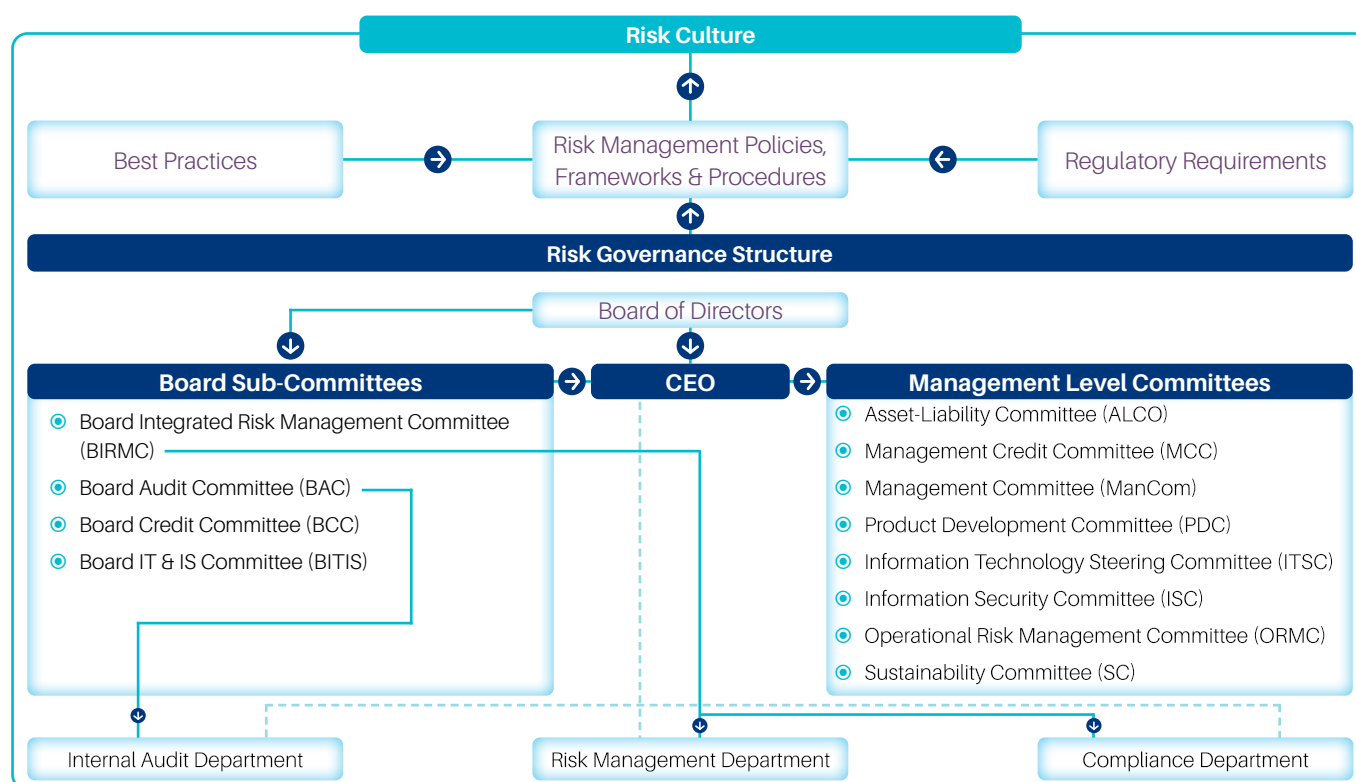
The Company's Board of Directors is responsible for developing the overall risk strategy, including; supervision of the Risk Management Framework, approval of the Risk Management Policies, Frameworks & Procedures and overseeing and challenging the risk levels to which the Company is exposed, while ensuring compliance with laws and regulations. The Board has delegated its authorities to the Board Sub-Committees and hence the overall adequacy and effectiveness of the Risk Management Framework is managed by the Board Integrated Risk Management Committee (BIRMC) while the Board Audit Committee (BAC) is providing an assurance to the Board. These sub-committees comprise of Non-Executive, Independent Directors and Non-Executive, Non-Independent Directors.

To support the risk governance structure, SDF has also established Management-Level Committees, including:

- Asset-Liability Committee (ALCO)
- Management Credit Committee (MCC)
- Management Committee (ManCom)
- Product Development Committee (PDC)
- Information Technology Steering Committee (ITSC)
- Information Security Committee (ISC)
- Operational Risk Management Committee (ORMC)
- Sustainability Committee (SC)

These committees, comprising senior management from key business functions, are responsible for implementing Board-approved policies and ensuring day-to-day risk management practices are aligned with the Company's strategic and regulatory objectives.

Acting under the authority delegated by the Board and as defined in their respective Terms of References, these committees monitor specific risk areas and receive regular reports on internal controls, portfolio performance, policy compliance, and risk limits.



The roles of these Board Sub-Committees and Management Level Committees have summarised as follows.

Board Sub Committees

BIRMC	<p>Roles & Responsibilities: Operates primarily as the oversight committee monitoring risk types, concentrating particularly on Credit, Liquidity, Capital Management, Operational, Market, Strategic, IT & IS, Legal/Regulatory, Human resources, ESG and Reputational risks and related issues.</p> <p>Membership: Comprises of 4 Non-Executive Directors (majority [3] are Independent). The Committee is chaired by an Independent Non-Executive Director. The CEO, the COO, the Head of Risk Management, the Head of Compliance and the other Key Management Personnel supervising broad risk categories i.e. credit, market, liquidity, Capital adequacy, legal, operational, IT & IS, and strategic risks attending the meetings upon the invitation. Currently, the Head of Risk Management functions as the Secretary to the BIRMC.</p> <p>BIRMC Report for the FY2024-25 is on page 157.</p>
BAC	<p>Roles & Responsibilities: Reviews the accounting policies and practices, internal controls and procedures established by the Management for compliance with regulatory and financial reporting requirements.</p> <p>Membership: Comprises of 3 Non-Executive Directors (majority [2] are Independent). The Chairman of the Committee is an Independent Non-Executive Director who possesses qualifications and experience in accountancy and audit. The Head of Internal Audit acts as the Secretary to the BAC.</p> <p>BAC Report for the FY2024-25 is on page 151.</p>
BCC	<p>Roles & Responsibilities: BCC oversees the management of credit quality of the lending portfolio and recovery actions.</p> <p>Membership: Comprises of 3 Non-Executive Directors and the Chairman to the Committee is an Independent Non-Executive Director. The key management personnel attend the meetings upon invitation. The Head of Credit functions as the Secretary to the BCC.</p>
BITIS	<p>Roles & Responsibilities: A newly formed Board sub-committee which would effectively function from the FY 2025-26 onwards. It is established to oversee and provide strategic guidance on IT governance, cybersecurity, digital transformation, and operational IT risks to ensure alignment with business objectives and to promote technology risk resilience of the Company.</p>

Integrated Risk Management Report

Management Level Committees

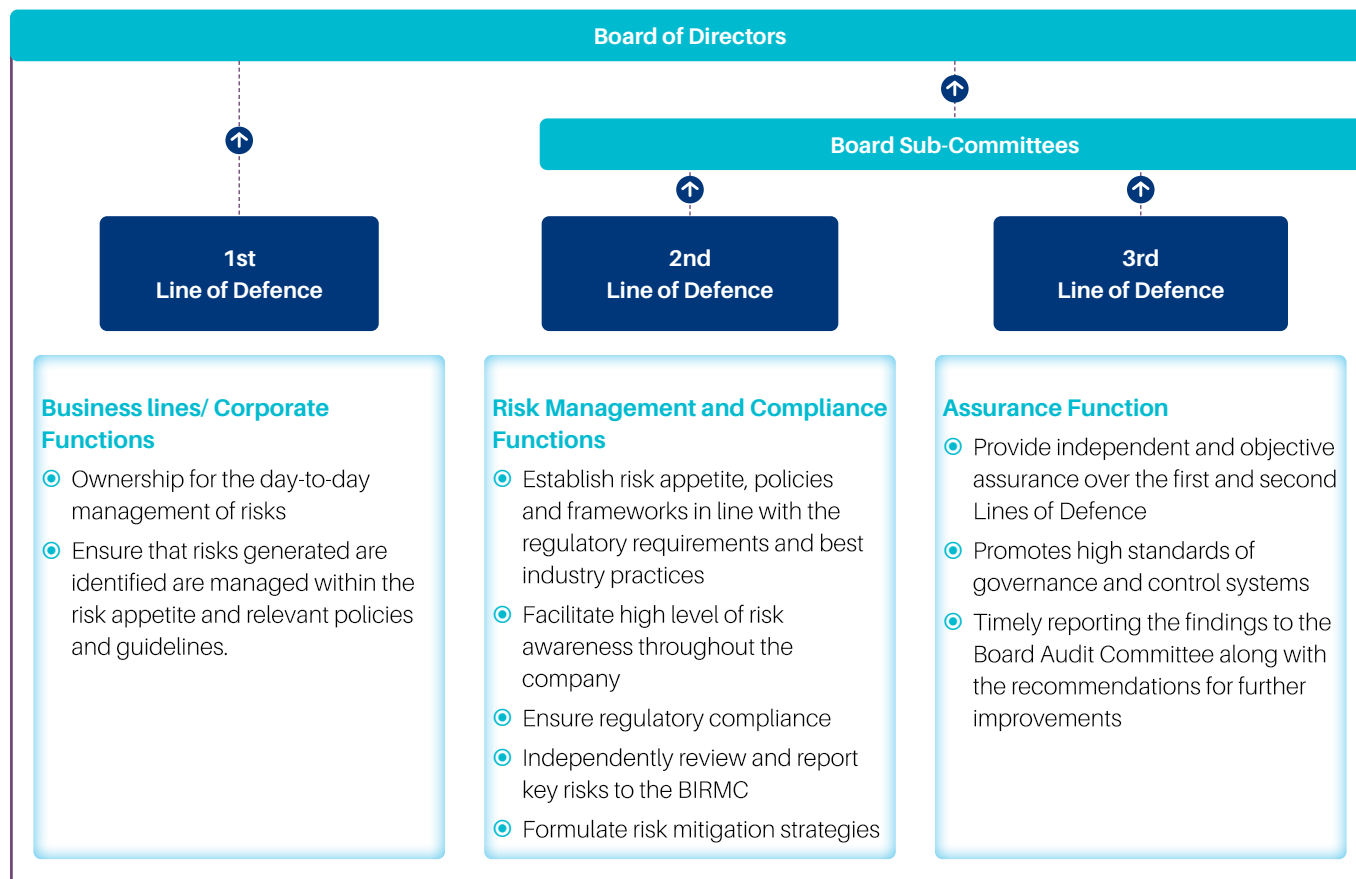
ALCO	<p>Roles & Responsibilities: Responsible for identifying, managing and controlling risks in executing the business strategy of the Company and mainly focuses on Interest Rate Risk and Liquidity Risk while maintaining profitability.</p> <p>Membership: Comprises of senior management personnel who are in charge of Finance, Strategic Planning, Risk Management and Fund Mobilisation. The CEO acts as the Chairman to the Committee.</p>
MCC	<p>Roles & Responsibilities: Approves credit facilities within its delegated authority and reviews the methodologies for assessing credit risk and monitors concentration risk.</p> <p>Membership: Comprises of senior management personnel who are in charge of Finance, Credit, Risk Management and Recoveries. and headed by the CEO.</p>
ManCom	<p>Roles & Responsibilities: Oversees the overall strategy and the new developments in the risk environment to take timely precautions and corrective measures.</p> <p>Membership: Comprises of senior management personnel and headed by the CEO.</p>
PDC	<p>Roles & Responsibilities: Covers all the new developments as well as significant changes to existing products, processes and systems of SDF.</p> <p>Membership: Comprises of Senior Management personnel, internal stakeholders from business units and other 'ad hoc' members with expertise in applicable functions such as Credit, Operations, Legal, Information Technology, Information Security, Audit, Risk Management and Compliance. The Committee is headed by the COO.</p>
ITSC	<p>Roles & Responsibilities: Exercises oversight and governance over SDF's IT function. The Committee is authorized to take decisions to improve or secure Information Resources, within the context of the Delegation of Authority assigned by the Board of Directors to the Chair.</p> <p>Membership: Chaired by the CEO and will be facilitated by the Head of IT who will serve as the Committee Secretary. Permanent Invitees to the Committee will be the Chief Operating Officer (COO), the Head of Risk Management, the Head of Compliance and the Head of Strategic Planning, Head of Finance and the Head of Operations & Administration.</p>
ISC	<p>Roles & Responsibilities: Oversees the information security and technology resilience of the Company and would be responsible for both the strategic and operational aspects of information security and technology risk management.</p> <p>Membership: Chaired by the CEO. The Chief Operating Officer (COO), Head of Operations, Head of Strategic Planning and Head of IT shall be the other ex-officio members of ISC. Head of Risk Management and Head of Compliance will be permanent invitees to ISC. Head of Legal and Head of Human Resource Management shall be required to attend as co-opted members whenever a matter comes under their purview is to be discussed. Head of Internal Audit is invited to present internal audit findings on information security at least on a quarterly basis. From FY 2025-26 onwards, the Committee will report to the Board of Directors through BITIS.</p>
SC	<p>Roles & Responsibilities: Responsible for overseeing sustainable strategy and environmental practice of the Company and ESG risk Management while adhering to the SDF's Sustainable Development policy safeguarding the Company's sustainable success and long term viability.</p> <p>Membership: Comprises of Head of Credit, Head of Strategic Planning, Head of Operations and Administration, Head of National Sales, Head of Risk Management and Head of Compliance where the Committee would be headed by the CEO. Upon the requirement, the Committee can invite any other member from the Senior Management, Product Heads and etc.</p>
ORMC	<p>Roles & Responsibilities: Responsible for identifying, assessing, monitoring, and managing operational risks to ensure they are within the Company's risk appetite and regulatory requirements while ensuring the adequacy of internal controls which are in place.</p> <p>Membership: Comprises of Chief Operating Officer, Head of Operations and Administration, Head of Finance, Head of IT, Head of Internal Audit, Head of Risk Management and Head of Compliance where the Committee would be headed by the CEO. Upon the requirement, the Committee can invite any other member from the Senior Management.</p>

Risk Culture

SDF places strong emphasis on cultivating a robust risk culture as a critical foundation for delivering long-term value to its stakeholders. The Company actively promotes multiple drivers to strengthen this culture, reinforcing adherence to best business practices that empower employees to act with integrity, accountability, and transparency in their daily responsibilities.

The Company's risk culture is underpinned by its Risk Governance Structure, which is aligned with the 'Three Lines of Defence model'. This structure plays a pivotal role in embedding a consistent and enterprise-wide risk culture, ensuring a high level of risk awareness, ownership, and responsiveness across all levels of the organization.

Three Lines of Defence Framework



A culture of risk awareness and compliance is actively fostered within the Company through the collaborative efforts of the Risk Management and Compliance Departments, working in partnership with the Human Resources Department. Together, they organize training programs to educate staff on the latest Board-approved Risk Management Policies, Frameworks, and Procedures. These initiatives are crucial to ensure the effective adoption and implementation of updated risk management practices across the organization.























Employees in specialized functions are expected to attain the necessary skills and experience relevant to their roles, including a deep understanding of the risks inherent to their responsibilities. This capability is essential to strengthen the first line of defence, which is responsible for identifying and managing risk at the operational level.

The Risk Management and Compliance Departments represent the second line of defence, responsible for implementing and monitoring the Company's risk management frameworks and ensuring that risk controls are embedded in business processes.

The Internal Audit Department forms the third line of defence, providing independent assurance by evaluating the effectiveness of internal controls and reporting directly to the Board Audit Committee.

Integrated Risk Management Report

A snapshot of the Material Risks - FY 2024-25

	Quantitative Risks				
	Credit Risk	Liquidity Risk	Market Risk	Capital Management	Strategic Risk
How SDF defines each risk category	The risk of losses arising because counterparties fail to meet all, or part, of their payment obligations to the Company.	The possibility that the Company does not have sufficient financial resources or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.	The possible losses to the Company which are associated with adverse movements in market variables such as interest rates, stock prices, Forex rates and commodity prices.	The risk of the Company having insufficient capital resources to meet minimum regulatory requirements and to support the credit rating, growth and strategic direction of the Company.	Risks that affect, or are created by the Company's business strategy and strategic objectives. Strategic Risks are created internally as well as externally. The failure to take action where needed, to address challenges, or make timely changes in response to macroeconomic trends also constitute Strategic risk.
Components / Sub risk categories	<ul style="list-style-type: none"> Default Risk Concentration Risk Settlement Risk 	<ul style="list-style-type: none"> Funding Liquidity Risk Market Liquidity Risk 	<ul style="list-style-type: none"> Interest Rate Risk Commodity Price Risk Foreign Exchange Risk Equity Price Risk 		
Objective	To maintain asset quality and a well-diversified portfolio.	To ensure adequate funding for the business operations throughout market cycles, including periods of financial stress.	To safeguard against the adverse movements of market variables.	To maintain sufficient capital buffer to absorb unexpected shocks.	To minimize risks that affect the achievement of the Company's business strategy and strategic objectives.
Risk level in FY 2024/25	Default Risk 	Funding Liquidity Risk 	Interest Rate Risk 		
	Concentration Risk 	Market Liquidity Risk 	Commodity Price Risk 		
	Settlement Risk 		Foreign Exchange Risk 		
			Equity Price Risk 		
Trend anticipated for FY 2025/26	Default Risk 	Funding Liquidity Risk 	Interest Rate Risk 		
	Concentration Risk 	Market Liquidity Risk 	Commodity Price Risk 		
	Settlement Risk 		Foreign Exchange Risk 		
			Equity Price Risk 		
Reference to; <ul style="list-style-type: none"> Risk Monitoring Mechanisms, Risk mitigation strategies implemented Trend/ratio analysis. 	Pages 174 to 177	Pages 177 to 179	Pages 181 to 183	Pages 179 to 180	Page 184

 Medium
  Low
  No Significant Change
  Increasing Trend

Risk Universe

Qualitative Risks

Operational Risk

Arises due to the disruptions, breakdown of systems, failed or incomplete processes, people related issues and external events that could have an impact on the Company's performance and future prospects.

- ⦿ Internal Fraud
- ⦿ External Fraud
- ⦿ Employment Practices and Workplace Safety
- ⦿ Clients, Products and Business Practices
- ⦿ Business Disruption and System Failures
- ⦿ Execution, Delivery and Process Management
- ⦿ Damage to Physical Assets

To streamline the operations while ensuring smooth and effective functioning.

IT and Information
Security Risk

Potential threats to the Confidentiality, Integrity, and Availability of sensitive data and IT systems, which may include customer financial information, transaction records, and other proprietary data.

- ⦿ Information Security Risk
- ⦿ Technology Risk
- ⦿ Cyber Risk
- ⦿ Technology Risk

To minimize cyber risks and data leakage to promote business continuity.

Legal/Regulatory
Risk

The risk of loss caused by non-compliance with existing or new legislation or supervisory regulations. Furthermore, Legal risk includes losses due to ambiguity of laws or unfavorable contract clauses and loose contracts.

To minimize cost of non-compliance and litigation.

Human Resources
Risk

Specific risks employees pose to the business. This could involve risks around improper employee management, employee behavior, or the way the Company hire and lose employees.

To retain and attract skillful and competent human resources to carryout business operations.

Environmental, Social
and Governance
(ESG) Risk

ESG Risks include a company's environmental, social, and governance factors that could cause a reputation or financial harm to the Company.

To safeguard the Company's sustainable success and long term viability.

Reputational Risk

Any sort of threat that can damage the good standing of the business and negatively impact the Company's reputation with customers and overall business success. Reputational Risk can arise as an outcome of previously mentioned risk or combination of few risks.

To safeguard the Company's brand value/goodwill.



Integrated Risk Management Report

Quantitative Risks				
Credit Risk	Liquidity Risk	Market Risk	Capital Management	Strategic Risk

Risk
Management
Policies,
Frameworks &
Procedures

SDF has developed a comprehensive set of Policies, Frameworks & Procedures considering best practices and regulatory requirements. them and are revised at the stated frequencies to ensure that that they have been updated to address changes in the regulatory and business

<ul style="list-style-type: none"> ◉ Credit Risk Management Framework and Policy ◉ Credit Procedure Manual ◉ Credit Administration Procedure Manual ◉ Policy and Procedure for Development of New Products, Processes and Systems ◉ Delegation of Authority ◉ Impairment Policy ◉ Write-Off Policy ◉ Policy on Related Party Transactions ◉ Recovery Procedure 	<ul style="list-style-type: none"> ◉ Contingency Funding Policy ◉ Asset & Liability Management Policy ◉ Liquidity Investment Policy and Procedure 	<ul style="list-style-type: none"> ◉ Asset & Liability Management Policy ◉ Liquidity Investment Policy and Procedure ◉ Market risk management Policy and Framework ◉ Gold Loan Manual ◉ Foreign Exchange Risk Management Policy and Procedure for Foreign Currency Borrowings 	<ul style="list-style-type: none"> ◉ Capital Planning Procedure 	<ul style="list-style-type: none"> ◉ Annual Budget ◉ Strategic Plan of the Company
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Risk Universe

Qualitative Risks

Operational Risk

IT and Information
Security RiskLegal/Regulatory
RiskHuman Resources
RiskEnvironmental, Social
and Governance
(ESG) Risk

Reputational Risk

These Policies, Frameworks & Procedures are approved by the Board of Directors and the Senior Management is held accountable for the effective implementation of environments. Overall Policy Documents include: Risk Management Policy & Procedure | Risk Appetite Statement | Stress Testing Policy and Framework

<ul style="list-style-type: none"> Operational Risk Management Framework and Policy Whistleblowing Policy Fraud Prevention Policy & Procedure Operations Procedure Manual Business Continuity Management Policy Disaster Recovery Policy Customer Complaint Handling Policy 	<ul style="list-style-type: none"> Technology Risk Management Framework Information Security Policy 	<ul style="list-style-type: none"> Compliance Manual Compliance Policy Financial Customer Protection Framework 	<ul style="list-style-type: none"> Employee Resourcing Policy Employee Administration Policy Performance Management Policy Disciplinary Management Policy Training and Development Policy Employee Services Policy Staff Transfer Policy Policy on Internal Code of Business Conduct and Ethics 	<ul style="list-style-type: none"> ESG Risk Management Policy Sustainable Development Policy 	<ul style="list-style-type: none"> Policy on Internal Code of Business Conduct And Ethics for All Directors And Employees Policy on Anti-Bribery and Corruption Policy on Remuneration Policy on Risk Management & Internal Controls Policy on Corporate Disclosures Policy on Relations with Shareholders and Investors Policy on Control and Management of Company Assets and Shareholder Investments Whistleblowing Policy Policy on Environment, Social & Governance Sustainability Policy on the Matters Relating to the Board of Directors Policy on Trading in The Entity's Listed Securities (Insider Dealing/ Trading) Policy on Board Committees Policy on Remuneration (visit corporate website for reference :- https://www.sarvodayafinance.lk/downloads/investor-related-policies)
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Integrated Risk Management Report

Managing Material Risks

CREDIT RISK MANAGEMENT AT SDF

Credit is one of the core activities of Sarvodaya Development Finance PLC (SDF), and Credit Risk represents the most material risk for any financial institution. Given its significance, effective management of Credit Risk is vital to the Company's sustainability and operational success. At SDF, Credit Risk is managed through a comprehensive framework that outlines policies and procedures for assessing, measuring, and mitigating credit risks. A well-defined hierarchy of delegated approvals, underpinned by high ethical standards and solid policies, provides a robust structure for managing Credit Risk.

The list of policies and procedures have been mentioned under the above table which contains the Snapshot of the Material Risks - FY2024-25.

Risk Monitoring Mechanisms

The Company has developed a comprehensive Risk Appetite Statement for the year, aligned with its Strategic Plan, to clearly define various risk appetite limits covering both Credit Default Risk and Credit Concentration Risk.

Major credit exposures, including individual counterparties, groups of counterparties, and product categories, are reviewed and approved by designated officers within the authority limits set by the Board. Any changes to these delegated limits are approved by the Board as necessary.

The risk of loss due to concentration in credit to a specific product, asset class, sector, or counterparty is regularly monitored. The Company establishes limits for counterparty or groups of connected counterparties, asset types, and industry sectors to mitigate concentration risk. These risks are actively managed and reviewed by the Credit Committee (BCC), Board Integrated Risk Management Committee (BIRMC), and other relevant management committees.

Few Risk mitigation strategies implemented by the Company

- Credit Procedure Manual:** This manual serves as the foundation for prudent lending practices and provides clear guidelines for credit evaluation and decision-making.
- Regular Review of KRIs and Risk Appetite Levels:** Credit risk-related Key Risk Indicators (KRIs) are continuously monitored, and risk appetite levels are updated accordingly to ensure they align with the Company's objectives and tolerance.
- Due Diligence and Customer Screening:** Comprehensive due diligence procedures are followed during the pre-credit evaluation stage, including borrower ratings for all obligors to assess their creditworthiness.

- Independent Review of High-Value Exposures:** Credit exposures exceeding Rs. 5 million undergo an independent review by the Risk Management Department (RMD) to ensure appropriate risk mitigation.
- Segregation of Duties:** A clear segregation of duties between loan origination, pre-credit evaluation, and administration ensures that credit risk is assessed from multiple perspectives and with due care.
- Early Warning Signals and Watch listing:** The Company has established procedures to identify early warning signals and maintain a watch list for potential high-risk exposures. This allows proactive management of problematic accounts before they escalate into defaults.

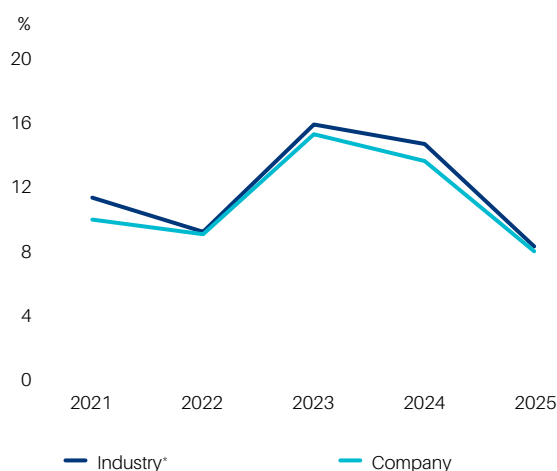
RMD regularly monitors credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal management reports, providing insights into industry and economic trends, are presented to various committees for informed decision-making.

Trend/Ratio Analysis

Key Risk Indicator (KRI)	Risk Appetite for FY 2024/25	31 March 2025	Industry 31 March 2025
Gross Non Performing Advances (Stage 03 Loans) to Total Advances	<12.0%	7.9%	8.3%
Net Non Performing Advances (Stage 03 Loans net of Stage 03 Impairment) to Total Advances	<=7%	5.7%	4.5%
Total Net Advances to Total Assets	>=85%	85.1%	75.0%
Higher exposure to unsecured loans & advances (No physical or financial assets)	<=10%	2.1%	N/A
Single borrower-Secured - Individual	15.0%	0.8%	N/A
Single borrower-Secured - Group	20.0%	0.8%	N/A
Aggregate - Unsecured	5.0%	0.2%	N/A
Single borrower-Unsecured - Individual	1.0%	0.05%	N/A

Trend Analysis - Credit Default Risk

NPL Ratio



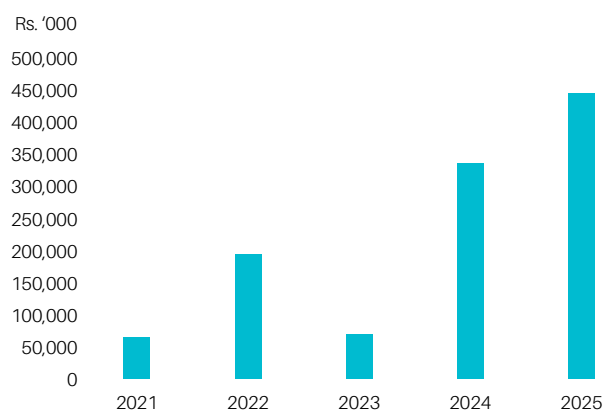
Industry* represents the LFCs - Source - CBSL

* Note 1: The definitions related to Non-Performing Assets (NPA) and NPA ratios were revised in 2022 and 2023 to align with SLFRS 9 and updated supervisory requirements. Accordingly, both Company and Industry figures have been restated for the preceding three financial years to ensure consistency and comparability.

*Note 2: During FY2023/24, the NPL (Non-Performing Loan) classification threshold was further tightened to include facilities overdue by 90 days and above, compared to previous benchmarks of 120 days and 180 days in prior years. These progressive changes have reduced repayment flexibility and reflect a shift toward more stringent credit classification.

Despite these tighter standards, the Company recorded its lowest NPL ratio as of March 2025, underscoring the success of strengthened credit underwriting, enhanced recovery strategies, and the continued adoption of a conservative risk appetite.

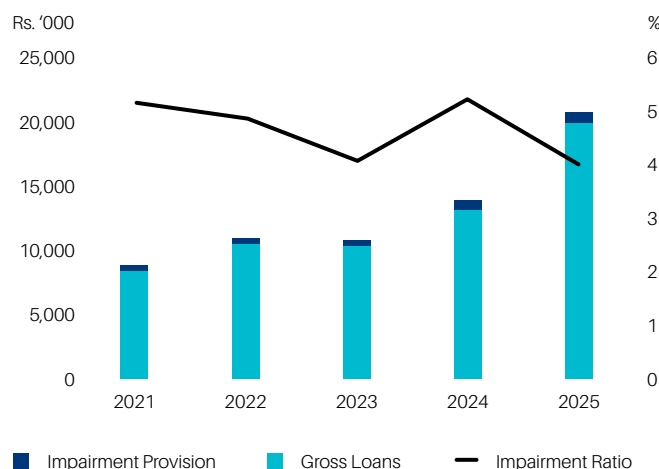
Impairment Charge



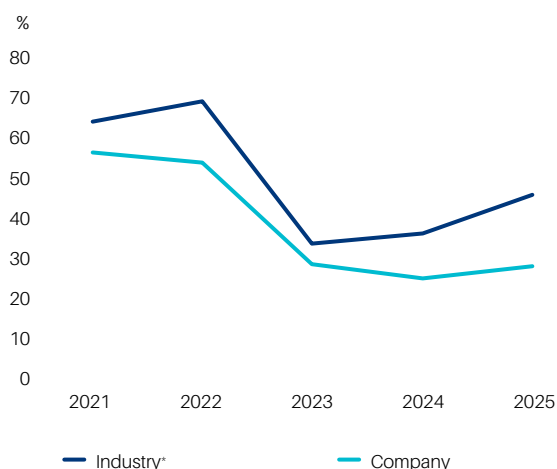
The impairment charge increased during the year, primarily due to higher Loss Given Defaults (LGDs) as the loan portfolio aged, leading to a greater portion of facilities migrating to more advanced delinquency stages. Additionally, updates made to model parameters as part of the routine IFRS 9 model review—reflecting changes in the macroeconomic outlook and revised credit risk assumptions—also contributed to the rise in provisions.

These adjustments were undertaken as a prudent measure to ensure the adequacy of provisioning and the resilience of the balance sheet under evolving risk conditions.

Gross Loans and Impairment Provision



Provision Coverage Ratio

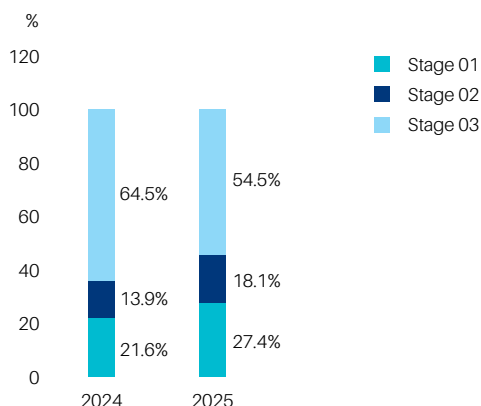


* Note 1: The definitions related to Non-Performing Assets (NPA) and NPA ratios were revised in 2022 and 2023 to align with SLFRS 9 and reflect updated supervisory requirements. As a result, both the Company's and industry figures have been restated for the preceding three financial years to ensure comparability.

Integrated Risk Management Report

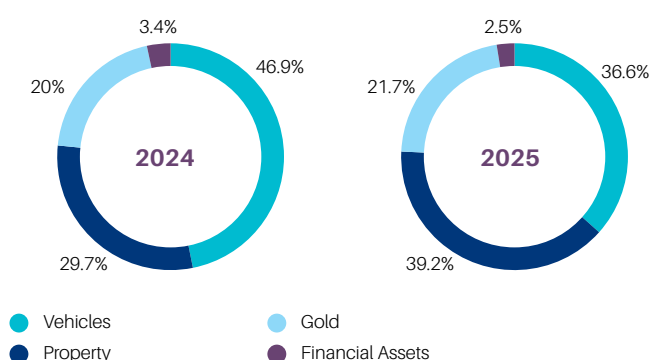
Accordingly, the data for the last three financial years now represents the Stage 3 Impairment Coverage Ratio, calculated as Stage 3 Impairment Allowance to Stage 3 Advances, providing a more accurate and standardized measure of credit risk in line with current regulatory and accounting standards.

Stage Analysis of Impairment Provision



During the year under review, with signs of economic recovery, the Company adopted an aggressive growth strategy for its loan book, leading to a notable increase in Stage 1 loan composition.

Main Types of Collaterals

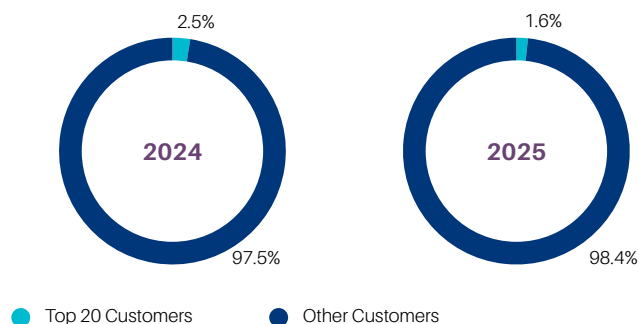


As at 31st March 2025, 96% of the Company's total loan book is secured by either physical or financial collateral, demonstrating SDF's strong emphasis on credit risk mitigation.

This high level of collateralization significantly enhances the Company's ability to manage default risk, ensures better recovery in the event of non-performing loans, and reinforces the overall resilience of the loan portfolio. It also reflects the Company's commitment to maintaining a robust and secured lending framework in line with its risk appetite and regulatory expectations.

Trend Analysis - Credit Concentration Risk

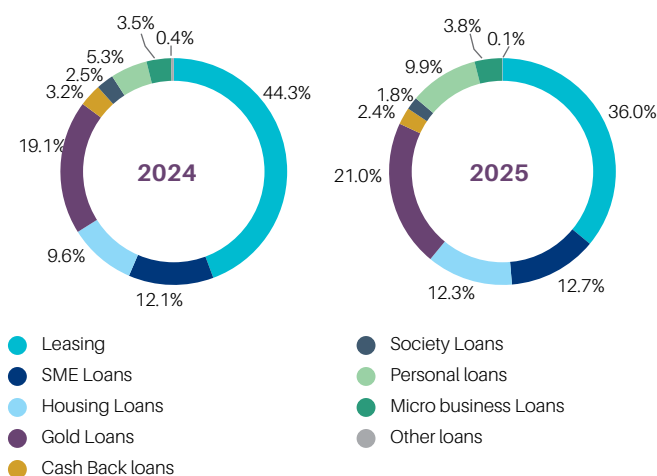
Concentration on Top 20 Customers



During the year under review, the Company continued to uphold a conservative risk approach, deliberately avoiding the disbursement of large loan facilities. As a result of this prudent strategy, the concentration of exposure to the top 20 borrowers has decreased, reflecting a more balanced and diversified credit portfolio.

This approach has strengthened the Company's overall risk profile by reducing dependency on a few large borrowers and minimizing potential concentration risk. It also aligns with the Company's broader objective of maintaining financial stability, especially amid evolving market and economic conditions.

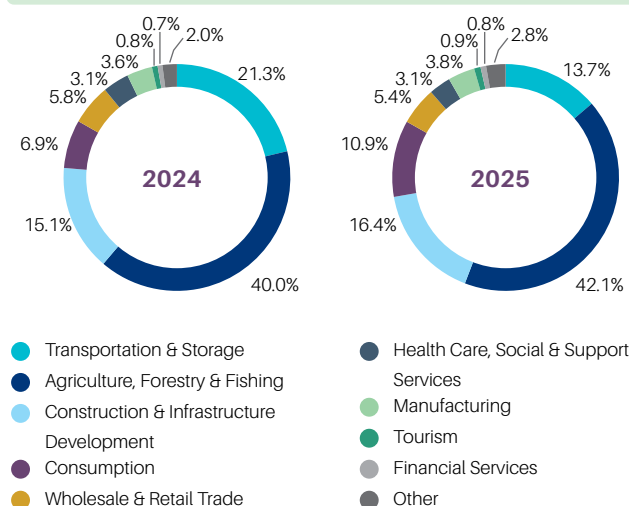
Product Wise Concentration



During the year under review, SDF experienced an increase in concentration across Personal Loans, Housing Loans, and Gold Loans, reflecting a shift in customer demand and market dynamics. This change aligns with the broader economic recovery and increased consumer confidence, driving demand for credit in personal consumption and housing segments.

In contrast, when comparing the recent two years, the concentration on Leasing has declined. This trend may be attributed to changing borrower preferences, tighter regulations, or the Company's strategic decision to rebalance its portfolio to manage risk more effectively. By adjusting its lending focus, SDF aims to optimize returns while maintaining a diversified and resilient credit portfolio.

Industry wise Concentration



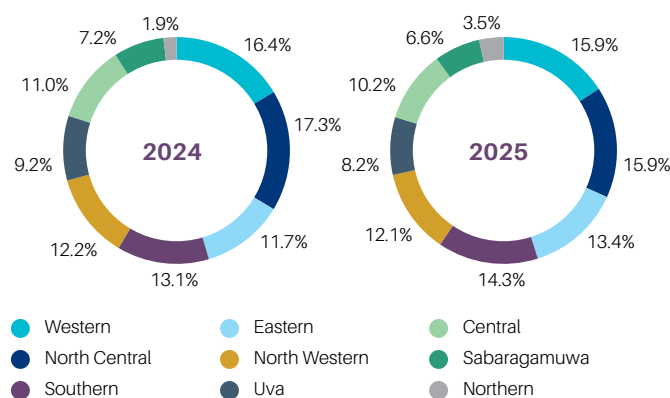
In terms of industry-wise concentration, Agriculture, Forestry and Fishing, Construction, and Consumption sectors have seen an increase in exposure. Recognizing the risks associated with these sectors, particularly the agriculture sector, SDF has implemented proactive measures to manage potential risks, especially those stemming from climate change and environmental fluctuations.

To mitigate the risks in the agricultural sector, SDF has registered under the Agricultural and Agrarian Insurance Board, which provides coverage against catastrophic production losses. This insurance helps shield the Company from the financial impact of adverse climate events, ensuring that its agricultural portfolio remains resilient in the face of unpredictable weather conditions and other environmental risks.

Additionally, SDF has taken further steps to safeguard its agricultural financing by signing Memorandums of Understanding (MOUs) and establishing buy-back agreements with the primary suppliers of agro-equipment and machinery. These agreements help secure the value of the assets

financed by SDF, reducing the risks associated with default or depreciation in asset value. This comprehensive approach enhances the stability of SDF's loan book and provides a buffer against sector-specific challenges, especially in agriculture, where external factors play a significant role in production outcomes.

Province Wise Concentration



SDF has successfully maintained a well-diversified portfolio, strategically spread across the country, supported by its robust network of 56 branches.

LIQUIDITY RISK MANAGEMENT AT SDF

Liquidity risk management is a critical function for any finance company, as it ensures that the firm can meet its short-term obligations and continue operating smoothly under both normal and stressed conditions. Effective liquidity planning allows the Company to maintain financial stability, respond to unexpected cash flow needs, and seize growth opportunities without compromising its core operations.

Risk Monitoring Mechanisms

Liquidity risk is managed by the Asset-Liability Committee (ALCO), which oversees the Company's liquidity management policies. The Finance Department, guided by ALCO, is responsible for managing liquidity limits. Liquidity risk is a standard agenda item at ALCO meetings. The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including during periods of financial stress.

Integrated Risk Management Report

Few Risk mitigation strategies implemented by the Company;

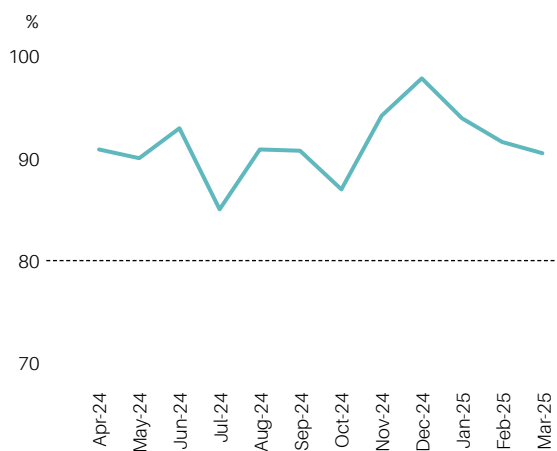
- Regular monitoring of liquidity positions to ensure financial stability.
- Maintaining an adequate buffer of liquid assets to cover potential short-term obligations.
- Ongoing monitoring and forecasting of cash inflows and outflows to proactively manage liquidity needs.
- Contingency Funding Plans (CFPs) to ensure preparedness for unforeseen liquidity events.
- Diversified funding sources to meet unexpected liquidity requirements.
- Asset-Liability Management (ALM) to balance the timing and structure of assets and liabilities effectively.
- Regular review of Key Risk Indicators (KRIs) and Risk Appetite levels for liquidity risk to ensure they align with the Company's financial goals and risk tolerance.

Trend/Ratio Analysis

Key Risk Indicator (KRI)	Risk Appetite for FY 2024/25	31 March 2025	Industry 31 March 2025
Interest Earning Assets to Total Assets	$\geq 90\%$	94.6%	87.1%
Deposit Renewal Ratio (Overall)	$\geq 80\%$	90.6%	N/A
Over dependency on single depositor	$\leq 5\%$	3.8%	N/A
Liquid Assets to Total Assets	N/A	7.9%	11.8%
Liquid Assets to Deposits	N/A	18.2%	22.0%
Liquid Assets to External Funds (Total Deposits and Borrowings)	N/A	10.3%	16.7%

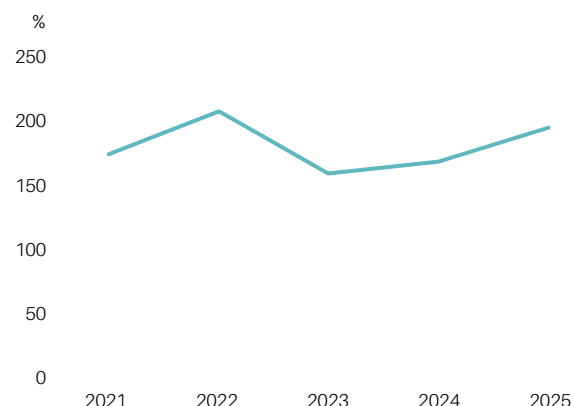
Trend Analysis - Liquidity Risk

Deposit Renewal Ratio



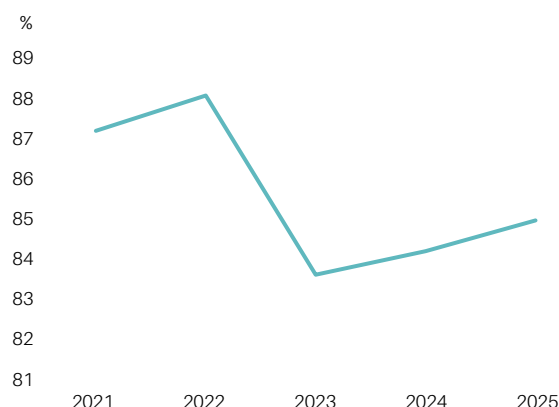
Throughout FY2024-25, SDF has successfully maintained its Fixed Deposit (FD) renewal ratio above the risk appetite threshold of 80%, which was increased from 75% in the previous year. This increase in the risk appetite reflects the Company's growing confidence in its funding stability and ability to manage liquidity risks effectively. By maintaining a renewal ratio above this benchmark, SDF continues to strengthen its financial position and retain customer trust, ensuring a stable and reliable funding base.

Loans to Deposits Ratio



The Company's loan book is predominantly financed through customer deposits. A Loans to Deposits ratio exceeding 100% indicates that the Company is effectively utilizing its deposits to convert them into interest-earning assets at an optimal level. This ratio reflects the Company's ability to leverage available deposits to support its lending activities, thereby generating returns on those assets.

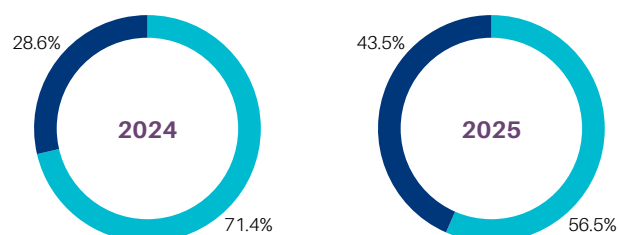
Net Loans to Total Assets Ratio



During the year, the demand for credit has increased significantly, driven by the revival of the economy. As economic conditions improved, businesses and consumers alike sought greater access to financing to fuel expansion, investment, and consumption. This rise in demand presents an opportunity for SDF to grow its loan portfolio and contribute to the broader economic recovery.

The increased reliance on bank borrowings reflects the banking sector's growing confidence in the Non-Banking Financial Institution (NBFI) sector. During the year under review, the Company successfully secured its first foreign loan from AgriFI, a senior debt of USD 3 million, which enabled SDF to hedge the foreign exchange (FX) risk via a local bank. This financing is strategically focused on supporting SDF's growth in its agricultural portfolio, with particular emphasis on expanding its agricultural leasing product. This product empowers farmers by providing access to essential agricultural machinery, such as tractors and harvesters, at affordable rates, thereby enhancing their productivity and income potential.

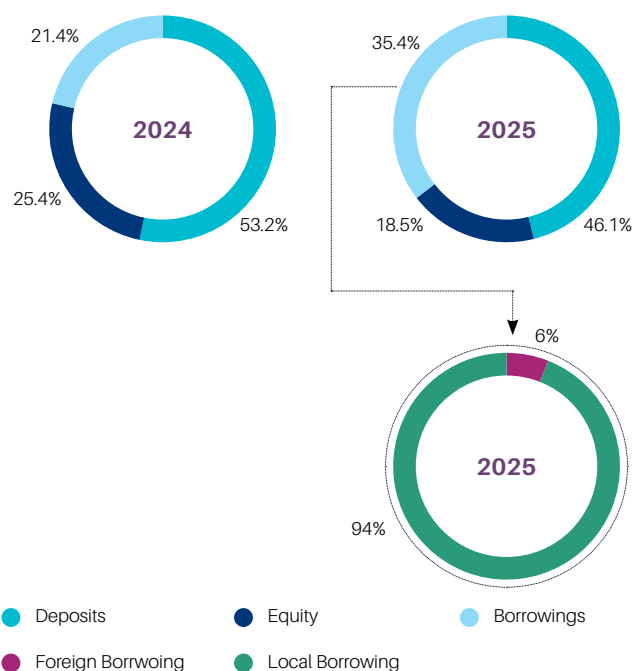
Interest Bearing Liabilities Mix



Deposits

Borrowings

Funding Mix



Deposits

Equity

Borrowings

Foreign Borrowing

Local Borrowing

CAPITAL MANAGEMENT AT SDF

Capital management is essential for a finance company as it ensures the firm maintains adequate liquidity and solvency to meet its obligations, absorb potential losses, and comply with regulatory requirements. Effective capital management is key to supporting sustainable growth by optimizing the balance between risk and return. This allows the company to lend, invest, and operate efficiently while safeguarding the interests of its stakeholders. It also enhances investor confidence and financial stability, both of which are vital in the highly regulated and risk-sensitive financial sector.

Risk Monitoring Mechanisms

The adequacy of capital is closely monitored at the ALCO level, where the committee reviews the capital position and evaluates the capital management activities undertaken by the Company.

Integrated Risk Management Report

Few Risk mitigation strategies implemented by the Company;

- **Capital Adequacy Planning:** Developing a structured approach to ensure capital is maintained at adequate levels.
- **Diversified Investments and Exposures:** Spreading investments across various asset classes, industries, and geographies to reduce the impact of any single failure.
- **Liquidity Management:** Maintaining sufficient liquidity buffers to meet financial obligations.
- **Limit Setting & Risk Appetite Frameworks:** Establishing clear boundaries for risk-taking aligned with the company's strategic objectives.
- **Contingency Funding Plans:** Preparing for potential liquidity shortfalls in times of financial stress.
- **Internal Capital Adequacy Assessment Process (ICAAP):** The Company is in the process of developing and adopting ICAAP to assess the adequacy of capital relative to risks.
- **Ongoing Monitoring and Reporting:** Continuously assessing and reporting on capital adequacy to ensure regulatory compliance and financial stability.

Trend/Ratio Analysis

The Capital Adequacy Ratio (CAR) is a key indicator of the financial strength of a finance company. It is used to safeguard depositors and promote the stability and efficiency of the financial system. A higher CAR indicates that the company has the ability to absorb losses and fulfil its obligations to account holders without halting operations. Over time, minimum regulatory requirements for CAR have been increased to enhance the resilience of the financial sector, as outlined below.

	01-07-2018	01-07-2019	01-07-2020	01-07-2021	01-07-2022
Components of Capital	6.00%	6.50%	6.50%	7.00%	8.50%
Total Capital	10.00%	10.50%	10.50%	11.00%	12.50%

	01-07-2018	01-07-2019	01-07-2020	01-07-2021	01-07-2022
Unimpaired Core Capital Requirement	1Bn	1.5Bn	1.5Bn	2.0Bn	2.5Bn

Capital Adequacy position was as follows;

Category	Mar-24	Mar-25
Risk Weighted Assets	12,887,299	18,138,679
Total Capital Base	3,215,109	3,744,089
Tier I Capital Ratio (Minimum requirement- 8.50%)	24.79%	20.53%
Tier II Capital Ratio (Minimum requirement- 12.50%)	24.95%	20.64%

The Company has consistently maintained Capital Adequacy Ratios (CARs) well above the minimum regulatory requirements. However, with the rapid growth of its business, these ratios have experienced a slight decline. To strengthen capital adequacy for the expected business growth, the Company is currently in the process of developing strategies and exploring emerging financial instruments to strengthen its capital position moving forward.

(Refer to the Capital Adequacy Ratio calculation on page 93 for further details.)

MARKET RISK MANAGEMENT AT SDF

Market risk management is crucial for financial institutions as it safeguards the company from potential losses triggered by fluctuations in market variables such as interest rates, exchange rates, equity prices, and commodity prices. Given that financial companies are deeply involved in trading, lending, and investment activities, they are particularly vulnerable to these risks. If not properly managed, sudden shifts in the market can deplete profits, damage capital, and strain liquidity. Effective market risk management ensures that a company can maintain financial stability, adhere to regulatory requirements, and foster trust with clients and investors by proactively identifying, measuring, and controlling risks.

Risk Monitoring Mechanisms

The movement of market variables is continuously reviewed by the Asset-Liability Committee (ALCO) during its monthly meetings. Based on these reviews, pricing decisions and their potential impacts are assessed, allowing for informed decision-making.

Sub risks arising from market risk are discussed in detail as follows.

a) Interest Rate Risk

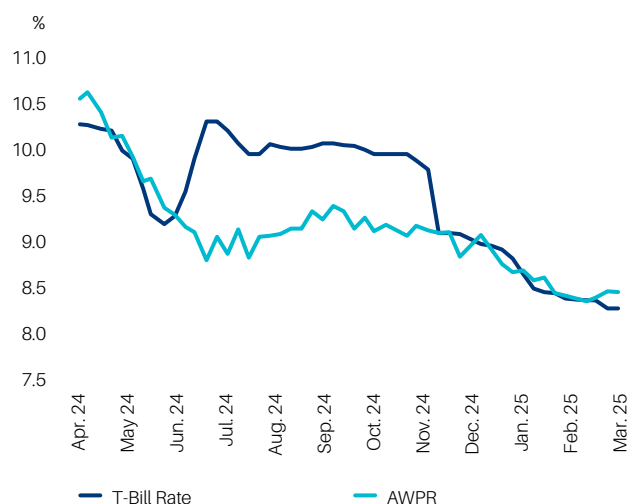
Interest Rate Risk is the risk of declining earnings (profitability) due to the movement of interest rates. Impact on the Company's Net Interest Income (NII) due to fluctuations in market interest rates is closely monitored. The Company uses the interest rate sensitivity of its assets and liabilities for modelling the financial impact.

The table below illustrates the impact on Net Interest Income from different interest rate scenarios.

Stress Test on NII from Parallel Interest Rate Shocks

Annual Impact on NII	2024		2025	
	Increase	Decrease	Increase	Decrease
1%	(25.3)	25.3	(32.8)	32.8
2%	(50.6)	50.6	(65.6)	65.6
3%	(76.0)	76.0	(98.4)	98.4

T-Bill & AWPR Movement



With the recovery of the economy and the Central Bank of Sri Lanka's (CBSL) proactive measures, both the T-Bill rate and AWPR (Average Weighted Prime Rate) experienced a declining trend. As the year progressed, these rates began to stabilize, reflecting a more balanced economic outlook.

b) Commodity Price Risk

In the context of SDF, commodity price risk is most prominently associated with fluctuations in gold prices, given the Company's exposure through its Gold Loans Portfolio. The potential volatility in gold prices directly impacts the value of collateral securing these loans.

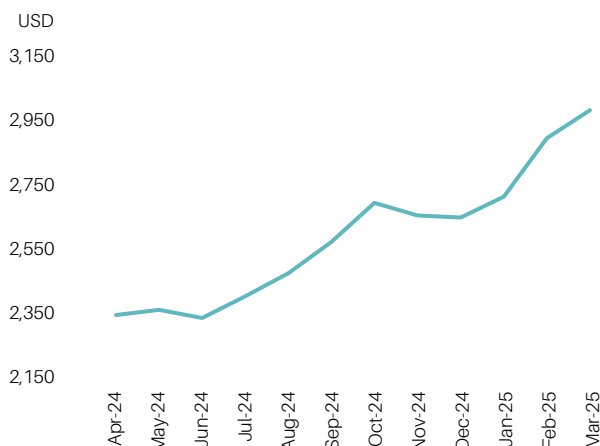
To mitigate this risk, SDF ensures that it maintains healthy safety margins and Loan-to-Value (LTV) ratios that provide a buffer against adverse price movements. The Company's approach involves continuous monitoring of Key Risk Indicators (KRIs) specific to the Gold Loans Product, which is reviewed on a monthly basis by the Risk Management Department.

Furthermore, SDF closely tracks gold price fluctuations and adjusts the gold-backed advances accordingly, ensuring that the collateral value aligns with market conditions. This proactive approach enables the Company to effectively manage commodity price risk while maintaining the stability of its loan portfolio.

Integrated Risk Management Report

Trend Analysis – Gold Market Price Movements

Global Gold Price Movement



Local 24K Suv price



During the year under review, both global and local gold prices exhibited a notable upward trend, driven by a combination of geopolitical, macroeconomic, and market-specific factors. The key drivers contributing to this increase included:

- Geopolitical Tensions:** Escalating global conflicts, particularly the Russia-Ukraine war and continued instability in the Middle East, heightened global uncertainty. As a result, investors increased allocations to gold as a traditional safe-haven asset, seeking protection against geopolitical risks.
- Central Bank Purchases:** Central banks, especially in emerging economies such as China, Russia, and Turkey, significantly expanded their gold reserves. This move was primarily motivated by efforts to diversify away from the U.S. dollar, safeguard against geopolitical sanctions, and enhance monetary stability—further sustaining global gold demand.

- Anticipation of U.S. Federal Reserve Rate Cuts:**

Expectations of a reduction in interest rates by the U.S. Federal Reserve, in response to moderating inflation and signs of economic slowdown, lowered the opportunity cost of holding non-yielding assets such as gold. This made gold more attractive to both retail and institutional investors.

- Economic Uncertainty:** Growing concerns over a potential global economic slowdown, including indications of a weakening labor market and recessionary fears, increased investor demand for low-risk, tangible assets like gold.

- Increased Retail and Institutional Demand:** Heightened interest in gold was also observed among retail investors—particularly in key markets such as China and India—as well as institutional investors seeking portfolio diversification and inflation hedging. This collective buying further supported the rising price trend.

These combined factors created a favorable market environment for gold, contributing to the significant price appreciation observed during the period.

c) Foreign Exchange Risk

Foreign Exchange Risk refers to the potential loss arising from adverse fluctuations in the value of the Sri Lankan Rupee (LKR) against foreign currencies.

SDF's direct exposure to foreign exchange risk is limited. However, the Company has access to foreign currency funding. Notably, a senior debt facility of USD 3 million was provided by AgriFI, structured with a back-to-back hedging mechanism through a local Sri Lankan bank. This arrangement effectively mitigates the FX risk associated with this funding. The facility supports the growth of SDF's agricultural portfolio, particularly its agricultural leasing product, which enables farmers to acquire essential machinery—such as tractors and harvesters—on affordable leasing terms, thereby enhancing productivity and income levels.

SDF also has an indirect exposure to foreign currency risk through its gold-backed loan portfolio. While global gold prices are denominated in USD, the local impact is largely subdued due to prevailing restrictions on gold imports, which help to stabilize the local gold price in LKR terms.

Exchange Rate Movement - LKR/USD



d) Equity Price Risk

Equity Price Risk refers to the potential financial loss arising from unfavorable movements in the market prices of equity investments. As of the reporting period, SDF is not exposed to Equity Price Risk, as the Company does not hold any investments in listed or unlisted equity securities.

OPERATIONAL RISK MANAGEMENT AT SDF

As Sarvodaya Development Finance PLC (SDF) continues to evolve, its operational risk profile has become more complex—driven by factors such as expanded business operations, greater reliance on technology, outsourced functions, and an evolving regulatory landscape. Recognizing that operational risk is embedded in every product, activity, process, and system, SDF has placed effective operational risk management at the core of its Enterprise Risk Management (ERM) Framework.

Risk Monitoring Mechanisms

To provide structured oversight, SDF has established a dedicated Operational Risk Management Committee (ORMC) at the management level. The Committee is responsible for identifying, evaluating, and mitigating operational risks across the organization.

Few Risk mitigation strategies implemented by the Company;

SDF employs a systematic approach to minimize its exposure to operational risk, balancing risk mitigation with cost efficiency. Operational risk is managed through a consistent framework that focuses on risk identification, assessment, control, and monitoring.

Some of the key controls related to Operational risk management are;

- Formation of the Operational Risk Management Committee (ORMC) to lead oversight efforts
- Regular review and update of policies related to operational risk
- Early adoption and compliance with the Finance Business Directions Act No. 04 of 2024 on Operational Risk Management
- Implementation of internal policies, procedures, Memoranda of Understanding (MOUs), Service Level Agreements (SLAs), and Non-Disclosure Agreements (NDAs) to manage third-party relationships
- Deployment of internal IT controls to secure operations and data integrity
- Conducting Branch-wise Operational Risk Assessments (ORA) to identify and manage local risk exposures

Each business unit is accountable for maintaining operational risk management standards, and potential financial losses from unforeseen events are mitigated through comprehensive insurance coverage.

Business Continuity Management (BCM) of SDF

SDF's Business Continuity Management (BCM) framework ensures organizational resilience by preparing for and responding to Significant Business Disruptions (SBDs) – events that could severely impact the Company's ability to deliver key services. The goal of BCM is to ensure the continuity of critical operations with minimal disruption, thereby protecting stakeholders, the Company's brand, and its value-generating activities.

Integrated Risk Management Report

BCM Governance and Oversight

- To ensure alignment between business and continuity objectives, SDF has established a BCM Steering Committee.

This Committee is responsible for:

- Overseeing the rollout of the Business Continuity Management System (BCMS) across the organization
- Ensuring that BCM strategies are aligned with corporate objectives
- Keeping the BCMS up to date and responsive to the changing risk landscape
- Facilitating a culture of preparedness and resilience throughout the organization

SDF's BCM approach reflects a commitment to operational excellence, stakeholder protection, and regulatory compliance in times of crisis.

STRATEGIC RISK MANAGEMENT AT SDF

SDF continuously monitors the evolving business landscape to identify emerging opportunities and challenges. The Company adopts a proactive and adaptive approach to strategy formulation, ensuring that risks associated with business strategies are carefully evaluated and managed. All strategic decisions are grounded in risk-aware planning, supporting sustainable value creation and long-term resilience.

A comprehensive Three-Year Strategic Plan (FY2025–26 to FY2027–28) has been developed, incorporating clear quantitative indicators that are regularly monitored to track progress and ensure alignment with the Company's risk appetite and performance goals.

Risk Monitoring Mechanisms

Strategic risks are regularly assessed and reviewed by the Management Committee (ManCom) through monthly meetings. This enables the Company to implement corrective, preventive, and responsive measures in a timely and informed manner.

Few Risk mitigation strategies implemented by the Company;

- A robust budgeting process, supported by variance analysis, to identify deviations from planned targets and take timely corrective actions.
- A structured Strategic Planning Process, which incorporates risk assessments and scenario analysis to ensure resilience.
- Environmental scanning tools such as:
 - PESTLE Analysis (Political, Economic, Social, Technological, Legal, and Environmental factors)
 - SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)

These tools provide insights into the external and internal factors that could impact strategic objectives.

IT AND INFORMATION SECURITY RISK MANAGEMENT AT SDF

In today's fast-paced digital environment, the role of Information Technology (IT) and Information Security (IS) has become critical to the success and sustainability of financial institutions. As digital channels become the primary interface for customer interaction, robust IT systems are essential for delivering secure, efficient, and uninterrupted financial services.

Simultaneously, the increasing volume and complexity of cyber threats underscore the need for strong information security measures to protect sensitive data, ensure regulatory compliance, and maintain customer trust. At SDF, IT and IS are recognized not merely as support functions, but as strategic enablers of resilience, innovation, and competitive advantage.

Risk Monitoring Mechanisms

To ensure rigorous oversight and risk mitigation in this vital area, SDF has established two dedicated Management-Level Committees:

- Information Technology Steering Committee (ITSC)
- Information Security Committee (ISC)

These committees oversee the development and implementation of IT and IS strategies and are responsible for reviewing system upgrades, emerging threats, and regulatory compliance. Additionally, IT and IS-related developments and risks are regularly reviewed by the Board Integrated Risk Management Committee (BIRMC).

Recognizing the strategic significance of IT and IS functions, the Board of Directors has formed a dedicated Board Sub-Committee, effective from 1 April 2025, to provide enhanced oversight and governance in these areas.

Few Risk mitigation strategies implemented by the Company

- Developed a comprehensive Technology Risk Management Framework to guide the identification and mitigation of IT-related risks.
- Formulated and regularly updated the IT Risk Database to maintain visibility over evolving risks and control measures.
- Conducted Vulnerability Assessment and Penetration Testing (VA/PT) to identify and address system vulnerabilities.
- Reviewed and enhanced all IT-related policies to align with current best practices and regulatory expectations.
- Delivered continuous staff training programs to raise awareness on cybersecurity threats and safe practices.
- Developed an overarching IT Strategy and Roadmap to align technological investments with business goals.
- Strengthened the Privileged Access Monitoring (PAM) mechanism to safeguard critical systems and sensitive data from unauthorized access.

(Refer to the Intellectual Capital Report on page 105 for further details.)

LEGAL/REGULATORY RISK MANAGEMENT AT SDF

SDF is firmly committed to conducting its business in full compliance with the Company's Code of Conduct, as well as all applicable laws, regulations, and directives issued by regulatory authorities. The Company maintains a zero-tolerance approach toward any form of non-compliance and has embedded this principle within a robust Corporate Governance Framework.

To uphold these standards, the Compliance Function, established under the oversight of the Board Integrated Risk Management Committee (BIRMC), operates independently and is tasked with ensuring that all operations align with legal and regulatory obligations. This function is governed by a Compliance Charter approved by the Board of Directors.

The Compliance Function proactively monitors business activities, offers compliance advisory services, and works closely with management and staff to foster a culture of integrity and regulatory discipline.

Few Key Responsibilities of the Compliance Department

To build and maintain a compliant organizational environment, the Compliance Department undertakes the following responsibilities:

- Advisory Role:** Provide timely guidance to management and staff on compliance matters, ensuring awareness of legal and regulatory developments.
- Training and Education:** Conduct regular training sessions on applicable laws, regulations, rules, and standards. Serve as a point of contact for compliance-related queries.
- Ongoing Monitoring:** Regularly assess the adequacy and effectiveness of internal compliance controls and recommend corrective actions where deficiencies are identified.
- Compliance Risk Assessment:** Evaluate compliance risks related to existing and proposed business activities, including new products, services, and business practices.
- Incident Tracking and Feedback:** Maintain records of compliance breaches and successes, using this data to improve control frameworks and implement necessary remedial actions.
- Transaction and Process Monitoring:** Continuously observe business transactions and processes to detect potential compliance risks or irregularities.
- Policy and Standards Development:** Establish compliance standards and guidelines, ensure they are clearly communicated, and verify adherence through internal reviews and testing.
- Anti-Money Laundering (AML) & Counter-Terrorist Financing (CTF):** Ensure the timely detection and reporting of any suspicious activity related to money laundering or terrorism financing to the relevant law enforcement authorities.

HUMAN RESOURCES RISK MANAGEMENT AT SDF

At SDF, employees are recognized as one of the Company's most valuable assets, playing a pivotal role in achieving organizational goals. Accordingly, the Company places strong emphasis on managing human resource risks to ensure a resilient, engaged, and high-performing workforce.

Integrated Risk Management Report

Few HR Risk mitigation strategies implemented by the Company;

- **Employee Engagement Initiatives:** Regular programs and activities are conducted to boost engagement, motivation, and team cohesion.
- **Work Stress Management:** Dedicated efforts are made to promote employee well-being and manage workplace stress, ultimately enhancing productivity and job satisfaction.
- **Training and Skill Development:** Gaps in staff competencies are continuously assessed, with targeted training provided to build capabilities and support career development.
- **Monitoring Turnover Ratios:** Employee attrition is closely tracked to identify trends and implement retention strategies where necessary.
- **Succession Planning:** Potential leaders within the organization are identified and developed to build a strong second line of leadership.
- **Stay Interviews:** These are conducted to gain insights into why employees remain with the Company and to identify potential factors that may influence future departures.
- **Exit Interviews:** Departing employees are interviewed to understand the reasons for their resignation, with insights used to improve HR practices and workplace culture.

(Refer to the Human Capital Report on page 109 for more details.)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK MANAGEMENT AT SDF

At SDF, sustainability has been embedded in the Company's ethos since its inception. It is a defining element of SDF's identity, shaping a differentiated and impactful business model that aims to create long-term value with a broader social purpose. Through development and impact financing, SDF contributes meaningfully to Sri Lanka's transition toward a green, inclusive, and balanced economy.

In alignment with the United Nations Sustainable Development Goals (SDGs) and the Roadmap for Sustainable Finance issued by the Central Bank of Sri Lanka (CBSL), SDF prioritizes ESG risk management to promote environmentally responsible, socially inclusive, and ethically governed business practices.

ESG Risk Monitoring Mechanisms

Recognizing the importance of tracking progress and impact, SDF has implemented a structured approach to measuring and managing ESG risks:

- The Company has adopted "experienz", a dedicated ESG performance platform, to quantify, monitor, and analyze ESG initiatives across three key pillars: Environmental, Social, and Governance.

● Environmental Metrics

- Measurement of Greenhouse Gas (GHG) emissions, specifically Scope 1 and Scope 2 emissions, based on fuel usage and electricity consumption (from the national grid and solar power).
- The platform tracks energy efficiency and supports carbon footprint analysis as part of environmental risk management.

● Social Metrics

SDF conducts a quarterly employee well-being survey, covering:

- Career Well-being
- Work Environment and Methods
- Leadership and Organizational Culture
- Physical and Emotional Well-being
- Rewards and Benefits

The insights are visualized through the platform's dashboards, which are presented at Management meetings for strategic review and action. The platform also facilitates impact analysis, tracking the indirect employment created through SME financing, supporting the Company's development finance goals.

● Governance and Oversight

A Management-Level Sustainability Committee has been established to oversee ESG risk management and ensure adherence to SDF's Sustainable Development Policy and ESG Risk Management Policy. This committee is tasked with safeguarding the Company's long-term sustainability and strategic alignment with ESG principles.

Few ESG Risk mitigation strategies implemented by the Company;

- Formulated and adopted the Sustainable Development Policy and ESG Risk Management Policy.
- Acquired and actively utilizes the experienz platform to monitor ESG performance metrics and progress.
- Established a Sustainability Committee at management level to guide and govern ESG strategy.
- Recruited dedicated personnel to lead and implement sustainability initiatives across the organization.
- Developing custom financial products aimed at supporting entrepreneurs engaged in green and climate-friendly businesses, with concessionary interest rates.

(For additional details, refer to the Sustainability Report on page 42)

REPUTATIONAL RISK MANAGEMENT AT SDF

With the growing influence of social media, reputational risk has become increasingly sensitive and far-reaching, as negative perceptions or incidents can quickly spread to a wide network of stakeholders. SDF recognizes the importance of safeguarding its reputation and has established proactive monitoring and mitigation strategies to address potential threats.

Reputational Risk Monitoring Mechanisms

SDF continuously monitors events and circumstances that may pose reputational risks, and takes prompt, proactive, and corrective actions to mitigate their impact.

Few Reputational Risk Mitigation Strategies implemented by the Company;

- Ongoing employee training on business ethics, corporate values, and professional conduct to prevent actions that may lead to reputational harm.
- High-priority handling of customer complaints, with a strong focus on timely resolution and care.
- Active participation in community development initiatives as part of the Company's community integration strategy.
- Appointment of a Key Responsible Person (KRP) to independently oversee the Customer Complaint Handling Procedure.
- Establishment of a centralized unit dedicated to handling customer complaints.
- Regular policy reviews, assessments of internal control adequacy, and related staff training.
- Progress toward obtaining an international certification for the Customer Protection Framework, further reinforcing trust and accountability.
- Raising awareness of the Company's contributions to sustainability goals, enhancing stakeholder confidence and brand equity.

(For additional details, refer to the Social and Relationship Capital section on page 117)

A member of the Karadeniya Sarvodaya Shramadana Society contributes to Sri Lanka's position as a key player in the global cinnamon market, where he plays a vital role in upholding national pride and adding much-needed value to the country's cinnamon export industry.



Customer Name :-
Gamini Jayawardana
Southern Province
Galle District, Karadeniya





FINANCIAL REPORTS

Financial Reporting

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

The Financial Statements of Sarvodaya Development Finance PLC (the Company) as of 31 March 2025 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRSS/LKASS)
- Companies Act No. 07 of 2007 and amendments thereto
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Directions issued to Licensed Finance Companies by the Central Bank under the Finance Business Act No. 42 of 2011
- Listing rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka

The Company, on a quarterly basis, presents Interim Financial Statements to its shareholders in compliance with the listing rules of the Colombo Stock Exchange.

The Significant Accounting Policies have been consistently applied by the Company. The 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 Estimates, and other financial information included in this Annual Report fairly present, in all material respects, the financial condition, results of operations, and cash flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue its 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. We confirm, based on our evaluations, that the estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis to ensure that the Financial Statements reflect, 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 to ensure that material information relating to the Company is made known to us for safeguarding assets, preventing and detecting fraud and/or error, as well as other irregularities, which are reviewed, evaluated, and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the Company for the financial year under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of Internal Controls

and Procedures to the best of our knowledge. The Company's Internal Audit Department conducts periodic reviews to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

The Company's Board Audit Committee internally reviewed all the internal and external audit and inspection programs, 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' from pages 151 to 154 of this Annual Report. The Board Audit Committee meets periodically with the internal audit team and the independent external auditor to review their audit plans, assess the manner in which these auditors are performing their responsibilities, and 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 recognized in weighing the assurances provided by any system of Internal Controls and Procedures.

The Financial Statements of the Company were audited by Messrs. Deloitte Associate, Chartered Accountants, and their report is given from pages 202 to 205 of this Annual Report. The Board Audit Committee pre-approved the audit and non-audit services provided by Messrs. Deloitte Associate to ensure that the provision of such services does not contravene the guidelines issued by the Central Bank of Sri Lanka on permitted non-audit services or impair Messrs. Deloitte Associates independence and objectivity.

We confirm to the best of our knowledge that:

- The Company has complied with all applicable laws, regulations, and prudential requirements;
- There are no material non-compliances other than those disclosed on pages 294 to 347 in the Corporate Governance section of this Annual Report;
- There are no material litigations pending against the Company other than those disclosed in note 38 on page 259 of the Financial Statements in this Annual Report; and
- All taxes, duties, levies, and statutory payments by the Company, and all contributions, levies, and taxes payable on behalf of and in respect of the employees of the Company as of the reporting date, have been paid, or where relevant, provided for.



Manori Wannigama
Head of Finance

28 May 2025



Nilantha Jayanetti
Chief Executive Officer

Directors' Responsibility Statement

The following statement sets out the responsibility of the Directors in relation to the Financial Statements of Sarvodaya Development Finance PLC ("the Company") prepared in accordance with the provisions of the Companies Act No. 07 of 2007. The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors on pages 202 to 205 of the Annual Report.

As per the provisions of sections 150(1), 151, 152(1) and 153(1) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company as at the reporting date and its profit or loss for the financial year then ended. They must ensure that these statements are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements, that they comply with the said Companies Act, and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with section 167(1) and sections 168(1)(b) and (c) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements, together with the annual report of the Company prepared as per section 166(1) of the Companies Act, and a copy of the Annual Report of the Company will be made available for the shareholders' reference by publishing on the Company's official Website and Colombo Stock Exchange website in terms of Listing Rule 7.5.b of the listing rules of the CSE, within the stipulated time frame before the date fixed for holding the Annual General Meeting. As per said Listing Rule, printed copies of the annual report will be made available to shareholders on request.

In preparing the Financial Statements, the Directors are responsible for ensuring that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made, and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company have adequate resources to continue its operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company maintain sufficient accounting records to disclose with reasonable accuracy of the financial position of the Company.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRSs/LKASs) and are consistent with the underlying books

of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, directions and guidelines issued under the Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating, and managing the significant risks faced by the Company throughout the year. This is primarily handled through the Board Audit Committee and the Board Integrated Risk Management Committee, as set out in their Reports that appear on pages 151 to 154 and 157 to 159, respectively.

The Directors have taken appropriate steps to ensure that the Company maintain proper books of accounts, and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee.

The Board of Directors also approves the interim Financial Statements prior to their release, following a review and recommendation by the Board Audit Committee.

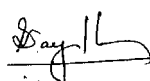
The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company has been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by section 152(1)(b), and they have also been signed by two Directors of the Company as required by section 152(1)(c) of the Companies Act.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company as at the reporting date, have been paid or where relevant, provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board



Shiromi Patabendige
Company Secretary

28 May 2025

Independent Assurance Report on the Directors' Statement on Internal Control to the Board of Directors of Sarvodaya Development Finance PLC



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Introduction

We were engaged by the Board of Directors of Sarvodaya Development Finance PLC (the "Company") to provide assurance on the Directors' Statement on Internal Control (the "Statement") included in the annual report for the year ended 31 March 2025.

Management's responsibility for the statement of internal control

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Management

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

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

Our responsibilities and compliance with SLSAE 3051

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

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

The standard requires that the practitioner plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

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

Summary of work performed

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

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

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

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

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

Our conclusion

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

Deloitte Associates

DELOITTE ASSOCIATES
Chartered Accountants
Colombo

2 June 2025

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, M S J Henry FCA, M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA

Directors' Statement on Internal Control

In line with section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, and Rule 9.16 (ii) of the Corporate Governance Rules of Colombo Stock Exchange, the Board of Directors ("Board") of Sarvodaya Development Finance PLC ("Company") presents this report on internal control over financial reporting.

The Board has overall responsibility for ensuring the adequacy and effectiveness of internal control over financial reporting of the Company. The system of internal controls is primarily designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failing to achieve the policies and business objectives. However, it is important to note that the system of internal controls stipulated can provide reasonable but not absolute assurance against material misstatement of financial information, records, or financial losses and frauds.

In light of the above, the Board has established a continuous process of identifying, evaluating, and managing the significant risks faced by the Company. This includes enhancing the system of internal control over financial reporting, especially when there are changes to the business environment or regulatory guidelines. The Board regularly reviews this process by assessing key process-related risks against the compensating controls that may affect significant accounts of the Company.

The management is tasked with assisting the Board in implementing the policies and procedures related to risk and control. This includes identifying and assessing the risks faced by the Company as well as providing inputs on the design, operation, and monitoring of internal controls over financial reporting to mitigate and control these risks.

The Board is confident that the system of internal control over financial reporting is adequate to provide reasonable assurance regarding the reliability of financial reporting. This ensures that the preparation of the financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System on Financial Reporting

The Company has established a comprehensive process for reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting, which includes the following key features:

- The Board has established Sub-Committees to assist in ensuring the effectiveness of the Company's day-to-day operations in line with the corporate objectives, strategies, annual budget, as well as the approved policies and business directions.
- Policies, charters, and procedures are in place covering functional areas of the Company, recommended by the Board-appointed Committees, and are approved by the Board. All policies, charters, and procedures are regularly reviewed and approved by the Board. The Board Audit Committee follows up the regular reviews of policies, charters, and procedures through the Compliance Officer to ensure timely updates.
- The Internal Audit Department of the Company monitors compliance with policies and procedures, and they are using sample and rotational procedures and highlight significant finding of any non-compliance. The risk-based annual audit plan is reviewed and approved by the Board Audit Committee. Branches and functional departments are audited to provide independent and objective assurance on operations and performance. Various initiatives have been taken by the Internal Audit Department, business teams, and other monitoring authorities of the Company to review the exceptions in certain selected areas of the business through the usage of exception monitoring automated tools. The process has been gradually expanded year after year to cover an expanded scope.
- Information systems and their surrounding technology infrastructure, which support financial reporting, are independently assessed by a specialized information systems audit team to ensure confidentiality, integrity, and availability triads are preserved to reinforce the confidence level of the data processing technology facilities.
- The scope, quality, and reports of internal audits are reviewed by the Board Audit Committee at its meetings once in two months, and refinements are applied wherever necessary.
- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditor, regulatory authorities, and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems.

Directors' Statement on Internal Control

A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk of misrepresentation of financial reporting. The respective process owners of the Company continuously review and update all procedures and controls connected with significant accounts and disclosures of the Financial Statements of the Company. The risk department verifies the suitability of the design and effectiveness of these procedures and controls on an ongoing basis, and the internal audit department reviews the compliance and apprises the Board Audit Committee where necessary.

Review of the Statement by External Auditor

The external auditor, Messrs. Deloitte Associates, has reviewed the above Directors' Statement on Internal Control over Financial Reporting, and the report is included in the Company's Annual Report for the year ended 31 March 2025. They have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Company. Their report on the statement of internal control over financial reporting is given on page 194 of this annual report.

Statement on Prudential Requirements, Regulations, and Laws

The Board of Sarvodaya Development Finance PLC presents this report on compliance with prudential requirements, regulations, and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 - Corporate Governance principle D1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, and Rule 9.16 (ii) of the Corporate Governance Rules of the Colombo Stock Exchange.

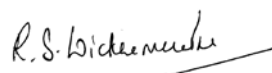
The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and legislation laws. The Board confirms that there are no regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, rules, and directions.

By order of the Board,

Confirmation

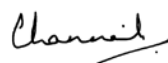
Based on the above processes, the Board affirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

By order of the Board,



Suranjani Wickremeratne

Chairman - Board Audit Committee



Channa de Silva

Chairman

Colombo
28 May 2025

Independent Assurance Report on Sustainability Reporting



Deloitte Associates

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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SARVODAYA DEVELOPMENT FINANCE PLC ON THE INFORMATION PRESENTED WITH REFERENCE TO THE GRI STANDARDS IN THE INTEGRATED ANNUAL REPORT – 2024/2025.

Scope

We have been engaged by the management of Sarvodaya Development Finance PLC ("the Company") to perform an independent limited assurance engagement, as defined by the Sri Lanka Standard on Assurance Engagements, on the information presented with reference to the GRI (Global Reporting Initiative) Standards ("Information") in its Integrated Annual Report for the year ended 31 March 2025 (the "Report").

Management's Responsibility

Management of the Company is responsible for preparation and presentation of the information with reference to the GRI standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the information that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. The firm applies Sri Lanka Standards on Quality Management and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a conclusion on the information presented in Report with reference to the GRI standards. We conducted our limited assurance engagement in accordance with the Sri Lanka Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information ("SLSAE 3000 - Revised") issued by the Institute of Chartered Accountants of Sri Lanka. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the information is free from material misstatement.

A limited assurance engagement undertaken in accordance with SLSAE 3000 (Revised) involves assessing the risks of material misstatement of the information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the information.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and were included,

- Performing a comparison of the content of the Report against the GRI Standards.
- Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation, and presentation of data.
- Cross checking the non-financial data /information presented in the Report with the supporting documents and schedules maintained by the Company.

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, M S J Henry FCA, M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA

Independent Assurance Report on Sustainability Reporting

- Cross checking the financial information presented in the Report with the audited financial statements of the Company for the financial reporting period ended 31 March 2025.
- Checking the calculations performed by the organization on a sample basis through recalculation.
- Independently reviewing the content of the Report and request changes if required.
- Reviewing Board minutes to ensure consistency with the content of the Sustainability Report.
- Obtaining a letter of representation from management dated on the issuance of assurance report.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information, as defined above, for the year ended 31 March 2025, is not presented, in all material respects, with reference to the GRI standards.

Other Matter

Our assurance is not extending to the prospective/comparative information, or any other information presented in the Report other than based on the GRI standards. Further, we do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.



DELOITTE ASSOCIATES

Chartered Accountants
Colombo

2 June 2025

Financial Calendar

Category	2024/25	2025/26
Interim Financial Statements publication		
Q1 ended 30 June	7 August 2024	Before 15 August 2025
Q2 ended/ending 30 September	1 November 2024	Before 15 November 2025
Q3 ended/ending 31 December	30 January 2025	Before 15 February 2026
Q4 ended/ending 31 March	29 May 2025	Before 30 May 2026
Financial statements publication		
Six months ended 30 September 2024	22 November 2024	
Year ended 31 March 2024	29 June 2024	
Six months ending 30 September 2025		Before 30 November 2025
Year ending 31 March 2025		Before 30 June 2026
Annual Report Publication		
Annual Report and Accounts signed/to be signed	On 28 May 2025	In May 2026
Publication of Annual Report	02 June 2025	In June 2026
Annual General Meeting		
Annual General Meeting	15th Annual General Meeting on 25 June 2025	16th Annual General Meeting on or before 30 June 2026
Dividend Payment		
Interim Dividend for the financial year		In the 3rd Quarter of 2025
Final Dividend for the financial year to be proposed	In July 2025	In July 2026

Members of the Kimanthudawa Sarvodaya Shramadana Society are transforming bamboo into eco-friendly blinds for offices and homes, promoting sustainable living through traditional craftsmanship.

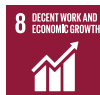


Customer Name :-

R I M Upashantha

Western Province

Kalutara District, Kimmanthudawa





Independent Auditor's Report



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TO THE SHAREHOLDERS OF SARVODAYA DEVELOPMENT FINANCE PLC Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Sarvodaya Development Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2025, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards..

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants 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.

Other Matter

The financial statements of Sarvodaya Development Finance PLC for the year ended 31 March 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 31 May 2024.

Key Audit Matters

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

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, M S J Henry FCA, M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA

Impairment of loans and receivables

Risk description:

As at the reporting date, 85% of the total assets of the Company consisted of loans & advances and lease receivables amounted to Rs. 19,182 Mn. This amount is presented net of an impairment allowance of Rs. 799 Mn.

Management applies the Expected Credit Loss (ECL) model under SLFRS 9 to determine impairment allowances for loans and receivables. This involved significant judgment in evaluating the credit risk of borrowers, staging criteria, incorporation of forward-looking macroeconomic information, and complex modelling techniques.

Due to the higher level of estimation uncertainty involved and significance of its impact on the amounts reported in the financial statements, we have considered it as a Key Audit Matter.

Basis of impairment allowance and assumptions used by the management in its calculation, is disclosed in note 22.1 to 22.4.

How the matter was addressed in our audit

We designed our audit procedures to obtain sufficient and appropriate evidence on the reasonableness of the impairment allowance and included the following.

- Obtained an understanding on the management process for the determination of impairment of Loans and receivables and, evaluate the designing and operating effectiveness of the controls used by the management in that process.
- Evaluated the model used to calculate impairment allowance to assess its appropriateness considering the requirements of SLFRS 9
- Checked the underlying calculations and data on a sample basis for accuracy and completeness of them.
- Assessed the reasonableness of the judgments and assumptions used by management in determining the impairment allowance under the Expected Credit Loss (ECL) model by corroborating them with internal data available with the Company and publicly available information, where appropriate
- Assessed the adequacy of the disclosures made in the notes 22.1 to 22.4 of the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

Independent Auditor's Report

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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 and 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 doubts on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 6355.



DELOITTE ASSOCIATES

Chartered Accountants
Colombo

2 June 2025

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Notes	Page	2025 LKR	2024 LKR	Variance LKR	Variance %
Income	5	218	4,374,394,969	3,326,773,595	1,047,621,374	31.5%
Interest Income			4,063,784,067	3,101,982,284	961,801,783	31.0%
Interest Expenses			(1,424,294,944)	(1,322,454,402)	(101,840,542)	7.7%
Net Interest Income	6	218	2,639,489,123	1,779,527,882	859,961,241	48.3%
Net Fee and Commission Income	7	219	268,010,645	172,887,634	95,123,011	55.0%
Other Operating Income	8	220	42,600,257	51,903,677	(9,303,420)	-17.9%
Total Operating Income			2,950,100,025	2,004,319,193	945,780,832	47.2%
Impairment Charges for Loans and Other Losses	9	220	(438,903,833)	(332,531,900)	(106,371,933)	32.0%
Net Operating Income			2,511,196,191	1,671,787,293	839,408,899	50.2%
Operating Expenses						
Personnel Expenses	10	222	(699,474,891)	(533,701,526)	(165,773,365)	31.1%
Depreciation of Property, Plant and Equipment			(46,980,467)	(35,974,055)	(11,006,412)	30.6%
Amortisation of Right of Use Assets			(93,152,274)	(80,014,671)	(13,137,603)	16.4%
Amortisation of Intangible Assets			(3,096,618)	(509,435)	(2,587,183)	507.9%
Other Operating Expenses	11	223	(529,311,630)	(430,371,271)	(98,940,359)	23.0%
Operating Profit before Tax on Financial Services			1,139,180,311	591,216,335	547,963,976	92.7%
Tax on Financial Services	12	223	(309,580,258)	(181,956,153)	(127,624,105)	70.1%
Profit before Taxation			829,600,053	409,260,182	420,339,871	102.7%
Income Tax Expenses	13	224	(355,787,122)	(159,663,528)	(196,123,594)	122.8%
Profit for the Year			473,812,931	249,596,654	224,216,278	89.8%
Other Comprehensive Income that will not be Reclassified to Profit or Loss						
Actuarial Gains/(Losses) on Defined Benefit Plans	33	255	(4,764,196)	(23,098,538)	18,334,342	-79.4%
Deferred Tax (Charge)/Reversal on above items			1,429,259	6,929,561	(5,500,303)	-79.4%
Net Other Comprehensive Income/(Expenses) not to be Reclassified to Profit or Loss			(3,334,937)	(16,168,977)	12,834,039	-79.4%
Other Comprehensive Income for the Year, Net of Tax			(3,334,937)	(16,168,977)	12,834,039	-79.4%
Total Comprehensive Income/(Expenses) for the Year			470,477,994	233,427,677	237,050,317	101.6%
Earning per Share - Basic *	14	225	3.17	1.67	1.50	89.8%
Dividend per Share **	15	226	-	0.65	(0.65)	-100.0%

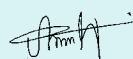
* Calculated based on profit/(loss) for the year

Accounting Policies and Notes from pages 210 to 285 form an integral part of these Financial Statements.

Statement of Financial Position

Year ended 31 March	Notes	Page	2025 LKR	2024 LKR	Variance LKR	Variance %
Assets						
Cash and Cash Equivalents	17	227	927,665,722	544,919,606	382,746,116	70.2%
Financial Investments	18	228	906,304,991	772,478,191	133,826,800	17.3%
Other Financial Assets	19	228	459,810,771	50,960,718	408,850,053	802.3%
Financial Assets at Amortised Cost - Loans and Receivables	20	229	12,322,099,025	6,958,212,710	5,363,886,315	77.1%
Financial Assets at Amortised Cost - Lease Rentals Receivables	21	231	6,860,059,251	5,616,318,355	1,243,740,896	22.1%
Other Non Financial Assets	23	238	276,583,187	238,195,920	38,387,267	16.1%
Investment Property	24	239	246,710,000	246,710,000	-	0.0%
Property, Plant and Equipment	25	241	271,420,091	224,485,283	46,934,808	20.9%
Right-of-use Assets	26	245	227,819,115	185,152,504	42,666,611	23.0%
Intangible Assets	27	246	1,080,000	4,176,618	(3,096,618)	-74.1%
Deferred Tax Assets	28	247	42,374,071	56,237,769	(13,863,699)	-24.7%
Total Assets			22,541,926,224	14,897,847,674	7,644,078,550	51.3%
Liabilities						
Due to Banks and Other Institutions	29	249	7,565,769,379	3,005,408,260	4,560,361,118	151.7%
Financial Liability at Amortised Cost - Due to Customers	30	252	9,832,710,440	7,492,005,969	2,340,704,471	31.2%
Lease Liability	31	253	249,451,675	202,487,184	46,964,492	23.2%
Other Non Financial Liabilities	32	254	724,704,208	425,290,696	299,413,512	70.4%
Current Tax Liabilities	33	255	154,998,448	144,945,145	10,053,303	6.9%
Post Employment Benefit Obligation	34	255	70,333,157	56,992,064	13,341,093	23.4%
Total Liabilities			18,597,967,307	11,327,129,317	7,270,837,989	64.2%
Shareholders' Funds						
Stated Capital	35	258	2,696,113,032	2,696,113,032	-	0.0%
Reserves	36	258	218,618,500	194,927,853	23,690,647	12.2%
Retained Earnings	37	259	1,029,227,385	679,677,472	349,549,914	51.4%
Total Shareholders' Funds			3,943,958,917	3,570,718,357	373,240,560	10.5%
Total Liabilities and Shareholders' Funds			22,541,926,224	14,897,847,674	7,644,078,550	51.3%
Commitments and Contingencies	38	259	20,317,100	6,048,100		
Net Assets Value per Share	39	260	26.36	23.87		

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

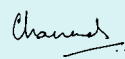


Manori Wannigama
Head of Finance



Nilantha Jayanetti
Chief Executive Officer

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



Channa de Silva
Chairman



Dhammika Ganegama
Senior Director

Accounting Policies and Notes from pages 210 to 285 form an integral part of these Financial Statements.

28 May 2025

Colombo

Annual Report 2024/25 — Sarvodaya Development Finance PLC

Statement of Changes in Equity

Year ended 31 March	Stated Capital LKR	Statutory Reserves LKR	Revaluation Reserves LKR	Retained Earnings LKR	Total Equity LKR
Balances as at 01 April 2024	2,696,113,032	125,933,259	56,514,761	570,926,666	3,449,487,718
Comprehensive Income for the year					
Profit for the Year	-	-	-	249,596,654	249,596,654
Other Comprehensive Income	-	-	-	(16,168,977)	(16,168,977)
Total Comprehensive Income for the year	-	-	-	233,427,677	233,427,677
Transactions with Equity Holders, Recognised Directly in Equity					
Transfer to Statutory Reserves Fund	-	12,479,833	-	(12,479,833)	-
Final dividend	-	-	-	(112,197,039)	(112,197,039)
Total transaction with equity holders	-	12,479,833	-	(124,676,872)	(112,197,039)
Balances as at 31 March 2024	2,696,113,032	138,413,092	56,514,761	679,677,472	3,570,718,357
Comprehensive Income for the year					
Profit for the Year	-	-	-	473,812,931	473,812,931
Other Comprehensive Income	-	-	-	(3,334,937)	(3,334,937)
Total Comprehensive Income for the year	-	-	-	470,477,994	470,477,994
Transactions with Equity Holders, Recognised Directly in Equity					
Transfer to Statutory Reserves Fund	-	23,690,647	-	(23,690,647)	-
Final dividend	-	-	-	(97,237,434)	(97,237,434)
Total transaction with equity holders	-	23,690,647	-	(120,928,080)	(97,237,434)
Balances as at 31 March 2025	2,696,113,032	162,103,739	56,514,761	1,029,227,385	3,943,958,917

Accounting Policies and Notes from pages 210 to 285 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31 March	Notes	Page	2025 LKR	2024 LKR
Cash Flows From / (Used in) Operating Activities				
Profit before Income Tax Expense			829,600,053	409,260,182
Adjustments for				
Impairment Charges for Loans and Other Losses	9	220	438,903,833	332,531,900
Changing Fair Value of Investment Property			-	(12,452,500)
Profit on Disposal of Property, Plant and Equipment			(239,401)	(8,287,416)
Profit on ROU assets			(635,124)	(671,152)
Provision for Defined Benefit Plans	10	222	17,447,047	12,579,736
Depreciation of Property, Plant and Equipment	25.1	243	46,980,467	35,974,055
Amortisation of Intangible Assets			3,096,618	509,435
Amortisation of Right to Use Assets			93,152,274	80,014,671
Interest Expenses on Lease Creditor			33,583,789	30,331,731
Operating Profit before Working Capital Changes			1,461,889,556	879,790,640
(Increase)/Decrease in Loans and Receivables	20	229	(5,578,637,759)	(1,976,585,950)
(Increase)/Decrease in Lease Rentals Receivables	21	231	(1,466,152,207)	(1,136,412,727)
(Increase)/Decrease in Other Financial Assets			(408,850,053)	(50,086,224)
(Increase)/Decrease in Other Non Financial Assets			(46,228,968)	(82,549,694)
Increase/(Decrease) in Amounts Due to Customers	30	252	2,340,704,471	1,298,574,943
Increase/(Decrease) in Other Non Financial Liabilities			296,441,423	133,182,415
Cash Generated from Operations			(3,400,833,537)	(934,086,597)
Retirement Benefit Liabilities Paid			(8,870,150)	(14,363,667)
Net Collection of LRAB Fund			(245,216)	-
Income Tax Paid	33	255	(330,440,861)	(133,781,663)
Net Cash From/(Used in) Operating Activities			(3,740,389,764)	(1,082,231,927)
Cash Flows from / (Used in) Investing Activities				
Sales of Property, Plant and Equipment			(518,169)	(9,264,831)
Acquisition of Property, Plant and Equipment	25.1	243	(94,194,044)	(114,341,293)
Financial Investment on acquisition			(133,826,800)	(196,450,817)
Net Cash Flows from/(Used in) Investing Activities			(228,539,013)	(320,056,941)
Cash Flows from / (Used in) Financing Activities				
Funds received from bank and other institutional borrowings	29.2	249	6,272,533,824	2,112,009,434
Repayment of bank and other institutional borrowings	29.2	249	(1,646,501,812)	(994,926,457)
Repayment of Lease Liability			(115,724,394)	(101,931,772)
Dividend Payment			(95,628,781)	(112,197,039)
Net Cash Flows from/(Used in) Financing Activities			4,414,678,837	902,954,166
Net Increase in Cash and Cash Equivalents			445,750,060	(499,334,702)
Cash and Cash Equivalents at the beginning of the year			80,336,436	579,671,138
Cash and Cash Equivalents at the end of the year	A		526,086,496	80,336,436
A Cash and Cash Equivalents at the end of the year				
Favorable Cash & Cash Equivalents			927,665,722	544,919,606
Unfavorable Cash & Cash Equivalents			(401,579,227)	(464,583,171)
Total Cash and Cash Equivalents at the end of the year	17.1	227	526,086,496	80,336,436

Accounting Policies and Notes from pages 210 to 285 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

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

The registered office of the Company is located at No 155/A/8, Dr. Danister De Silva Mawatha, Colombo 08 and the principal place of business is situated at the same place.

1.2 Principal Activities of the Company

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

1.3 Approval of the Financial Statements

The Financial Statements of the Company for the year ended 31 March 2025 (including comparatives) have been approved and authorized for issue by the Board of Directors on 28th May 2025.

1.4 Number of Employees

The staff strength of the Company as of 31 March 2025 and 31 March 2024 is 603 and 546 respectively.

2. Basis of Preparation of Financial Statements

2.1 Statement of Compliance

The Financial Statements of the Company which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Significant Accounting Policies and Notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange. The presentation of Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011

and amendments thereto. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

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

2.2 Responsibility for the Financial Statements

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

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

These Financial Statements include the following components;

- A Statement of Profit or Loss and Other Comprehensive Income provides the information on the performance for the year under review (Refer page 206).
- A Statement of Financial Position provides the information on the financial position of the Company as at the year-end (Refer page 207).
- A Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company (Refer page 208).
- A Statement of Cash Flows provides the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs for entities to utilize those cash flows (Refer page 209) and
- Notes to the Financial Statements, which comprises of the Accounting Policies and other explanatory notes and information (Refer pages 210 to 285).

2.3 Preparation of Financial Statements

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

Name	Basis of Measurement	Note Number/s	Page Number/s
Land & buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	Note 25.1	Page 243
Defined benefit obligations	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	Note 34.1	Page 256
Investment Properties	Measured at fair value at the time of transferred from Property, plant & Equipment. Subsequently valued at fair value.	Note 24	Page 239

2.4 Presentation of Financial Statements

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

2.5 Use of Materiality, Aggregation, Offsetting and Rounding

Materiality and Aggregation

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

Offsetting

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

Rounding

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

2.6 Functional and presentation currency

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

2.7 Going Concern

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

2.8 Comparative Information

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

Notes to the Financial Statements

2.9 Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Classification of financial assets and liabilities

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

- The entity's business model for managing the Financial assets as set out in Note 19 on page 228.
- The contractual cash Flow characteristics of the Financial assets as set out in Note 19.1 on page 228.

Impairment losses on financial Assets

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

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

Impairment losses on loans and lease receivables

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

Details of the 'impairment losses on loans and receivables' are given in Note 09 on page 220 to the financial statements.

Impairment charges on financial investments

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

Useful life time of Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Details of the 'useful life-time of the Property, Plant and Equipment' are given in Note 25 on page 242 to the financial statements.

Useful life time of the Intangible Assets

Details of the 'useful life-time of the intangible assets' are given in Note 27 on page 246 to the financial statements.

Deferred tax

Details of the 'deferred tax' are given in Note 28 on page 247 to the financial statements.

Post-Employment Benefit obligation

Details of the 'Post-Employment benefit obligation' are given in Note 34 on page 255 to the financial statements.

Related Party Transactions

Details of the 'Related Party Transactions' are given in Note 43 on page 262 to the financial statements.

3. General Accounting Policies

3.1 Changes in Accounting Standards

In the current year, the Company has applied a number of amendments to Sri Lanka Accounting Standards issued by the CA Sri Lanka that are mandatorily effective for an accounting period that begins on or after 1 January 2024.

Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures on Supplier Finance Arrangements

The Company has adopted the amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures on Supplier Finance Arrangements for the first time in the current year.

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

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

The Company has adopted the amendments to LKAS 1, published in January 2020, for the first time in the current year.

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed in note 42 about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to LKAS 1 Presentation of Financial Statements

Non-current Liabilities with Covenants

The Company has adopted the amendments to LKAS 1, published in November 2022, for the first time in the current year.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

It also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Amendments to SLFRS 16 Leases

Lease Liability in a Sale and Leaseback

The Company has adopted the amendments to SLFRS 16 for the first time in the current year.

The amendments to SLFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in SLFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in SLFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

A seller-lessee applies the amendments retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied SLFRS 16.

Notes to the Financial Statements

3.2 Financial Instruments – initial recognitions and subsequent measurement

3.2.1 Date of recognition

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

3.2.2 Classification and subsequent measurement of financial assets

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

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

The subsequent measurement of financial assets depends on their classification.

Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets measured at amortised cost

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

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

Financial assets measured at amortised cost are given in Notes 20 on page 229.

Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. The Company do not have financial assets measured at FVOCI as at 31 March 2025.

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. The Company do not have financial assets measured at FVTPL as at 31 March 2024.

3.2.3 Derecognition of financial assets and financial liabilities

Financial Assets

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

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

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

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

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

Financial Liabilities

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

Notes to the Financial Statements

3.2.4 Offsetting financial instruments

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

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

3.2.5 Determination of fair value

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 46 on page 265.

3.3 Impairment of non-financial assets

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

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

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

3.4 Provisions

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

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

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

3.5 Borrowing cost

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

3.6 Income tax

Details of the 'income tax expense' are given in Note 13 on page 224 to the financial statements.

3.7 Deferred tax

Details of the 'deferred tax' are given in Note 28 on page 247 to the financial statements.

3.8 Crop Insurance Levy

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

3.9 Tax on financial services

Details of the VAT and SSCL on financial services are given in Note 12 on page 223 to the financial statements.

4. Standards Issued but Not Yet Effective

The following new accounting standards and interpretations are issued by IASB but not yet adopted by CA Sri Lanka. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2025. Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- Improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

Annual improvements to IFRS - Volume 11

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and IAS 7 Statement of Cash Flows.

These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted.

Notes to the Financial Statements

5. Income

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

Year ended 31 March	Note	Page No	2025 LKR	2024 LKR
Interest Income	6.1	218	4,063,784,067	3,101,982,284
Net Fee and Commission Income	7	219	268,010,645	172,887,634
Other Operating Income (net)	8	220	42,600,257	51,903,677
Total Income			4,374,394,969	3,326,773,595

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

6. Net Interest Income

Accounting Policy

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

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

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

Recognition of interest income for credit facilities under moratoriums

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

6.1 Interest Income

Year ended 31 March	2025 LKR	2024 LKR
Financial Assets at Amortised Cost - Loans and Receivables	2,316,032,487	1,494,026,241
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,628,854,047	1,446,933,953
Financial Investments	92,902,132	119,260,793
Cash and cash equivalent - Savings Deposits	23,609,802	41,415,733
Other Financial Assets	2,385,599	345,562
Total Interest Income	4,063,784,067	3,101,982,284

6.2 Interest Expenses

Year ended 31 March	2025 LKR	2024 LKR
Due to Bank and Other Institution	522,251,415	269,215,032
Financial Liabilities at Amortised Cost - Due to Customers	868,459,740	1,022,907,639
Lease Liabilities	33,583,789	30,331,731
Total Interest Expenses	1,424,294,944	1,322,454,402
Net Interest Income	2,639,489,123	1,779,527,882

7. Net Fee and Commission Income

Accounting Policy

The Company earns fee and commission income from a diverse range of services it provides to its Customers.

The Company recognises Fee and Commission income net of directly attributable expenses.

Credit Related Fees and Services

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, CRIB charges, Insurance commission and Other credit related changes.

Other Fee and Commission Expense

Other Fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expense are recognised on an accrual basis.

7.1 Fee and Commission Income

Year ended 31 March	2025 LKR	2024 LKR
Credit Related Fees and Commissions	120,146,640	86,396,913
Service Charge	225,911,334	136,770,643
Total Fee and Commission Income	346,057,975	223,167,556

7.2 Fee and Commission Expenses

Year ended 31 March	2025 LKR	2024 LKR
Credit Related Fees and Commissions	57,904,623	33,868,781
Service Charge	20,142,707	16,411,142
Total Fee and Commission Expenses	78,047,330	50,279,922
Total Net Fee and Commission Income	268,010,645	172,887,634

Notes to the Financial Statements

8. Other Operating Income

Accounting Policy

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

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

Year ended 31 March	2025 LKR	2024 LKR
Recoveries of Written-Off Loans & Receivables	22,714,177	14,622,160
Profit/(Loss) on Disposal of Property Plant & Equipment	239,401	8,287,416
Gain from Fair Value of Investment Property	-	12,452,500
Rent income from investment property	8,290,200	8,290,200
Other Sundry Income	11,356,479	8,251,400
Total Other Operating Income	42,600,257	51,903,677

9. Impairment Charges / (Reversal) For Loans and Other Losses

Accounting Policy

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

Year ended 31 March	2025 LKR	2024 LKR
Loans and Receivables	214,751,444	217,307,386
Finance Lease Rental Receivables	222,411,311	101,333,758
Provision for Other Assets	1,741,079	13,890,756
Total Impairment Charges for Loans and Other Losses	438,903,833	332,531,900

9.1 Impairment charge/(reversal) for loans and other losses (Detailed breakdown)

For the year ended 31 March	2025			
	Disposal loss/ Write-offs	Charge	(Reversal)	Net Amount
	LKR	LKR	LKR	LKR
Loans and Receivables	(53,352,141)	517,485,928	(249,382,343)	214,751,444
Lease Rentals Receivables	(145,768,364)	459,819,386	(91,639,711)	222,411,311
Other receivables		8,572,250	(6,831,171)	1,741,079
Total	(199,120,505)	985,877,564	(347,853,225)	438,903,833

For the year ended 31 March	2024			
	Disposal loss/ Write-offs	Charge	(Reversal)	Net Amount
	LKR	LKR	LKR	LKR
Loans and Receivables	(93,622,977)	402,205,798	(91,275,434)	217,307,386
Lease Rentals Receivables	-	197,098,735	(95,764,977)	101,333,758
Other receivables	-	14,880,756	(990,000)	13,890,756
Total	(93,622,977)	614,185,289	(188,030,412)	332,531,900

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

For the year ended 31 March	2025			
	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Loans and Receivables	50,567,155	35,180,202	129,004,087	214,751,444
Lease Rentals Receivables	23,151,501	13,541,799	185,718,010	222,411,311
Other receivables			1,741,079	1,741,079
Total	73,718,656	48,722,001	316,463,176	438,903,833

Notes to the Financial Statements

For the year ended 31 March	2024			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	133,912,484	11,012,180	72,382,721	217,307,385
Lease Rentals Receivables	(7,404,201)	(9,869,741)	118,607,701	101,333,759
Other receivables	-	-	13,890,756	13,890,756
Total	126,508,283	1,142,439	204,881,179	332,531,900

10. Personnel Expenses

Accounting Policy

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

Employees' Provident Fund and Employees' Trust Fund

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

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

Year ended 31 March	2025 LKR	2024 LKR
Salaries and Other Related Expenses	578,234,111	442,510,324
Employer's Contribution to Employees' Provident Fund	44,234,731	34,186,774
Employer's Contribution to Employees' Trust Fund	11,063,280	8,545,903
Gratuity Charge for the Year	17,447,047	12,579,736
Directors' Emoluments	10,240,000	9,140,000
Other Staff Related Expenses	38,255,722	26,738,789
Total Personnel Expenses	699,474,891	533,701,526

11. Other Operating Expenses

Accounting Policy

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

Crop Insurance Levy

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

Year ended 31 March	2025 LKR	2024 LKR
Auditors Remuneration	4,746,188	6,068,934
Professional and Legal Expenses	7,628,213	7,637,762
Deposit Insurance Premium	13,265,625	9,777,461
General Insurance Expenses	10,094,519	7,160,299
Office Administration and Establishment Expenses	299,842,324	266,533,120
Travelling & Transport Expenses	94,053,712	69,315,290
Other Expenses	-	1,777,912
Marketing and Promotional Expenses	99,681,050	62,100,492
Total Other Operating Expenses	529,311,630	430,371,271

12. Tax on Financial Services

Accounting Policy

Value Added Tax (VAT) on Financial Services

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

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

Social Security Contribution Levy

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

Year ended 31 March	2025 LKR	2024 LKR
Value Added Tax on Financial Services	270,571,986	159,766,378
Social Security Contribution Levy	39,008,272	22,189,775
Total Tax on Financial Services	309,580,258	181,956,153

Notes to the Financial Statements

13. Income Tax Expenses

Accounting Policy

Value Added Tax (VAT) on Financial Services

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

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior year. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in Note 13.1 to these Financial Statements.

Deferred Taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 28 to the financial statements.

The tax rates and laws utilized for computing the amount are based on those enacted or substantively enacted by the reporting date. According to the new budget proposal, the company was eligible for a concessionary tax rate of 12% due to its listing on the Colombo Stock Exchange before December 31, 2021. However, it is important to note that the concessionary rate has been discontinued by the Inland Revenue Department (IRD) effective from October 1, 2022. As a result, the company is now liable for income tax at a rate of 30% from that date onwards.

The components of the income tax expense for the years ended 31 March 2025 and 2024 are:

Year ended 31 March	2025 LKR	2024 LKR
Income Taxation		
Taxation based on Profits for the Year (Note 13.1)	357,441,374	212,909,213
Under/(Over) Provision of Current Taxes in respect of Previous Years	(16,947,210)	(5,891,974)
Deferred Taxation		
Amount of Deferred Tax Expenses/(Income)	15,292,958	(47,353,711)
Amount of Deferred Tax Expenses/(Income) relating to changes in tax rates	-	-
Total Tax Expenses	355,787,122	159,663,528
Deferred tax charge/(reversal) for other comprehensive income	1,429,259	6,929,561
Income tax charge / (reversal) recognised in statement of comprehensive income	1,429,259	6,929,561

13.1 Reconciliation of Accounting Profit And Taxable Income

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

Year ended 31 March	2025 LKR	2024 LKR
Profit Before Tax	829,600,053	409,260,182
Add : Disallowable Expenses	788,184,451	569,958,962
Taxable Loss on Leasing Business	-	-
Adjustment on SLFRS 16	11,011,668	6,866,453
Less: Tax Deductible Expenses	(437,600,426)	(255,648,304)
Disallowable Income	275,499	(20,739,916)
Adjusted Profit / (Loss) for Tax Purposes	1,191,471,246	709,697,376
Assessable Income	1,191,471,246	709,697,376
Less - Allowable Losses	-	-
Taxable Income	1,191,471,246	709,697,376
Income Tax @ 30%	357,441,374	212,909,213
Income Tax on Current Year's Profit	357,441,374	212,909,213
Effective tax rate (Excluding deferred tax) (%)	31.38%	36.01%
Effective tax rate (%)	31.23%	27.01%

14. Earnings Per Share

Accounting Policy

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

Year ended 31 March	2025 LKR	2024 LKR
Amount used as the numerator		
Profit attributed to ordinary shareholders (Rs)	473,812,931	249,596,654
Amount used as the denominator		
Weighted average number of ordinary shares as at the date of the Statement of Financial Position for basic EPS calculation	149,596,052	149,596,052
Basic / Diluted Earnings per Share (LKR)	3.17	1.67

Notes to the Financial Statements

15. Dividend Paid And Proposed

Accounting Policy

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

15.1 Dividend per Share

Year ended 31 March	Note	Page No	2025 LKR	2024 LKR
Dividends for Ordinary Shares:				
Final Dividends for the financial year 2023/24 (LKR 0.65 per share)	15.2.1	226	-	97,237,434
Total Dividends		226	-	97,237,434
No of Ordinary Shares at the End of the Year		226	149,596,052	149,596,052
Dividend per Share (LKR)		226	0.00	0.65

15.2 Dividend for the year 2023/24

15.2.1 Final dividend

The company was paid a final dividend of 65 cents per share in respect of the financial year 2023/24 on the then issued shares of 149,596,052 after obtaining the requisite approval of the Central Bank of Sri Lanka. However, the company has proposed Rs. 0.80 per share in respect of the financial year 2023/24. Subsequently, the board of directors and the CBSL have approved a final dividend of 0.65 cents per share for distribution.

15.3 Dividend for the year 2024/25

15.3.1 Interim dividend

The company has not distributed interim dividend for the FY 2024/25.

16. Analysis of Financial Instruments by Measurement Basis

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments.

16.1 Analysis of Financial Instruments by Measurement Basis

Year ended 31 March	2025		2024	
	Amortised Cost LKR	Total LKR	Amortised Cost LKR	Total LKR
Financial Assets				
Cash and Cash Equivalents	927,665,722	927,665,722	544,919,606	544,919,606
Financial Investments	906,304,991	906,304,991	772,478,191	772,478,191
Other Financial Assets	459,810,771	459,810,771	50,960,718	50,960,718
Financial Assets at Amortised Cost - Loans and Receivables	12,322,099,025	12,322,099,025	6,958,212,710	6,958,212,710
Financial Assets at Amortised Cost - Lease Rentals Receivables	6,860,059,251	6,860,059,251	5,616,318,355	5,616,318,355
Total Financial Assets	21,475,939,760	21,475,939,760	13,942,889,580	13,942,889,580
Financial Liabilities				
Due to Banks and Other Institutions	7,565,769,378	7,565,769,378	3,005,408,260	3,005,408,260
Due to Customers	9,832,710,440	9,832,710,440	7,492,005,969	7,492,005,969
Lease Liabilities	249,451,675	249,451,675	202,487,184	202,487,184
Total Financial Liabilities	17,647,931,494	17,647,931,494	10,699,901,412	10,699,901,412

17. Cash and Cash Equivalents

Accounting Policy

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

Year ended 31 March	2025 LKR	2024 LKR
Cash in Hand	157,849,858	101,822,776
Balances with Banks	769,815,864	443,096,830
Total Cash and Cash Equivalents	927,665,722	544,919,606

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

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

Year ended 31 March	Note	Page No	2025 LKR	2024 LKR
Favorable Cash & Cash Equivalents	17	227	927,665,722	544,919,606
Unfavorable Cash & Cash Equivalents	29	249	(401,579,227)	(464,583,171)
Cash & Cash Equivalents for Cash Flow Purposes			526,086,496	80,336,436

Notes to the Financial Statements

18. Financial Investments

Accounting Policy

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

Year ended 31 March	2025 LKR	2024 LKR
Sri Lanka Government Securities - REPO	906,304,991	772,478,191
Total Financial Investments	906,304,991	772,478,191

19. Other Financial Assets

Accounting Policy

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

Year ended 31 March	2025 LKR	2024 LKR
Fixed Deposits	459,810,771	50,960,718
Total Other Financial Assets	459,810,771	50,960,718

19.1 Contractual Maturity Analysis of Other Financial Assets

Year ended 31 March 2025	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	8,003,301	229,500,000	222,307,470	459,810,771
Total Other Financial Assets	8,003,301	229,500,000	222,307,470	459,810,771

Year ended 31 March 2024	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	50,960,718	-	-	50,960,718
Total Other Financial Assets	50,960,718	-	-	50,960,718

20. Loans and Receivables

Accounting Policy

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

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

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

Year ended 31 March	2025 LKR	2024 LKR
SME Loans	2,515,372,453	1,552,969,487
Micro Loan	2,782,573,154	1,196,813,212
Housing Loan	2,444,308,649	1,254,878,996
Society Loan	361,950,830	332,201,304
Gold Loan	4,242,460,916	2,549,652,065
Loan on Deposits	493,105,178	427,970,498
Gross Loan and Receivables	12,839,771,180	7,314,485,562
Less : Allowance for Impairment Charges (Note 22.1)	(517,672,155)	(356,272,852)
Net Loans and Receivables	12,322,099,025	6,958,212,710

20.1 Analysis

20.1.1 Analysis by stage wise

For the year ended 31 March 2025	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	10,345,835,839	1,594,693,692	899,241,649	12,839,771,180
Less : Allowance for Impairment Changes (Note 22.1)	(137,586,908)	(86,096,429)	(293,988,819)	(517,672,155)
	10,208,248,931	1,508,597,263	605,252,830	12,322,099,025

For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	5,382,085,669	924,956,090	1,007,443,803	7,314,485,562
Less : Allowance for Impairment Changes (Note 22.1)	(90,684,817)	(50,946,993)	(214,641,043)	(356,272,852)
	5,291,400,852	874,009,097	792,802,761	6,958,212,710

Notes to the Financial Statements

20.1.2 Analysis by Currency

Year ended 31 March	2025 LKR	2024 LKR
Sri Lankan Rupee	12,839,771,180	7,314,485,562
Gross total	12,839,771,180	7,314,349,762

20.1.3 Analysis by Industry

Year ended 31 March	2025 LKR	2024 LKR
Agriculture & Fishing	4,601,215,953	2,553,376,347
Manufacturing	713,796,774	447,904,709
Tourism	149,570,136	72,938,062
Transport	138,371,784	55,031,377
Constructions	3,088,460,722	1,864,554,866
Trades	1,022,241,855	626,712,407
New Economy	7,048,536	5,476,774
Financial and Business Services	150,299,731	86,426,826
Infrastructure	584,107,487	64,449,693
Other Services	2,384,658,202	1,537,614,503
Gross total	12,839,771,180	7,314,485,562

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

For the year ended 31 March	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2024	5,382,085,669	924,956,090	1,007,443,803	7,314,485,562
New assets originated or purchased	10,083,253,984	1,793,370,725	-	11,876,624,710
Assets derecognised or repaid (excluding write offs)	(4,643,317,414)	(1,453,165,025)	(201,504,513)	(6,297,986,952)
Transfers to Stage 1	89,895,027	(77,133,899)	(12,761,128)	-
Transfers to Stage 2	(502,257,671)	518,098,712	(15,841,040)	-
Transfers to Stage 3	(63,823,756)	(111,432,911)	175,256,667	-
Amounts written off			(53,352,140)	(53,352,140)
Gross carrying amount as at 31st March 2025	10,345,835,839	1,594,693,692	899,241,649	12,839,771,180

For the year ended 31 March	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2023	3,250,710,758	876,803,346	1,210,385,508	5,337,899,612
New assets originated or purchased	8,149,264,688			8,149,264,688
Assets derecognised or repaid (excluding write offs)	(5,711,886,882)	(87,582,392)	(279,586,487)	(6,079,055,761)
Transfers to Stage 1	133,816,169	(67,662,717)	(66,153,452)	-
Transfers to Stage 2	(276,339,728)	309,816,737	(33,477,009)	-
Transfers to Stage 3	(69,856,360)	(106,418,883)	176,275,243	-
Amounts written off	(93,622,977)		-	(93,622,977)
Gross carrying amount as at 31st March 2024	5,382,085,669	924,956,090	1,007,443,803	7,314,485,562

21. Lease Rentals Receivable

Accounting Policy

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

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

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

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

21.1 Lease Rentals Receivable

Year ended 31 March	2025 LKR	2024 LKR
Gross Lease Rentals Receivables	10,038,073,714	8,705,115,276
Less: Unearned Income	(2,896,603,981)	(2,748,144,558)
Total Lease Rentals Receivables	7,141,469,733	5,956,970,718
(Less): Allowance for Impairment Charges (Note 22.1)	(281,410,482)	(340,652,363)
Net Lease Rentals Receivables	6,860,059,251	5,616,318,355

Notes to the Financial Statements

21.2 Analysis

21.2.1 Analysis by stage wise

For the year ended 31 March 2025	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	5,386,519,693	1,078,946,447	676,003,593	7,141,469,733
Less - Allowance for expected credit losses (ECL)	(81,039,404)	(58,806,009)	(141,565,069)	(281,410,482)
	5,305,480,289	1,020,140,438	534,438,524	6,860,059,251

For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	3,981,541,035	1,166,818,280	808,611,403	5,956,970,718
Less - Allowance for expected credit losses (ECL)	(59,972,646)	(45,798,913)	(234,880,804)	(340,652,363)
	3,921,568,389	1,121,019,367	573,730,600	5,616,318,355

21.2.2 Analysis by Currency

Year ended 31 March	2025 LKR	2024 LKR
Sri Lankan Rupee	7,141,469,733	5,956,970,718
Gross total	7,141,469,733	5,956,970,718

21.2.3 Analysis by Industry

Year ended 31 March	2025 LKR	2024 LKR
Agriculture & Fishing	3,859,890,110	2,750,488,497
Manufacturing	44,432,512	24,551,001
Tourism	30,495,398	29,433,803
Transport	2,554,771,212	1,648,118,867
Construction	182,965,721	184,469,838
Trades	42,579,684	35,240,637
New Economy	415,815	1,246,428
Financial and Business Services	11,377,690	1,319,075
Infrastructure	41,494,567	416,465
Other Services	373,047,023	1,281,686,106
Gross total	7,141,469,733	5,956,970,718

21.4 Maturity of Lease Rentals Receivables

Year ended 31 March 2025	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Lease Rental Receivables	4,736,335,695	5,301,738,018	-	10,038,073,713
Less: Unearned Income	(1,774,737,133)	(1,121,866,847)	-	(2,896,603,980)
Total Lease Rental Receivables	2,961,598,562	4,179,871,171	-	7,141,469,733
(Less): Allowance for Impairment Charges (Note 22.1)	(75,507,036)	(205,903,446)	-	(281,410,482)
Net Lease Rentals Receivables	2,886,091,526	3,973,967,725	-	6,860,059,251

21.5 Maturity of Lease Rentals Receivables

Year ended 31 March 2024	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Lease Rental Receivables	720,169,840	7,984,945,436	-	8,705,115,276
Less: Unearned Income	(71,054,513)	(2,677,090,045)	-	(2,748,144,558)
Total Lease Rental Receivables	649,115,327	5,307,855,390	-	5,956,970,718
(Less): Allowance for Impairment Charges (Note 19.6)	(180,353,925)	(160,298,438)	-	(340,652,363)
Net Lease Rentals Receivables	468,761,403	5,147,556,952	-	5,616,318,355

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

Year ended 31 March 2025	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Gross carrying amount as at 1st April 2024	3,981,541,035	1,166,818,280	808,611,403	5,956,970,718
New assets originated or purchased	4,105,688,579			4,105,688,579
Assets derecognised or repaid (excluding write offs)	(2,127,003,944)	(406,383,244)	(106,149,184)	(2,639,536,372)
Transfers to Stage 1	201,339,336	(184,387,779)	(16,951,557)	-
Transfers to Stage 2	(608,968,815)	633,329,241	(24,360,427)	-
Transfers to Stage 3	(166,076,497)	(130,430,052)	296,506,549	-
Amounts written off			(281,653,192)	(281,653,192)
Gross carrying amount as at 31st March 2025	5,386,519,693	1,078,946,447	676,003,593	7,141,469,733

Notes to the Financial Statements

For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2023	3,048,303,333	1,099,314,762	766,562,872	4,914,180,967
New assets originated or purchased	2,908,434,778			2,908,434,778
Assets derecognised or repaid (excluding write offs)	(1,564,888,411)	(150,508,124)	(150,248,493)	(1,865,645,028)
Transfers to Stage 1	315,293,493	(257,687,179)	(57,606,314)	-
Transfers to Stage 2	(594,133,947)	653,277,622	(59,143,675)	-
Transfers to Stage 3	(131,468,212)	(177,578,800)	309,047,013	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31st March 2024	3,981,541,035	1,166,818,280	808,611,403	5,956,970,718

22. Allowance for Impairment Charges

Accounting Policy

Overview of the expected credit loss (ECL) principles

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

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

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

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

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

Stage 02: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03.

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

The Calculation of Expected Credit Loss (ECL)

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

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

- PD: The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected draw downs on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method are summarised below.

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at fair value through OCI

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

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP Growth (%)
- Inflation (YoY Average)
- Interest Rate (AWPLR)
- Unemployment (% of Labor Force)

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

Reversals of impairment

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

Notes to the Financial Statements

Renegotiated Loans

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

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

Write-off of Financial Assets at Amortised Cost

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

Collateral Valuation

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

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

Collateral repossessed

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

Non-Accrual Receivables

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

22.1 Allowance for Impairment Charges for Loans and Receivables

For the year ended 31 March	2025			2024		
	On Loan Receivable	On Lease Rental Receivable	Total	On Loan Receivable	On Lease Rental Receivable	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at Beginning of the Year	356,272,852	340,652,363	696,925,215	232,588,444	239,318,604	471,907,048
Charge for the Year	214,751,444	222,411,311	437,162,755	217,307,385	101,333,758	318,641,143
Amounts Written Off	(53,352,141)	(281,653,192)	(335,005,333)	(93,622,977)		(93,622,977)
Balance as at End of the Year	517,672,155	281,410,482	799,082,637	356,272,852	340,652,363	696,925,215
Individual Impairment	116,034,518	20,425,934	136,460,452	4,446,359	16,609,750	21,056,109
Collective Impairment	401,637,637	260,984,548	662,622,185	351,826,493	324,042,612	675,869,105
Total	517,672,155	281,410,482	799,082,637	356,272,852	340,652,363	696,925,215

22.2 Movement in allowance for expected credit losses

For the year ended 31 March 2025	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 01st April 2024	150,657,462	96,745,906	449,521,846	696,925,215
Charge/(Reversal) to income statement	67,968,850	48,156,532	321,037,374	437,162,755
Write-off during the year			(335,005,333)	(335,005,333)
Balance as at 31st March 2025	218,626,312	144,902,437	435,553,887	799,082,637

For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 01st April 2023	117,772,157	95,603,467	258,531,425	471,907,049
Charge/(Reversal) to income statement	126,508,283	1,142,439	190,990,422	318,641,143
Write-off during the year	(93,622,977)	-		(93,622,977)
Balance as at 31st March 2024	150,657,462	96,745,906	449,521,846	696,925,215

Notes to the Financial Statements

22.3 Stage Movement in Allowance for Impairment Losses

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL amount as at 1st April 2024	150,657,462	96,745,905	449,521,846	696,925,214
New assets originated or purchased	252,138,876			252,138,876
Assets derecognised or repaid (excluding write offs)	(174,956,939)	48,383,987	311,596,832	185,023,880
Transfers to Stage 1	20,746,642	(15,917,794)	(4,828,848)	-
Transfers to Stage 2	(25,445,446)	31,120,716	(5,675,270)	-
Transfers to Stage 3	(4,514,283)	(15,430,377)	19,944,660	-
Amounts written off			(335,005,332)	(335,005,332)
ECL amount as at 31st March 2025	218,626,312	144,902,437	435,553,888	799,082,637

22.4 Stage Movement in Allowance for Impairment Losses

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL amount as at 1st April 2023	117,772,157	95,603,467	258,531,425	471,907,049
New assets originated or purchased	193,229,127			193,229,127
Assets derecognised or repaid (excluding write offs)	(68,092,812)	(878,480)	194,383,308	125,412,017
Transfers to Stage 1	31,767,528	(25,851,083)	(5,916,446)	-
Transfers to Stage 2	(18,349,890)	36,187,329	(17,837,439)	-
Transfers to Stage 3	(12,045,670)	(8,315,328)	20,360,998	-
Amounts written off	(93,622,977)			(93,622,977)
ECL amount as at 31st March 2024	150,657,462	96,745,906	449,521,846	696,925,215

23. Other Non Financial Assets

Accounting Policy

The Company classifies all non-financial assets other than Intangible Assets, Property, Plant & Equipment and Deferred Tax Assets under other non-financial assets. Other non-financial assets, include inventories, other advance, rent deposit and other receivable amounts. These assets are non-interest earning and recorded at the amounts that are expected to be received. Prepayments that form a part of other receivable are amortized during the period in which it is utilized.

Year ended 31 March	2025 LKR	2024 LKR
Inventories	63,785,146	67,845,956
Rent Deposit	22,037,500	23,064,122
Other Receivable	190,760,541	147,285,842
Total Other Non Financial Assets	276,583,187	238,195,920

Inventories

Inventories include LKR 59,896,934/- from unsold properties that have acquired from loan customers, as ordered by the courts, as part of the recovery of defaulted loan facilities. These land stocks are held for resale, not for investment purposes.

24. Investment Property

Accounting Policy

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

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

Derecognition

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

Subsequent transfers to/from investment property

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

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

Fair value of investment property

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

Determining fair value

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

Owner occupied properties and investment property

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

Notes to the Financial Statements

Borrowing cost

There were no capitalised borrowing cost related to the acquisition of Investment properties during the year 2025 (2024 – Nil).

Year ended 31 March	2025 LKR	2024 LKR
Balance as at 1 April	246,710,000	234,257,500
Gain from fair value adjustment	-	12,452,500
Balance as at 31 March	246,710,000	246,710,000

The Company has recorded rent income for year ended 31 March 2025 Rs 8,290,200/- (2024 - Rs 8,290,200/-) and not incurred any repair and maintenance expenses on behalf of the property.

24.1 Information on investment properties of the Company - Valuations

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Carrying value of the investment property before fair valuation	Fair value of the investment property	Fair value gains/(losses) recognised in Income Statement
No 45, Rawathwatta Road, Moratuwa	Market comparable method	24-Feb-25	Estimated price per perch. LKR 2,000,000/- (Land Extent - 48.69 perches) Building (Square feet) 14650	Positively correlated sensitivity	Land LKR 63,900,000 Building LKR 56,340,000/-	Land LKR 97,380,000/- Building LKR 149,430,000/-	NIL

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

Property	Number of Building	Extent (Perches)	Building (Square feet)	Fair value of the investment property - Land	Fair value of the investment property - Building	Carrying value of the investment property before fair valuation - Land	Carrying value of the investment property before fair valuation - Building
No 45, Rawathwatta Road, Moratuwa	1	48.69	14,650	97,380,000	149,430,000	56,340,000	63,900,000

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

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

24.4 Details About Valuer

Market valuation of the above investment property was carried out on 24th February 2025 by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company.

25. Property, Plant & Equipment

Accounting Policy

Basis of Recognition

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

Basis of Measurement

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

Cost Model

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

Revaluation Model

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

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

Notes to the Financial Statements

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

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

Subsequent Cost

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

Repairs and Maintenance

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

Derecognition

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

Useful Life Time of Property, Plant & equipment and Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use, since this method closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The Company review the residual values, useful lives and methods of depreciation of property, plant & equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

The estimated useful lives of the assets for the year ended 31 March 2025 and 2024, are as follows:

Assets Category	Useful Life
Buildings	40 Years
Office Equipment	5 Years
Computer Equipment	5 Years
Furniture & Fittings	10 Years
Plant & Machinery	8 Years
Motor Vehicles	5 Years

The depreciation rates are determined separately for each significant part of assets and depreciation is provided proportionately for the completed number of days the asset is in use, if it is purchased or sold during the financial year. Depreciation methods, useful lives and residual values are reassessed at each reporting date and is adjusted, as appropriate.

25.1 The Movement in Property, Plant & Equipment

As at 31 March 2025	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
<i>Cost or Valuation</i>							
Balance as at 1 April 2024	36,100,000	127,450,061	109,902,208	88,353,118	62,115,629	54,903,822	478,824,838
Additions during the year	-	17,671,760	17,729,268	49,984,985	8,808,030	-	94,194,044
Disposal during the year	-	(879,328)	(4,134,099)	(116,516)	(295,959)	-	(5,425,902)
Balance as at 31 March 2025	36,100,000	144,242,493	123,497,377	138,221,588	70,627,699	54,903,822	567,592,979
<i>(Less) : Accumulated depreciation</i>							
Balance as at 1 April 2024	-	63,325,289	56,035,900	57,985,640	39,753,357	37,239,369	254,339,555
Charge during the year	-	11,654,506	16,308,000	9,623,586	4,704,426	4,689,948	46,980,467
Disposal during the year	-	(844,090)	(3,905,426)	(110,773)	(286,844)	-	(5,147,134)
Balance as at 31 March 2025	-	74,135,705	68,438,474	67,498,453	44,170,940	41,929,317	296,172,888
Net book value at 31 March 2025	36,100,000	70,106,789	55,058,903	70,723,135	26,456,759	12,974,505	271,420,091

As at 31 March 2024	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
<i>Cost or Valuation</i>							
Balance as at 1 April 2023	36,100,000	95,245,031	69,712,387	66,040,006	48,875,491	62,553,322	378,526,237
Additions during the year	-	33,307,453	42,052,679	24,126,018	14,855,144	-	114,341,293
Disposal during the year	-	(1,102,423)	(1,862,858)	(1,812,906)	(1,615,006)	(7,649,500)	(14,042,692)
Balance as at 31 March 2024	36,100,000	127,450,061	109,902,208	88,353,118	62,115,629	54,903,822	478,824,838
<i>(Less) : Accumulated depreciation</i>							
Balance as at 1 April 2023	-	54,872,411	46,688,531	54,818,675	36,502,629	38,548,532	231,430,778
Charge during the year	-	9,244,060	11,110,011	4,878,537	4,778,139	5,963,308	35,974,055
Disposal during the year	-	(791,183)	(1,762,642)	(1,711,572)	(1,527,410)	(7,272,471)	(13,065,278)
Balance as at 31 March 2024	-	63,325,289	56,035,900	57,985,640	39,753,357	37,239,369	254,339,555
Net book value at 31 March 2024	36,100,000	64,124,772	53,866,308	30,367,478	22,362,271	17,664,453	224,485,283

Notes to the Financial Statements

25.1.1 Property, Plant & Equipments Acquired During the Financial Year

During the financial year, the Company acquired property, plant & equipments to the aggregate value of LKR 94,194,044/- (2024 - LKR 114,341,293/-) Cash payment amounting to LKR 94,194,044/- (2024 - LKR 114,341,293/-) was paid during the year for purchase of property, plant & equipment.

25.1.2 Fully-depreciated property, plant & equipment

The initial cost of fully-depreciated property, plant & equipment, which are still in active use as at reporting date is LKR 176,974,816/- (2024 - LKR 159,143,841/-).

25.2 Fair value related disclosures of Freehold land

Property	Date of valuation	Method of valuation and Significant unobservable inputs	Land extent (perches)	Number of Building	Cost 2025	Cost 2024	Fair value 2025	Fair value 2024
							LKR	LKR
No 45, Rawathwatta Road, Moratuwa	24th February 2025	Market Comparable Method Estimated price per perch LKR 2,000,000/-	18.05		LKR 10,830,000	LKR 10,830,000	Land LKR 36,100,000	Land LKR 36,100,000

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

25.3 Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of Property, Plant and Equipment as at 31 March 2025 and 31 March 2024.

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

There were no compensation received during the year from third parties for items of Property, Plant and Equipment that were impaired, lost or given up. (2024: Nil).

25.5 Temporarily Idle of Property, Plant and Equipment

There were no Property, Plant and Equipment idle as at 31 March 2025 and 31 March 2024.

25.6 Property, Plant and Equipment Retired from Active Use

There were no Property, Plant and Equipment retired from active use as at 31 March 2025 and 31 March 2024.

26. Right-of-Use Assets

Accounting Policy

Measurement Basis

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

Amortisation

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

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

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

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

Year ended 31 March	2025 LKR	2024 LKR
Cost		
Balance as at 1 April	517,886,627	363,371,925
Additions during the year	161,117,053	165,788,113
Less - Termination during the year	(208,867,207)	(11,273,404)
Balance as at March	470,136,473	517,886,627
Accumulated Depreciation		
Balance as at 1 April	332,734,123	258,130,705
Charges for the year	93,152,274	80,014,671
Less - Termination during the year	(183,569,039)	(5,411,253)
Balance as at March	242,317,358	332,734,123
Carrying Amount as at 31 March	227,819,115	185,152,504

Notes to the Financial Statements

27. Intangible Assets

Accounting Policy

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

Basis of recognition

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

Subsequent expenditure

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

Useful economic lives, amortization and impairment

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

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

27.1 Software

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

Intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the year ended 31 March 2025 and 2024 is given below.

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

Derecognition

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

27.2 Computer Software

Year ended 31 March	2025 LKR	2024 LKR
Cost		
Balance as at 1 April	63,141,236	63,141,236
Additions during the year	-	-
Disposal during the year	-	-
Balance as at 31 March	63,141,236	63,141,236
Amortisation & Impairment		
Balance as at 1 April	58,964,618	58,455,183
Charge for the year	134,118	509,435
Disposal during the year	2,962,500	-
Balance as at 31 March	62,061,236	58,964,618
Net book value as at end of the year	1,080,000	4,176,618
Net book value of total intangible assets	1,080,000	4,176,618

Intangible assets include fully amortised software amounting to LKR 45.98 million as at 31 March 2025 (LKR 45.98 million as at 31 March 2024), which are still in use as at the reporting date.

28. Deferred Taxation

Accounting Policy

Deferred tax is provided on temporary differences at the date of the Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- (I) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (II) Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
 - * Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
 - * Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of reporting date.

Notes to the Financial Statements

As at 31 March 2025	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Statement of other comprehensive income
	LKR	LKR	LKR	LKR
Accelerated depreciation for tax purposes	-	16,907,406	(9,518,553)	-
Finance leases	-	-	-	-
Right-of Use Assets	-	11,445,462	(9,356,170)	-
Revaluation Reserve	-	59,431,634	-	-
Defined benefit plans	21,099,947	-	2,573,069	1,429,259
Impairment Provision	109,058,625	-	1,008,696	-
	130,158,572	87,784,501	(15,292,958)	1,429,259
Deferred tax effect on profit or loss and other comprehensive income	-	-	(15,292,958)	1,429,259
Recognised under equity	-	-	-	-
Net Deferred tax assets	42,374,071	-	-	-

As at 31 March 2024	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Statement of other comprehensive income
	LKR	LKR	LKR	LKR
Accelerated depreciation for tax purposes	-	7,388,852	1,211,738	-
Finance leases	-	-	5,677,513	-
Right-of Use Assets	-	2,089,292	788,404	-
Revaluation Reserve	-	59,431,634	(3,735,750)	-
Defined benefit plans	17,097,619	-	(535,179)	6,929,561
Impairment Provision	108,049,929	-	43,946,985	-
	125,147,548	68,909,778	47,353,710	6,929,561
Deferred tax effect on profit or loss and other comprehensive income	-	-	47,353,710	6,929,561
Recognised under equity	-	-	-	-
Net Deferred tax assets	56,237,769	-	-	-

29. Due to Banks & Other Institutions

Accounting Policy

Due to banks include bank and other institutional borrowings and bank overdrafts. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on these dues are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

Year ended 31 March	Note	Page No	2025 LKR	2024 LKR
Bank Overdrafts	29.1	249	401,579,227	464,583,171
Loans and Other Bank Facilities	29.2	249	7,121,625,044	2,534,182,266
Interest Payable on Bank Facilities			42,565,108	6,642,823
Total Due to Banks & Other Institution			7,565,769,379	3,005,408,260

29.1 Bank Overdraft

The outstanding balances of bank overdrafts as at the Statement of Financial Position date are fully secured by Loan & Receivables and the Company has unutilised Bank Overdraft of LKR 52,101,571/- as at 31 March 2025 (2024 - LKR. 214,997,806/-).

29.2 Loans and Other Bank Facilities

As at 31 March 2025	As at 01.04.2024 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2025 LKR
NDB Term Loan	431,666,665	1,000,000,000	(489,866,665)	941,800,000
HNB Term Loan	374,120,000	1,750,000,000	(180,320,000)	1,943,800,000
Sampath Bank Term Loan	164,000,000	-	(164,000,000)	-
Sampath Bank Solar Loan	3,340,943	-	(978,967)	2,361,976
Cargills Bank Term Loan	120,848,000	880,000,000	(345,292,452)	655,555,548
Seylan Bank	99,200,000	-	(50,400,000)	48,800,000
Securitisation Loan	1,068,315,306	-	(321,119,368)	747,195,938
Peoples Bank	241,660,000	750,000,000	(100,080,000)	891,580,000
Rotary Loan	28,364,402	12,250,000	(11,616,645)	28,997,757
Other Borrowings (Note 29.2.1)				-
Cash Back Loan Peoples Bank	-	427,814,426	-	427,814,426
USD Term Loan - EDFI	-	452,469,398	-	452,469,398
DFCC Term Loan	-	500,000,000	-	500,000,000
PABC Term Loan	-	500,000,000	(18,750,000)	481,250,000
Total Loans and Other Bank Facilities	2,531,515,316	6,272,533,824	(1,682,424,097)	7,121,625,044

29.2.1 Other borrowings were transferred to non-financial liabilities during the year.

Notes to the Financial Statements

As at 31 March 2024	As at 01.04.2023 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2024 LKR
NDB Term Loan	290,000,000	500,000,000	(358,333,335)	431,666,665
HNB Term Loan	211,000,000	250,000,000	(86,880,000)	374,120,000
Sampath Bank Term Loan	332,000,000	-	(168,000,000)	164,000,000
Sampath Bank Solar Loan	4,217,155	-	(876,212)	3,340,943
Cargills Bank Term Loan	104,176,000	100,000,000	(83,328,000)	120,848,000
Seylan Bank	149,600,000	-	(50,400,000)	99,200,000
Securitisation Loan	302,000,000	999,009,434	(232,694,128)	1,068,315,306
Peoples Bank	-	250,000,000	(8,340,000)	241,660,000
Rotary Loan	26,282,620	13,000,000	(10,918,218)	28,364,402
Other Borrowings	6,061,950	-	(3,395,000)	2,666,950
Total Loans and Other Bank Facilities	1,425,337,725	2,112,009,434	(1,003,164,893)	2,534,182,266

29.3 Contractual Maturity Analysis of Due to Bank & Other Institution

As at 31 March 2025	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
NDB Term Loan	274,600,000	667,200,000	-	941,800,000
HNB Term Loan	410,320,000	1,533,480,000	-	1,943,800,000
Sampath Bank Solar Loan	1,091,838	1,270,139	-	2,361,976
Cargills Bank Term Loan	183,333,348	472,222,200	-	655,555,548
Seylan Bank	48,800,000	-	-	48,800,000
Securitisation Loan	450,818,129	296,377,809	-	747,195,938
Peoples Bank	200,160,000	691,420,000	-	891,580,000
Cash Back Loan Peoples Bank	-	260,775,000	167,039,426	427,814,426
Rotary Loan	18,237,454	10,760,303	-	28,997,757
USD Term Loan - EDFI	-	270,997,348	181,472,050	452,469,398
DFCC Term Loan	62,500,000	437,500,000	-	500,000,000
PABC Term Loan	125,100,000	356,150,000	-	481,250,000
Bank Overdrafts	390,210,853	11,368,374	-	401,579,227
Interest Payable on Bank Facilities	6,642,823	35,922,285	-	42,565,108
Total Loans and Other Bank Facilities	2,171,814,444	5,045,443,458	348,511,476	7,565,769,378

	Granted Date	Facility Amount	Period	Interest Rate	Security status
NDB Term Loan	27/03/2019 - 27/11/2028	900,000,000	5 Years	Variable	Lease & SME portfolio
HNB Term Loan	21/12/2021-07/11/2029	2,100,000,000	5 years	Variable	Business Loans, Micro Loans, Lease & SME Loans
Sampath Bank Term Loan	06/04/2022	500,000,000	3 Years	Variable	Lease & SME portfolio
Sampath Bank Solar Loan	12/06/2020-09/09/2020	6,308,000	7 Years	Fixed	Solar Panels
Cargills Bank Term Loan	30/06/2021-10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisation Loan	17-06-2021	500,000,000	3 Years	Variable	Lease receivables
Peoples Bank	27/06/2024-25/03/2032	500,000,000	5 Years	Variable	Lease & SME portfolio
Rotary Loan	27/06/2024 - 25/03/2032	41,985,000	3 Years	Variable	NA
DFCC Term Loan	03/09/2024	500,000,000	4 Years	Variable	Lease receivables
PABC Term Loan	28/02/2025	500,000,000	4 Years	Variable	Mortgage Bonds & Gold loan Receivables
USD Term Loan - EDFI	14/06/2024	459,000,000	8 Years	Fixed	Unsecured

As at 31 March 2024	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
NDB Term Loan	411,666,665	20,000,000	-	431,666,665
HNB Term Loan	100,320,000	273,800,000	-	374,120,000
Sampath Bank Term Loan	164,000,000	-	-	164,000,000
Sampath Bank Solar Loan	979,263	2,361,680	-	3,340,943
Cargills Bank Term Loan	120,848,000	-	-	120,848,000
Seylan Bank	50,400,000	48,800,000	-	99,200,000
Securitisation Loan	324,569,114	743,746,192	-	1,068,315,306
Peoples Bank	100,080,000	141,580,000	-	241,660,000
Rotary Loan	10,475,897	17,888,506	-	28,364,402
Other Borrowings	-	-	2,666,950	2,666,950
Bank Overdrafts	464,583,171	-	-	464,583,171
Interest Payable on Bank Facilities	6,642,823	-	-	6,642,823
Total Loans and Other Bank Facilities	1,754,564,933	1,248,176,377	2,666,950	3,005,408,260

Notes to the Financial Statements

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

30. Due to Customers

Accounting Policy

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

Sri Lanka Deposit Insurance And Liquidity Support Scheme

Under the Direction No. 2 of 2010 Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme implemented by the Monetary Board for compensation up to a maximum of LKR 1,100,000/- for each depositor. The Company has paid LKR 12,060,108/- as the premium of the said Insurance scheme during the financial year under review (2024 - LKR 10,453,693/-).

	2025 LKR	2024 LKR
Fixed Deposits	8,176,257,230	6,175,101,998
Savings Deposits	1,656,453,210	1,316,903,971
Total Due to Customers	9,832,710,440	7,492,005,969

30.1 Contractual Maturity Analysis Of Customer Deposits

As at 31 March 2025	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	6,762,803,222	1,413,454,008	-	8,176,257,230
Savings Deposits	1,539,464,458	72,259,085	44,729,667	1,656,453,210
Total Due to Customers	8,302,267,680	1,485,713,093	44,729,667	9,832,710,440

As at 31 March 2024	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	5,407,294,639	767,807,359	-	6,175,101,998
Savings Deposits	1,184,117,015	82,406,747	50,380,209	1,316,903,971
Total Due to Customers	6,591,411,654	850,214,106	50,380,209	7,492,005,969

We have raised fixed deposits with a pre-termination option to the customers; hence, fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

31. Lease Creditor

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

	2025 LKR	2024 LKR
Balance as at 1 April	202,487,184	119,947,887
Additions	159,360,367	149,154,211
Interest Expenses	33,583,789	28,783,554
Payments	(115,724,394)	(101,931,772)
Early termination of lease	(30,255,270)	6,533,304
Balance as at 31 March	249,451,675	202,487,184

31.1 Contractual Maturity Analysis Of Lease Creditor

As at 31 March 2025	Within One Year LKR	1 - 5 Years LKR	Total LKR
Lease Liability	85,389,547	164,062,128	249,451,675
Total Lease Liability	85,389,547	164,062,128	249,451,675

As at 31 March 2024	Within One Year LKR	1 - 5 Years LKR	Total LKR
Lease Liability	56,927,421	145,559,763	202,487,184
Total Lease Liability	56,927,421	145,559,763	202,487,184

Notes to the Financial Statements

31.2 Contractual Maturity Analysis Of Lease Creditor-Undiscounted cash flow

As at 31 March 2025	Within One Year LKR	1 - 5 Years LKR	Total LKR
Lease Liability	114,130,567	198,731,769	312,862,336
Total Lease Liability	114,130,567	198,731,769	312,862,336

32. Other Non Financial Liabilities

Accounting Policy

These liabilities are recorded at amounts expected to be payable at the reporting date.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Board of directors and approved by the Shareholder Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Company.

Dividend for the year that are approved after the reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standards LKAS 10 on 'Events after the Reporting Period'.

	2025 LKR	2024 LKR
Accrued Expenses	63,356,847	49,658,225
Loan and Lease Creditor	492,689,469	291,182,466
Others (Note 32.1)	164,759,600	81,915,149
Loan Risk Assurance Fund	1,770,153	2,015,369
Dividend Payable	2,128,139	519,487
	724,704,208	425,290,696

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

33. Current Tax Liabilities

Accounting Policy

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

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

	2025 LKR	2024 LKR
Balance as at 1st April	144,945,145	71,709,569
Provision for the year	340,494,164	207,017,239
Less: Tax paid	(330,440,861)	(133,781,663)
Balance as at 31st March	154,998,447	144,945,145

34. Post-Employment Benefit Obligations

Accounting Policy

Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity

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

Basis of Measurement

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

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

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

Recognition of Actuarial Gains and Losses

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occur.

Notes to the Financial Statements

34.1 Provision for Retirement Gratuity

	2025 LKR	2024 LKR
Balance at the beginning of the year	56,992,064	35,677,457
Amount Charge for the Year	17,447,047	12,579,736
Actuarial (Gains)/Losses	4,764,196	23,098,538
Payments Made During the Year	(8,870,150)	(14,363,667)
Balance at the End of the Year	70,333,157	56,992,064

34.2 Expenses on Defined Benefit Plan

	2025 LKR	2024 LKR
Amount recognised in the Statement of Profit or Loss		
Current Service Cost for the Year	10,380,032	5,776,202
Interest Cost for the Year	7,067,015	6,314,909
Payment out of Provision	-	488,625
Total Amount recognised in the Statement of Profit or Loss	17,447,047	12,579,736
Amount recognised in the Statement of other Comprehensive income		
Actuarial (Gains)/ Losses)	4,764,196	23,098,538
Total Amount recognised in the Statement of other Comprehensive income	4,764,196	23,098,538
Total Expenses on Defined Benefit Plan	22,211,243	35,678,274

34.3 Retirement Age

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

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

An actuarial valuation of the retirement gratuity liability was carried out as at 31 March 2025 and 2024 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'.

34.5 Actuarial Assumptions

	2025 LKR	2024 LKR
Discount Rate	11.6%	12.4%
Salary scale	11.0%	12.0%
Staff Turnover		
20 to 30 years	10.0%	10.0%
35 years	7.5%	7.5%
40 years	5.0%	5.0%
45 Years	2.5%	2.5%
50 years	1.0%	1.0%
Average Future Working Life	12.0 Yrs	12.2 Yrs
Weighted Average Duration of the Define Benefit Obligation	11.7 Yrs	10.9 Yrs
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Disability	Long Term 1987 Soc. Sec. Table.	Long Term 1987 Soc. Sec. Table.
Retirement age	Retirement age of 60 Years	Retirement age of 60 Years

34.6 Actuarial Gains and Losses

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

34.7 Sensitivity of Assumptions Employed on Actuarial Valuation

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in statement of comprehensive income and statement of financial position.

The following table demonstrates the sensitivity of a reasonably possible change in such assumptions with all other variables held constant, in the actuarial valuation of the retirement gratuity as at 31 March 2025.

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 LKR	Sensitivity Effect on Pension Fund Surplus Increase / (decrease) LKR
+1%		6,703,075	6,703,075
(-1%)		(7,831,649)	(7,831,649)
	+1%	(7,613,234)	(7,613,234)
	(-1%)	6,645,685	6,645,685

Notes to the Financial Statements

35. Stated Capital

	Number of Shares	2025 LKR	Number of Shares	2024 LKR
At the beginning of the year	149,596,052	2,696,113,032	149,596,052	2,696,113,032
Issued during the year	-	-	-	-
At the end of the year	149,596,052	2,696,113,032	149,596,052	2,696,113,032

35.1 Rights of Shareholders

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

36. Reserves

36.1 Statutory Reserve Fund

The statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b) of Central Bank Direction No. 1 of 2003. Accordingly, Company has transferred 20% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to less than 25% and not less than 10%.

36.2 Revaluation Reserve Fund

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

Company	Statutory Reserve Reserve LKR	Revaluation Reserve LKR	Total LKR
As at 1 April 2023	125,933,259	56,514,761	193,530,494
Transfers to/(from) during the year	12,479,833	-	11,100,670
Revaluation of Land & Building	-	-	-
As at 31 March 2024	138,413,092	56,514,761	204,631,162
As at 1 April 2024	138,413,092	56,514,761	204,631,162
Transfers to/(from) during the year	23,690,647	-	23,690,647
Revaluation of Land & Building	-	-	-
As at 31 March 2025	162,103,738	56,514,761	218,618,500

37. Retained Earnings

	2025 LKR	2024 LKR
Balance as at 1 April	679,677,472	570,926,666
Profit for the Year	473,812,931	249,596,654
Other Comprehensive Income	(3,334,937)	(16,168,977)
Transfer to Statutory Reserves Fund	(23,690,647)	(12,479,833)
Dividend Paid	(97,237,434)	(112,197,039)
Balance as at 31 March	1,029,227,386	679,677,471

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. Commitments and Contingencies

Accounting Policy

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

Year ended 31 March	Note	Page No	2025 LKR	2024 LKR
Contingent Liabilities	38.1	259	20,317,100	6,048,100
Commitments	38.2	260	-	-
			20,317,100	6,048,100

38.1 Contingent Liabilities

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

	2025 LKR	2024 LKR
Cases pending against the Company	20,317,100	6,048,100
Total contingent Liabilities	20,317,100	6,048,100

Notes to the Financial Statements

38.2 Commitments

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

39. Net Assets Value Per Share

	2025 LKR	2024 LKR
Amounts Used as the Numerators:		
Total Equity Attributable to Equity Holders	3,943,958,917	3,570,718,357
Number of Ordinary Shares Used as Denominators:		
Total Number of Ordinary Shares in Issue	149,596,052	149,596,052
Net Assets Value per Share (LKR)	26.36	23.87

40. Assets Pledge

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2025 LKR	2024 LKR	
Rental receivable on Micro Business and Personal Loan	Bank Overdraft	317,937,962	232,858,884	Loans and Receivables
Rental receivable on SME Loan	Term Loan	837,280,836	343,456,789	Loans and Receivables
Rental receivable on Lease	Term Loan	3,019,241,075	1,657,450,489	Lease Rental Receivable
Rental receivable on Micro Business	Term Loan	990,606,251	13,039,175	Loans and Receivables
Rental receivable on Lease	Securitization	643,870,850	456,704,383	Lease Rental Receivable
		5,808,936,974	2,703,509,720	

41. Comparative Information

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

Income Statement

There were no reclassification during the financial year.

Statement of Financial Position

There were no reclassification during the financial year.

42. Current and Non Current Analysis of Assets and Liabilities

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

	2025 Within 12 Months LKR	2025 After 12 Months LKR	2025 Total LKR
Assets			
Cash and Cash Equivalents	927,665,722	-	927,665,722
Financial Investments	906,304,991	-	906,304,991
Other Financial Assets	8,003,301	451,807,470	459,810,771
Financial Assets at Amortised Cost - Loans and Receivables	5,496,223,567	6,825,875,458	12,322,099,025
Financial Assets at Amortised Cost - Lease Rentals Receivables	2,886,091,526	3,973,967,725	6,860,059,251
Other Non Financial Assets	260,510,658	16,072,529	276,583,187
Investment Property	-	246,710,000	246,710,000
Property, Plant and Equipment	-	271,420,091	271,420,091
Right-of-use Lease Assets	-	227,819,115	227,819,115
Intangible Assets	-	1,080,000	1,080,000
Deferred Tax Assets	-	42,374,071	42,374,071
Total Assets	10,484,799,766	12,057,126,458	22,541,926,224
Liabilities			
Due to Banks and Other Institutions	2,171,814,444	5,393,954,935	7,565,769,378
Financial Liability at Amortised Cost - Due to Customers	8,302,267,680	1,530,442,760	9,832,710,440
Other Non Financial Liabilities	515,673,919	209,030,289	724,704,208
Current Tax Liabilities	154,998,448	-	154,998,448
Lease Liability	85,389,547	164,062,128	249,451,675
Post Employment Benefit Liability	-	70,333,157	70,333,157
Total Liabilities	11,230,144,039	7,367,823,269	18,580,300,735
Net Assets/(Liability)	(745,344,273)	4,689,303,190	3,943,958,917

Notes to the Financial Statements

	2024 Within 12 Months LKR	2024 After 12 Months LKR	2024 Total LKR
Assets			
Cash and Cash Equivalents	544,919,606	-	544,919,606
Financial Investments	772,478,191	-	772,478,191
Other Financial Assets	50,960,718	-	50,960,718
Financial Assets at Amortised Cost - Loans and Receivables	3,512,494,576	3,445,718,135	6,958,212,710
Financial Assets at Amortised Cost - Lease Rentals Receivables	582,702,682	5,033,615,673	5,616,318,355
Other Non Financial Assets	215,304,503	22,891,417	238,195,920
Investment Property	-	246,710,000	246,710,000
Property, Plant and Equipment	-	224,485,283	224,485,283
Right-of-use Lease Assets	-	185,152,504	185,152,504
Intangible Assets	-	4,176,618	4,176,618
Deferred Tax Assets	-	56,237,769	56,237,769
Total Assets	5,678,860,275	9,218,987,399	14,897,847,674
Liabilities			
Due to Banks and Other Institutions	1,743,870,805	1,261,537,455	3,005,408,260
Financial Liability at Amortised Cost - Due to Customers	6,381,817,479	1,110,188,490	7,492,005,969
Other Non Financial Liabilities	422,755,567	2,535,129	425,290,696
Current Tax Liabilities	144,945,145	-	144,945,145
Lease Liability	56,927,421	145,559,763	202,487,184
Post Employment Benefit Liability	-	56,992,064	56,992,064
Total Liabilities	8,750,316,416	2,576,812,901	11,327,129,317
Net Assets/(Liability)	(3,071,456,141)	6,642,174,498	3,570,718,357

43. Related Party Transactions

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

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

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

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

43.1.1 Key Management Personnel Compensation

	2025 LKR	2024 LKR
Short Term Employment Benefits	15,975,000	13,354,800
Directors Fees & Expenses	10,240,000	9,140,000
Total Key Management Personnel Compensation	26,215,000	22,494,800

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

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

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

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

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

	2025 LKR	2024 LKR
Items in Statement of Financial Position		
Deposit balance as of reporting date	11,597,714	11,415,831
	11,597,714	11,415,831
Items in Statement of Profit or Loss		
Interest accrued during the period	1,242,751	1,811,801
	1,242,751	1,811,801

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

	2025 LKR	2024 LKR
Items in Statement of Financial Position		
Deposit balance held with related companies	483,399,630	438,000,000
	483,399,630	438,000,000
Items in Statement of Profit or Loss		
Interest Income on Financial Investments	46,386,837	62,330,197
Dividend Paid during the year	580,092	669,337
Expenses made during the year	2,778,669	5,035,312
	49,745,598	68,034,846

Notes to the Financial Statements

43.1.4 Transactions with Group Entities

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

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

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

SEEDS	2025 LKR	2024 LKR
Items in Statement of Financial Position		
Interest payable on Deposits	228,159	303,330
Deposit balance as at reporting date	27,870,000	38,545,000
	28,098,159	38,848,330
Items in Statement of Profit or Loss		
Interest Accrued During the Period	4,981,827	3,516,758
Dividend Paid during the year	35,100,000	40,500,000
	40,081,827	44,016,758

43.1.4.2 Transactions with Janashakthi Capital Limited

Janashakthi Capital Limited holds 10.76% ownership of the Company and identified as related party company with more than 10% ownership of the SDF. There were no transactions carried out with Janashakthi Capital Limited during the reporting period except for the final dividend payment of LKR 10,458,025.50 pertaining to the financial year 2023/24.

43.1.4.3 Transactions with Senthilverl Holdings (Pvt) Ltd

Senthilverl Holdings (Pvt) Ltd holds 12.11% ownership of the Company and identified as related party company with more than 10% ownership of the SDF. There were no transactions carried out with Senthilverl Holdings (Pvt) Ltd during the reporting period except for the final dividend payment of LKR 11,770,172.05 pertaining to the financial year 2023/24.

43.1.4.4 Transactions with Lanka Jathika Sarvodaya Shramadana Sangamaya

Lanka Jathika Sarvodaya Shramadana Sangamaya has a direct share holding of 3.1% of SDF and has a significance indirect influence over the entity through the 36.1% of ownership held by SEEDS and identified as a related party as defined in the LKAS 24.

Lanka Jathika Sarvodaya Shramadana Sangamaya	2025 LKR '000	2024 LKR '000
Items in Statement of Financial Position		
Interest Payable on Deposits	5,479,200	5,650,839
Fixed Deposits	300,057,378	174,087,896
Loan on Deposits	16,972,748	-
Lease Liability	64,648,315	20,518,167
Rent Paid	37,802,076	36,880,074
	424,959,717	237,136,976
Items in Statement of Profit or Loss		
Interest Accrued During the Period	21,464,861	10,410,520
Interest Income on Loan on Deposits	385,076	-
Dividend Paid during the year	3,019,250	3,483,750
Interest Expense on Lease Creditor	4,177,775	8,753,574
	29,046,962	22,647,844

44. Events Occurring after the Reporting Date

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

45. Capital

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

45.1 Capital Management

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

46. Fair Value Of Financial Instruments

Accounting Policy

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

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

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

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

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

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

Determination of fair value and fair value hierarchy

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

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Notes to the Financial Statements

Valuation model

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

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

46.1 Assets & Liabilities Recorded at Fair Value

The following is a description of how fair values are determined for assets and liabilities that are recorded at fair value. These incorporate the Company's estimate of assumptions that a market participant would make when valuing assets and liabilities.

Property, Plant & Equipment

Property, Plant & Equipment Freehold land and buildings are carried at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

As at 31 March 2025	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Non financial assets - Investment property					
Land and building	24th February 2025	-	-	246,710,000	246,710,000
		-	-	246,710,000	246,710,000
Non financial assets - Property, Plant and Equipment					
Land	24th February 2025	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

As at 31 March 2024	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Non financial assets - Investment property					
Land and building	04th May 2024	-	-	246,710,000	246,710,000
		-	-	246,710,000	246,710,000
Non financial assets - Property, Plant and Equipment					
Land	04th May 2024	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

Non Financial Assets measured at fair value

Level 3 Fair Value Measurement

As at 31 March	2025		2024	
	Investment Property LKR	Freehold Land LKR	Investment Property LKR	Freehold Land LKR
Balance as at 1 April	246,710,000	36,100,000	234,257,500	36,100,000
Revaluation reserve credit to revaluation reserve	-	-	-	-
Total gain/(loss) recognised in profit or loss:	-	-	12,452,500	-
Balance at 31 March	246,710,000	36,100,000	246,710,000	36,100,000

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2025 and 31 March 2024 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

Type of instrument	Date of valuation	Fair value	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
As at 31 March 2025		LKR				
Property, Plant and Equipment						
Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Investment Property						
Land	24/02/2025	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Building	24/02/2025	149,330,000	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	*

Notes to the Financial Statements

Type of instrument	Date of valuation	Fair value	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
As at 31 March 2024		LKR				
Property, Plant and Equipment						
Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Investment Property						
Land	04/05/2024	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Building	04/05/2024	149,330,000	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	*

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

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

Assets of which Fair Value Approximates Carrying Value

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

Fixed Rate Financial Instruments

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

Variable Rate Financial Instruments

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

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

As at 31 March 2025	Fair Value				Carrying Value LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	
Financial Assets					
Cash and Cash Equivalents		769,815,864	-	769,815,864	927,665,722
Financial Investments	-	918,585,865	-	918,585,865	906,304,991
Other Financial Assets	-	446,068,948	-	446,068,948	459,810,771
Financial Assets at Amortised Cost					
- Loans and Receivables	-	8,888,869,795	-	8,888,869,795	12,322,099,025
Financial Assets at Amortised Cost					
- Lease Rentals Receivables	-	7,597,500,306	-	7,597,500,306	6,860,059,251
	-	18,620,840,778	-	18,620,840,778	21,475,939,760
Financial Liabilities					
Due to Banks and Other Institutions	-	7,565,769,378	-	7,565,769,378	7,565,769,378
Due to Customers	-	9,832,710,440	-	9,832,710,440	9,832,710,440
Lease Liabilities	-	252,838,328	-	252,838,328	249,451,675
	-	17,651,318,146	-	17,651,318,146	17,647,931,494

As at 31 March 2024	Fair Value				Carrying Value LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	
Financial Assets					
Cash and Cash Equivalents		664,043,703	-	664,043,703	544,919,606
Financial Investments	-	576,027,374	-	576,027,374	772,478,191
Other Financial Assets	-	874,494	-	874,494	50,960,718
Financial Assets at Amortised Cost					
- Loans and Receivables	-	5,109,755,721	-	5,109,755,721	6,958,212,710
Financial Assets at Amortised Cost					
- Lease Rentals Receivables	-	4,677,040,887	-	4,677,040,887	5,616,318,355
	-	11,027,742,178	-	11,027,742,178	13,942,889,580
Financial Liabilities					
Due to Banks and Other Institutions	-	3,005,408,260	-	3,005,408,260	3,005,408,260
Due to Customers	-	6,193,431,024	-	6,193,431,024	7,492,005,969
Lease Liabilities	-	119,947,887	-	119,947,887	202,487,184
	-	9,318,787,171	-	9,318,787,171	10,699,901,412

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

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47. Risk Management

47.1 Introduction

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

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

1. Credit Risk
2. Liquidity Risk
3. Market Risk
4. Capital Management
5. Operational Risk.

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Asset- Liability Committee (ALCO)	47	271
Credit Committee	47	271
Management Committee (MANCOM)	47	271
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Risk Management Structure

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

Board Integrated Risk Management Committee (BIRMC)

"The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed a subcommittee, Board Integrated Risk Management Committee (BIRMC) and has delegated its authority to the BIRMC for the overall Risk Management approach and for approving the risk management strategies and principles. BIRMC reviews and assesses the Company's overall risks and focuses on policy recommendations and strategies and the Board of Directors is duly updated of its activities. The committee has established an independent risk management function through the Risk Management Department which is responsible for managing risk -taking activities across the company.

Risk Management Department (RMD)

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

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

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

Asset - Liability Committee (ALCO)

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

Credit Committee

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

BCC is comprised of three Non-Executive Directors from which the Chairman to the Committee is a Non-Executive, Independent Director. The key management personnel attend the meetings upon invitation. BCC oversees the management of credit quality of the lending portfolio and recovery actions.

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

Management Committee (MANCOM)

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

Product Development Committee (PDC)

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

Notes to the Financial Statements

Information Technology Steering Committee (ITSC)

The committee is chaired by the CEO and will be facilitated by the Head of IT and / or Senior Manager IT who will serve as the Committee Secretary. Permanent Invitees to the Committee will be the Chief Operating Officer (COO), the Head of Risk Management, the Compliance Officer and the Head of Operations & Administration. The primary role of the ITSC is to exercise oversight and governance over SDF's IT function. The Committee is authorized to take decisions to improve and secure Information Resources, within the context of the Delegation of Authority assigned by the Board of Directors to the Chair. The Company's Board has established the 'three lines of defence' mechanism to provide the foundation for the cohesive governance of risk at all levels of the business.

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

Information Security Committee (ISC)

The prime objective of the ISC is to oversee the information security and technology resilience of the Company and would be responsible for both the strategic and operational aspects of Information Security and Technology Risk Management. The ISC is chaired by the CEO. The Chief Operating Officer (COO), Head of Operations and Head of IT shall be the other ex-officio members of ISC. Head of Risk Management and Compliance Officer will be permanent invitees to ISC. Head of Legal and Head of Human Resource Management shall be required to attend as co-opted members whenever a matter relating to their areas is to be discussed. Head of internal Audit is invited to present internal audit findings on information security at least on a quarterly basis. The Committee reports to the Board of Directors through BIRMC.

Credit Risk

Over view

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customer. The exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customer. Credit risk is considered as Sarvodaya Development Finance PLC's major risk exposure. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Credit Risk Management

The Board of Directors of the Company has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The Credit Department and Recoveries Department are responsible for managing the Company's credit risk, including formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting documentary and legal procedures, and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are allocated to respective officers with the delegated authority (DA) of the CEO.

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of qualitative as well as quantitative variables for the measurement of borrowers' risk. All internal risk ratings are tailored to various products namely SME Loans and Leasing. For accounting purposes, the Company uses a collective model for recognition of losses on impaired financial Assets.

Collateral Management

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

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

Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialized. The collaterals vulnerable to frequent fluctuations in values are subject to stringent haircuts and/ or more frequent valuations.

The Company also accepts personal guarantees, guarantees from other financial institutions and creditworthy bodies as collaterals for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

Impact Assessment of Macro-Economic and Business Environment Challenges

The Company's Integrated Risk Management Framework enables the closely assessing and reviewing of the elevated risks which have arisen from internal and external factors on an ongoing basis while escalating those risks which are seen to be pertinent to the Board in a timely manner taking corrective and proactive measures to mitigate their impact on the operations of the Company in order to ensure SDF's continued resilience and risk adjusted returns. The effectiveness of these measures have been witnessed by the Company's lower NPL Ratio than the industry average and the Company regularly monitors its credit exposures, portfolio performance and external trends which may impact risk management outcomes while taking prudent measures to intensify the repayment patterns of the credit customers which is essential to safeguard the interest of all the stakeholders of the Company.

Impairment Assessment

Detailed Note on impairment method has disclosed in note 22 on page 234.

47.2.1 Maximum Exposure to Credit Risk

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

As at 31 March 2025	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	Total LKR
Assets					
Cash and Cash Equivalents	927,665,722	-	-	-	927,665,722
Loans and Receivable (Gross)	493,104,685	-	-	12,346,666,496	12,839,771,180
Lease Rentals Receivables (Gross)	-	-	-	7,141,469,733	7,141,469,733
Financial Investments	906,304,991	-	-	-	906,304,991
Other Financial Assets	459,810,771	-	-	-	459,810,771
Total Financial Assets	2,786,886,169	-	-	19,488,136,229	22,275,022,397

As at 31 March 2024	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	Total LKR
Assets					
Cash and Cash Equivalents	664,043,703	-	-	-	664,043,703
Loans and Receivable (Gross)	422,151,402	-	-	4,915,748,210	5,337,899,612
Lease Rentals Receivables (Gross)	-	-	-	4,914,180,967	4,914,180,967
Financial Investments	576,027,374	-	-	-	576,027,374
Other Financial Assets	874,494	-	-	-	874,494
Total Financial Assets	1,663,096,972	-	-	9,829,929,178	11,493,026,150

Notes to the Financial Statements

47.2.2 Analysis of Credit Concentration Risk

The Company has a Board approved Risk Appetite Statement (RAS) which is in line with the Strategic Plan of the Company. Accordingly, risk appetite limits have been set for different criteria with the objective of maintaining risk levels at acceptable levels resulting in a welldiversified portfolio continuously. These risk limits are regularly monitored by the Risk Management Department and the Board Integrated Risk Management Committees to ensure that they are in par with the evolving developments in the operating environment which includes macro-economic factors as well, so they can indicate early warning signals to the decision makers of the Company to be proactive in terms of credit concentration risk management.

47.2.2.1 Industry Analysis

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

Sector wise Breakdown	2025					
	Cash and Cash Equivalents LKR	Loans and Receivable LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture & Fishing	-	4,601,215,953	3,859,890,110	-	-	8,461,106,063
Manufacturing	-	713,796,774	44,432,512	-	-	758,229,287
Tourism	-	149,570,136	30,495,398	-	-	180,065,534
Transport	-	138,371,784	2,554,771,212	-	-	2,693,142,996
Constructions	-	3,088,460,722	182,965,721	-	-	3,271,426,443
Trades	-	1,022,241,855	42,579,684	-	-	1,064,821,539
New Economy	-	7,048,536	415,815	-	-	7,464,352
Financial and Business Services	927,665,722	150,299,731	11,377,690	-	459,810,771	1,549,153,914
Infrastructure	-	584,107,487	41,494,567	-	-	625,602,055
Government	-	-	-	906,304,991	-	906,304,991
Other Services	-	2,384,658,202	373,047,023	-	-	2,757,705,225
Total	927,665,722	12,839,771,180	7,141,469,733	906,304,991	459,810,771	22,275,022,397

Sector wise Breakdown	2024					
	Cash and Cash Equivalents LKR	Loans and Receivable LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture & Fishing	-	2,553,376,347	2,750,488,497	-	-	5,303,864,844
Manufacturing	-	447,904,709	24,551,001	-	-	472,455,710
Tourism	-	72,938,062	29,433,803	-	-	102,371,864
Transport	-	55,031,377	1,648,118,867	-	-	1,703,150,244
Constructions	-	1,864,554,866	184,469,838	-	-	2,049,024,704
Trades	-	626,712,407	35,240,637	-	-	661,953,043
New Economy	-	5,476,774	1,246,428	-	-	6,723,202
Financial and Business Services	544,919,606	86,426,826	1,319,075	-	50,960,718	683,626,225
Infrastructure	-	64,449,693	416,465	-	-	64,866,158
Government	-	-	-	772,478,191	-	772,478,191
Other Services	-	1,537,614,503	1,281,686,106	-	-	2,819,300,609
Total	544,919,606	7,314,485,562	5,956,970,718	772,478,191	50,960,718	14,639,814,795

47.2.2.2 Geographical distribution of loans and receivables

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

As at 31 March 2025	Term Loan and receivables Past Due But Not Impaired LKR	Lease receivable Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR
Central	1,346,720,070	683,368,711	2,030,088,781
Eastern	1,559,750,707	1,319,776,959	2,879,527,667
North Central	920,633,170	2,240,097,651	3,160,730,821
Northern	493,394,741	204,220,938	697,615,679
North Western	1,823,107,111	596,195,428	2,419,302,539
Sabaragamuwa	756,160,601	200,050,483	956,211,084
Southern	2,376,750,356	300,100,430	2,676,850,786
Uva	1,034,727,008	968,159,426	2,002,886,434
Western	2,528,527,416	629,499,705	3,158,027,121
Total	12,839,771,180	7,141,469,733	19,981,240,913

Notes to the Financial Statements

As at 31 March 2024	Term Loan and receivables Past Due But Not Impaired LKR	Lease receivable Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR
Central	749,534,538	483,860,196	1,233,394,734
Eastern	845,520,895	889,478,494	1,734,999,389
North Central	1,004,854,521	1,839,614,389	2,844,468,911
Northern	170,012,161	73,962,376	243,974,537
North Western	1,004,571,555	599,754,702	1,604,326,256
Sabaragamuwa	669,358,144	278,533,308	947,891,452
Southern	882,705,548	290,930,466	1,173,636,014
Uva	535,837,227	670,361,989	1,206,199,217
Western	1,452,090,972	830,474,798	2,282,565,770
Total	7,314,485,562	5,956,970,718	13,271,456,280

47.2.2.3 Fair value of collateral and credit enhancements held

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

The main types of collateral obtained are, as follows:

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

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

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

Company	31 March 2025		31 March 2024	
	Maximum exposure to credit risk LKR	Net exposure LKR	Maximum exposure to credit risk LKR	Net exposure LKR
Cash and cash equivalents (excluding cash in hand)	769,815,864	-	443,096,830	-
Financial Investments	906,304,991	-	772,478,191	-
Other Financial Assets	459,810,771	459,810,771	50,960,718	50,960,718
Loans and Receivables	12,839,771,180	-	7,314,485,562	-
Lease Rental Receivable	7,141,469,733	-	5,956,970,718	-
	22,117,172,539	459,810,771	14,537,992,019	50,960,718

Sensitivity of impairment provision on loans and receivables

As at 31 March 2025	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Past Due But Not Impaired LKR
	Stage 1 Past Due But Not Impaired LKR	Stage 2 Past Due But Not Impaired LKR	Stage 3 Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR	
PD 1% increase across all age buckets	18,797,734	4,329,878	-	23,127,613	(27,457,491)
PD 1% decrease across all age buckets	(18,797,734)	(4,329,878)	-	(23,127,613)	27,457,491
LGD 5% increase	4,329,878	38,290,202	55,133,263	97,753,343	(97,753,343)
LGD 5% decrease	(58,179,746)	(38,290,202)	(55,133,263)	(151,603,211)	151,603,211
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	1,639,884	858,868	-	2,498,753	(2,498,753)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(1,639,884)	(858,868)	-	(2,498,753)	2,498,753

Notes to the Financial Statements

As at 31 March 2024	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Past Due But Not Impaired LKR
	Stage 1 Past Due But Not Impaired	Stage 2 Past Due But Not Impaired	Stage 3 Past Due But Not Impaired	Total Past Due But Not Impaired	
	LKR	LKR	LKR	LKR	
PD 1% increase across all age buckets	7,713,435	2,043,273	-	9,756,708	(9,756,708)
PD 1% decrease across all age buckets	(7,713,435)	(2,043,273)	-	(9,756,708)	9,756,708
LGD 5% increase	72,450,170	43,437,724	80,598,462	196,486,356	(196,486,356)
LGD 5% decrease	(72,450,170)	(43,437,724)	(80,598,462)	(196,486,356)	196,486,356
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	233,452	107,326	-	340,779	(340,779)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(233,452)	(107,326)	-	(340,779)	340,779

47.3 Liquidity Risk & Funding Management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit this risk, the Company's management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing liquidity and funding to ensure future cash flows. The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

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

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

During the adverse economic crisis faced mainly due to foreign currency reserve limitation the company implemented a comprehensive and proactive mechanism to ensure that liquid assets are well managed by the organization during periods of business disruptions and well addressed during the turbulent times. Management developed cash flows forecasts in order to monitor and absorb sudden liquidity shock to comply financial covenant and CBSL Liquidity Requirement. I.e. consider sufficient cash and unused credit lines, deposits renewal ratio, customer collection ratios, availability of negotiate borrowing facilities to meet short term needs, restructure operations to reduce operating costs and defer capital expenditure. ALCO closely overlooks the changes and development related to the pandemic both locally and globally and incorporated them when making management decisions.

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

47.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

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

As at 31 March 2025	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Cash Equivalents	927,665,722	-	-	-	-	927,665,722
Financial Investments	-	790,293,710	131,702,992	-	-	921,996,701
Other Financial Assets	-	12,312,481	12,669,544	305,393,638	231,816,133	562,191,796
Financial Assets at Amortised Cost - Loans and Receivables	5,432,718,772	757,663,289	2,712,211,356	7,251,263,321	109,190,575	16,263,047,313
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,075,124,127	477,682,600	2,589,266,261	5,436,072,338	-	9,578,145,326
Total Financial Assets	7,435,508,621	2,037,952,080	5,445,850,153	12,992,729,297	341,006,708	28,253,046,859
Financial Liabilities						
Due to Banks and Other Institutions	401,579,227	668,490,794	1,101,744,424	5,207,897,009	348,511,477	7,728,222,931
Due to Customers	1,688,721,679	2,938,287,621	3,852,494,510	1,615,660,182	-	10,095,163,992
Lease Liability	9,954,534	19,807,406	84,368,627	189,258,679	9,473,090	312,862,336
Total Financial Liabilities	2,100,255,440	3,626,585,821	5,038,607,561	7,012,815,871	357,984,567	18,136,249,259
Total Net Financial Assets/(Liabilities)	5,335,253,181	(1,588,633,741)	407,242,592	5,979,913,426	(16,977,859)	10,116,797,601

Notes to the Financial Statements

As at 31 March 2024	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Cash Equivalents	544,919,606	-	-	-	-	544,919,606
Financial Investments	-	790,201,152	-	-	-	790,201,152
Other Financial Assets	-	52,031,094	-	-	-	52,031,094
Financial Assets at Amortised Cost - Loans and Receivables	2,820,627,671	744,144,220	1,999,536,154	3,263,811,534	111,947,778	8,940,067,357
Financial Assets at Amortised Cost - Lease Rentals Receivables	94,797,732	558,959,463	4,849,189,562	2,822,176,906	-	8,325,123,662
Total Financial Assets	3,460,345,009	2,145,335,929	6,848,725,715	6,085,988,440	111,947,778	18,652,342,871
Financial Liabilities						
Due to Banks and Other Institutions	248,436,128	223,244,504	546,472,128	704,011,325	7,460,025	1,729,624,110
Due to Customers	1,144,722,764	1,030,224,505	1,559,607,634	735,317,919	82,072,361	4,551,945,183
Lease Liability	-	12,697,319	44,230,102	145,559,763	-	202,487,184
Total Financial Liabilities	1,393,158,891	1,266,166,327	2,150,309,865	1,584,889,007	89,532,386	6,484,056,476
Total Net Financial Assets/(Liabilities)	2,067,186,118	879,169,602	4,698,415,850	4,501,099,433	22,415,392	12,168,286,395

47.3.2 Commitments and Contingencies

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

As at 31 March 2025	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	-	-	-	-
Cases pending against the company	-	-	-	20,317,100	-	20,317,100
Total Commitments and guarantees	-	-	-	20,317,100	-	20,317,100

As at 31 March 2024	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	-	-	-	-
Cases pending against the company	-	-		6,048,100	-	6,048,100
Total Commitments and guarantees	-	-	-	6,048,100	-	6,048,100

47.3.3 Contractual Maturities of Commitments & Contingencies

There are no significant contingencies and significant capital commitments as at 31 March 2024 and as at 31 March 2025 other than the disclosures made under the financial statements notes number 38 on page 259.

47.4 Market Risk

Overview

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

Market Risk Management

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

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

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

- proactive managing of liquidity risk profile of the company
- articulating interest rate review of the company
- monitoring asset and liability gaps, and rate shock results on Net Interest Income (NII) to initiate 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 coordinating and performing Market Risk Management activities including measuring, monitoring and reporting of market risk exposures, and reviewing Company's market risk related policies and exposure limits at least annually. It also provides independent reviews on market risks associated with new investment proposals and products, thus facilitating efficient decision-making through optimizing risk-return trade off. The Company has made a strategic decision to maintain a risk appetite moderately above competitor rates since it allows the best potential for creating shareholder value at an acceptable risk level. The Company manages the volatility and potential downward risk through diversification.

47.5 Interest Rate Risk

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

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

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

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

Interest rate risk is managed principally through minimizing interest rate sensitive asset/liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly. Regularly monitoring of Net interest margin took place to be vigilant and proactive towards the Covid-19 relief measures introduced by the government pertaining to interest rates.

47.5.1 Interest Rate Risk Exposure On Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total as at 31.03.2025
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Assets							
Cash and Cash Equivalents	104,932,049	-	-	-	-	822,733,673	927,665,722
Financial Investments	411,826,995	494,477,996	-	-	-	-	906,304,991
Other Financial Assets	7,365,598	637,703	-	229,500,000	222,307,470	-	459,810,771
Financial Assets at Amortised Cost - Loans and Receivables	4,636,309,729	859,913,838	2,062,780,309	4,488,248,914	274,846,234	-	12,322,099,025
Financial Assets at Amortised Cost - Lease Rentals Receivables	135,961,660	2,750,129,866	1,256,833,802	2,717,133,923	-	-	6,860,059,251
Total Financial Assets	5,296,396,031	4,105,159,403	3,319,614,111	7,434,882,838	497,153,704	822,733,673	21,475,939,760
Financial Liabilities							
Due to Banks and Other Institutions	1,070,070,020	1,101,744,424	3,021,954,415	2,023,489,042	348,511,477	-	7,565,769,378
Financial Liability at Amortised Cost - Due to Customers	4,094,714,888	3,701,567,218	1,210,930,314	274,782,776	44,729,671	505,985,574	9,832,710,440
Lease Liability	19,706,479	65,683,069	112,149,541	44,346,133	7,566,455	-	249,451,675
Total Financial Liabilities	5,184,491,387	4,868,994,711	4,345,034,270	2,342,617,951	400,807,602	505,985,574	17,647,931,494
Interest Sensitivity Gap	111,904,644	(763,835,308)	(1,025,420,158)	5,092,264,887	96,346,102	316,748,099	3,828,008,266

Notes to the Financial Statements

As at 31 March 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total as at 31.03.2024
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Assets							
Cash and Cash Equivalents	443,096,830	-	-	-	-	101,822,776	544,919,606
Financial Investments	772,478,191	-	-	-	-	-	772,478,191
Other Financial Assets	50,960,718	-	-	-	-	-	50,960,718
Financial Assets at Amortised Cost - Loans and Receivables	2,801,548,912	710,945,664	1,510,579,574	1,879,312,345	55,826,215	-	6,958,212,710
Financial Assets at Amortised Cost - Lease Rentals Receivables	91,304,730	491,397,951	3,457,422,047	1,576,193,627	-	-	5,616,318,355
Total Financial Assets	4,159,389,381	1,202,343,615	4,968,001,621	3,455,505,972	55,826,215	101,822,776	13,942,889,580
Financial Liabilities							
Due to Banks and Other Institutions	924,107,478	819,763,327	1,171,058,846	87,811,659	-	2,666,950	3,005,408,260
Financial Liability at Amortised Cost - Due to Customers	3,760,166,152	2,621,651,328	430,444,976	419,769,130	50,380,209	209,594,175	7,492,005,969
Lease Liability	12,697,319	44,230,102	76,361,268	69,198,495	-	-	202,487,184
Total Financial Liabilities	4,696,970,948	3,485,644,756	1,677,865,090	576,779,284	50,380,209	212,261,125	10,699,901,412
Interest Sensitivity Gap	(537,581,567)	(2,283,301,141)	3,290,136,531	2,878,726,688	5,446,006	(110,438,349)	3,242,988,168

47.6 Foreign Currency Risk

The Company is exposed to foreign currency risk primarily through its borrowings denominated in United States Dollars (USD). To manage this exposure, the Company has adopted a natural hedging strategy whereby the loan repayments are matched with USD fixed deposits (FDs) of equivalent amounts. These FDs are structured such that their maturities align with the loan repayment schedule.

As a result, the foreign currency exposure arising from the USD-denominated loan is economically hedged through corresponding USD-denominated deposits, thereby mitigating the risk of exchange rate fluctuations on the repayment cash flows.

Risk Management Strategy

The Company's policy is to limit exposure to foreign currency risk by aligning foreign currency assets and liabilities wherever possible. The deposits placed in USD are held to maturity and are not intended for trading purposes. Management monitors the foreign currency exposure and the effectiveness of the natural hedge on an ongoing basis.

48. Financial Reporting by Segment

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

Lease

This segment includes Leasing products offered to the customers.

Loan

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

Other Business

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

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

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

As at 31 March	Lease		Loan		Other		Total	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Interest income	1,628,854,047	1,446,933,953	2,316,032,487	1,494,026,241	118,897,532	161,022,089	4,063,784,067	3,101,982,284
Net fee and commission income	118,867,957	78,105,255	154,215,351	92,616,880	(5,072,663)	2,165,499	268,010,645	172,887,634
Other operating income	17,035,633	26,747,794	5,678,544	11,645,914	19,886,080	13,509,968	42,600,257	51,903,677
Gross income	1,764,757,636	1,551,787,002	2,475,926,383	1,598,289,035	133,710,949	176,697,557	4,374,394,969	3,326,773,595
Interest expenses	(582,385,969)	(562,043,121)	(801,657,562)	(681,064,017)	(40,251,412)	(79,347,264)	(1,424,294,944)	(1,322,454,402)
Total operating income	1,182,371,667	989,743,882	1,674,268,821	917,225,019	93,459,537	97,350,293	2,950,100,025	2,004,319,193
Credit loss expenses	(222,411,311)	(101,333,758)	(214,751,444)	(217,307,386)	(1,741,079)	(13,890,756)	(438,903,833)	(332,531,900)
Net Operating Income	959,960,356	888,410,123	1,459,517,377	699,917,633	91,718,458	83,459,537	2,511,196,191	1,671,787,293
Other Expenses	(502,443,705)	(409,730,939)	(691,616,586)	(496,497,490)	(34,726,229)	(57,844,368)	(1,228,786,521)	(964,072,797)
Depreciation and Amortization	(58,565,657)	(49,511,718)	(80,615,956)	(59,996,553)	(4,047,746)	(6,989,890)	(143,229,359)	(116,498,160)
Segment Result	398,950,994	429,167,466	687,284,835	143,423,590	52,944,483	18,625,279	1,139,180,311	591,216,335
Tax on financial services							(309,580,258)	(181,956,153)
Income tax expenses							(355,787,122)	(159,663,528)
Profit attributable to share holders							473,812,931	249,596,654
Segment assets	6,860,059,251	5,956,970,718	12,322,099,025	7,314,485,562	3,359,767,948	1,626,391,394	22,541,926,224	14,897,847,674
Total Assets	6,860,059,251	5,956,970,718	12,322,099,025	7,314,485,562	3,359,767,948	1,626,391,394	22,541,926,224	14,897,847,674
Segment liabilities	5,659,816,132	4,814,029,960	10,166,211,731	5,833,471,598	2,771,939,444	679,627,759	18,597,967,307	11,327,129,317
Total liabilities	5,659,816,132	4,814,029,960	10,166,211,731	5,833,471,598	2,771,939,444	679,627,759	18,597,967,307	11,327,129,317

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Customer Name :-

Garusinhage Ranjith

Sabaragamuwa Province

Ratnapura District, Panamure





Decade at a Glance

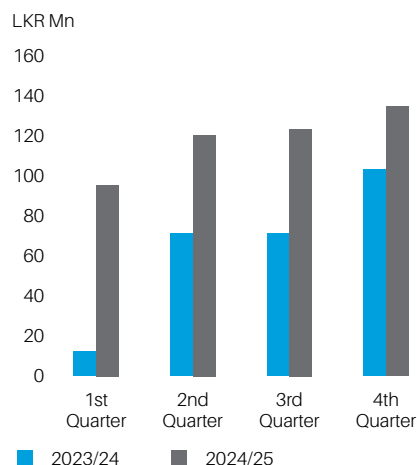
For the Year ended 31 March	2024/25 Rs. (000)	2023/24 Rs. (000)	2022/23 Rs. (000)	2021/22 Rs. (000)	2020/21 Rs. (000)	2019/20 Rs. (000)	2018/19 Rs. (000)	2017/18 Rs. (000)	2016/17 Rs. (000)	2015/16 Rs. (000)
Operating Results										
Income	4,374,395	3,326,774	2,597,492	1,930,409	1,743,539	1,802,436	1,575,247	1,320,761	1,092,958	1,014,754
Interest Income	4,063,784	3,101,982	2,461,331	1,822,315	1,584,745	1,681,679	1,433,374	1,179,563	883,758	922,994
Interest Expenses	1,424,295	1,322,454	1,221,615	562,116	623,347	750,116	606,621	416,599	280,902	255,915
Net Interest Income	2,639,489	1,779,528	1,239,717	1,260,199	961,398	931,562	826,753	762,964	602,856	667,079
Other Income	310,611	224,791	136,161	108,094	158,795	120,757	141,872	141,198	209,200	91,760
Total Operating Income	2,950,100	2,004,319	1,375,877	1,368,293	1,120,192	1,052,319	968,626	904,162	812,056	758,839
Operating Expenses	1,372,016	1,080,571	866,708	800,411	703,903	700,911	717,895	630,190	635,628	571,762
Impairment Losses	438,904	332,532	63,092	192,619	60,092	119,318	94,014	89,116	172,259	61,294
Profit Before Taxation	1,139,180	591,216	446,077	375,264	356,197	232,090	156,717	184,856	4,169	125,783
Tax on Financial Services	309,580	181,956	145,945	106,553	89,362	108,023	87,760	70,751	48,027	49,272
Income Tax Expenses/ (Reversal)	355,787	159,664	78,482	53,244	83,478	22,351	27,740	21,922	(9,324)	30,369
Profit/(Loss) for the Year (PAT)	473,813	249,597	221,649	215,466	183,357	101,716	41,216	92,182	(34,535)	46,142
Statement of Financial Position										
Assets										
Cash and Cash Equivalents	927,666	544,920	664,044	92,132	130,871	73,226	140,903	116,978	138,046	306,766
Loans and Receivables	12,322,099	6,958,213	5,105,311	5,110,595	4,954,331	5,230,705	5,113,657	4,697,450	3,477,040	2,766,806
Lease Rentals Receivable	6,860,059	5,616,318	4,674,862	4,768,167	2,952,368	1,702,847	1,102,513	611,055	283,559	-
Financial Investments	906,305	772,478	576,027	532,667	374,591	444,939	442,595	282,269	268,211	243,177
Other Financial Assets	459,811	50,961	874	814	780	164,536	189,277	207,371	282,578	232,860
Investment in Subsidiary Companies	-	-	-	-	-	-	-	-	-	379,475
Other Assets	1,065,986	954,958	649,174	670,109	623,657	598,962	460,879	445,054	423,459	390,946
Total Assets	22,541,926	14,897,848	11,670,294	11,174,484	9,036,598	8,215,216	7,449,824	6,360,176	4,872,893	4,320,029
Liabilities										
Due to Banks	7,565,769	3,005,408	1,508,115	2,320,185	1,729,624	1,595,036	835,874	463,277	75,856	31,225
Due to Customers	9,832,710	7,492,006	6,193,431	4,729,097	4,551,945	5,101,976	5,385,342	4,624,855	3,563,700	3,070,417
Savings	1,656,453	1,316,904	1,064,514	1,300,813	1,245,293	1,536,303	1,561,061	1,554,619	1,607,045	1,585,566
Fixed Deposits	8,176,257	6,175,102	5,128,917	3,428,284	3,306,652	3,565,673	3,824,281	3,070,216	1,956,654	1,484,851
Other Non Financial Liabilities	724,704	425,291	291,925	596,809	282,552	99,221	79,668	84,070	165,765	96,909
Post Employment Benefit Liability	70,333	56,992	35,677	32,066	55,829	33,753	27,212	26,416	20,797	16,088
Other Liability	404,450	570,236	191,657	191,532	235,263	189,551	23,183	30,768	-	19,850
Total Liabilities	18,597,967	11,327,129	8,220,806	7,869,689	6,855,213	7,019,536	6,351,279	5,229,366	3,826,118	3,234,490
Shareholders' Funds										
Stated Capital	2,696,113	2,696,113	2,696,113	2,696,113	1,696,113	890,000	890,000	890,000	890,000	890,000
Reserves	1,247,846	874,605	753,375	608,682	485,270	305,679	208,546	240,810	156,775	195,539
Total Shareholders' Funds	3,943,959	3,570,718	3,449,488	3,304,795	2,181,385	1,195,679	1,098,546	1,130,810	1,046,775	1,085,539
Other Information										
Number of Staff	603	547	453	508	480	471	521	508	540	602
Number of Branches	56	56	51	51	30	30	30	30	30	30
Number of CSCs	-	-	-	-	21	21	21	21	22	28
Number of Gold Centers within the Branches	56	54	39	39	35	25	5	-	-	-
Profit Before Tax Per Employee	1,889	1,081	985	739	742	493	301	364	8	209
Profit After Tax Per Employee	786	456	489	424	382	216	79	181	(64)	77
Total Assets Per Employee	37,383	27,236	25,762	21,997	18,826	17,442	14,299	12,520	9,024	7,176
Employees Per Branch	8	8	7	7	6	7	7	7	8	8

For the Year ended 31 March	2024/25 Rs. (000)	2023/24 Rs. (000)	2022/23 Rs. (000)	2021/22 Rs. (000)	2020/21 Rs. (000)	2019/20 Rs. (000)	2018/19 Rs. (000)	2017/18 Rs. (000)	2016/17 Rs. (000)	2015/16 Rs. (000)
Capital Adequacy Ratio (%)										
Tier I						-	-	0.20	0.25	0.32
Tier II						-	-	0.20	0.25	0.20
Tier I (New Framework w.e.f 1 July 2018)	20.52%	25.84%	32.75%	29.17%	21.58%	12.99%	13.58%	14.83%	0.00%	0.00%
Tier II (New Framework w.e.f 1 July 2018)	20.64%	26.00%	34.01%	30.42%	21.80%	13.23%	13.98%	14.83%	0.00%	0.00%
Operating Result										
Cost of Funds	10.05%	14.20%	16.27%	8.24%	9.50%	11.30%	10.73%	9.55%	8.33%	8.64%
Interest Spread	12.60%	9.80%	5.59%	10.09%	9.00%	10.81%	10.96%	13.05%	13.02%	13.15%
Net Interest Margin	12.30%	11.58%	11.01%	12.67%	11.44%	12.21%	12.51%	14.61%	14.74%	31.74%
Cost to Income	46.51%	53.91%	62.99%	58.50%	62.84%	66.61%	74.11%	69.70%	78.27%	75.35%
Efficiency Ratio	54.64%	64.64%	66.02%	68.08%	66.40%	75.12%	82.08%	77.32%	99.35%	81.97%
Staff Cost : Net Income	23.71%	26.17%	33.73%	32.19%	33.40%	33.91%	36.87%	35.69%	44.32%	41.40%
Financial Indicators										
Return on Interest Earning Assets	22.65%	25.90%	21.85%	18.33%	19.00%	22.11%	21.69%	22.59%	21.36%	21.78%
Portfolio Yield	22.16%	26.31%	21.99%	18.90%	19.70%	23.36%	22.88%	23.89%	23.33%	31.74%
Debit : Equity	441.14%	293.99%	223.27%	213.30%	287.96%	560.10%	566.31%	449.95%	347.69%	285.72%
Liquid Assets Ratio	17.10%	16.40%	17.64%	10.51%	9.13%	11.41%	13.75%	13.75%	20.39%	26.20%
Assets Quality Indicators										
Gross NPA Ratio	7.88%	14.10%	14.39%	8.93%	9.98%	11.81%	9.41%	6.20%	8.90%	8.00%
Net NPA Ratio	5.7%	10.40%	8.98%	3.31%	4.21%	6.14%	4.67%	2.61%	3.40%	3.10%
NPA to Assets	6.99%	12.63%	12.78%	8.39%	9.28%	11.13%	8.92%	6.03%	8.00%	5.50%
Provision to Advance	4.00%	4.20%	4.06%	4.86%	5.66%	5.74%	5.08%	3.06%	5.60%	5.10%
Provision Cover	27.65%	29.30%	28.20%	54.40%	56.58%	48.58%	49.43%	44.10%	57.10%	63.00%
Investor information										
Return on Assets (ROA)	2.53%	1.88%	1.94%	2.13%	2.13%	1.30%	0.60%	1.64%	0.75%	1.12%
Return on Equity (ROE)	12.61%	7.11%	6.56%	7.85%	10.86%	8.87%	3.70%	8.15%	-3.24%	4.35%
Equity to Assets	17.50%	23.97%	29.56%	29.57%	24.14%	14.55%	14.75%	17.78%	21.48%	25.13%
Net assets Per Share (LKR)	26.36	23.87	23.06	22.09	21.43	17.71	16.27	16.75	15.51	16.08
Earnings Per Share (LKR)	3.17	1.67	1.48	1.86	2.55	1.51	0.61	1.19	(0.51)	0.68
Shareholders' Fund to Deposit	40.11%	35.99%	55.70%	69.88%	47.92%	23.44%	20.40%	24.53%	29.37%	37.10%
Price earning ratio (P/E)	6.22	7.85	7.42	6.74	N/A	N/A	N/A	N/A	N/A	N/A
Market Price per share	19.7	13.1	11.0	12.5	N/A	N/A	N/A	N/A	N/A	N/A
Market Capitalisation	2,947,042	1,959,708	1,645,557	1,869,951	N/A	N/A	N/A	N/A	N/A	N/A
Interest Cover	1.72	1.45	1.37	1.67	1.57	1.31	1.26	1.44	1.01	1.49
Dividend Per Share	NA	0.65	0.75	0.50	-	-	-	0.50	-	-
Dividend Cover	NA	2.57	1.98	2.88	-	-	-	2.73	-	-
Dividend Yield	NA	5.0%	6.8%	4.0%	N/A	N/A	N/A	N/A	N/A	N/A
Dividend Payout	NA	39%	51%	35%	-	-	0%	0.42	-	-

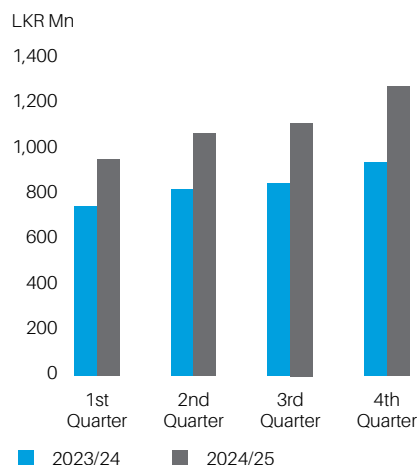
Quarterly Financial Statements – Income Statement

For the 3 months ended	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2024 LKR	30.06.2023 LKR	30.09.2024 LKR	30.09.2023 LKR	31.12.2024 LKR	31.12.2023 LKR	31.03.2025 LKR	31.03.2024 LKR
Income	942,895,769	744,561,105	1,056,460,614	816,703,301	1,104,535,103	832,005,868	1,270,503,483	933,503,321
Interest Income	890,194,112	703,371,619	985,586,499	770,572,044	1,027,945,630	788,513,014	1,160,057,826	839,525,607
Interest Expenses	(305,537,631)	(349,905,107)	(319,743,603)	(328,450,045)	(365,589,010)	(317,894,733)	(433,424,700)	(326,204,517)
Net Interest Income	584,656,481	353,466,512	665,842,896	442,121,999	662,356,621	470,618,282	726,633,125	513,321,089
Net Fee and Commission Income	40,747,836	29,834,113	51,986,724	36,331,862	61,258,536	33,528,569	114,017,549	73,193,090
Other Operating Income	11,953,821	11,355,372	18,887,391	9,799,396	15,330,937	9,964,285	(3,571,892)	20,784,624
Total Operating Income	637,358,138	394,655,997	736,717,010	488,253,257	738,946,094	514,111,135	837,078,782	607,298,804
Impairment Charges for Loans and Other Losses	(90,494,405)	(80,760,288)	(91,031,356)	(53,915,221)	(98,530,807)	(88,457,380)	(158,847,265)	(109,399,011)
Net Operating Income	546,863,734	313,895,710	645,685,655	434,338,035	640,415,287	425,653,755	678,231,516	497,899,793
Operating Expenses								
Personnel Expenses	(161,992,006)	(133,660,221)	(192,904,180)	(129,939,686)	(197,177,692)	(127,769,167)	(147,401,013)	(133,192,452)
Depreciation of Property, Plant and Equipment	(10,852,924)	(7,982,742)	(11,415,440)	(8,308,843)	(11,738,707)	(9,254,549)	(12,973,396)	(10,427,921)
Amortisation of Right of Use Assets	(20,298,519)	(18,040,130)	(20,135,732)	(19,438,230)	(21,717,992)	(18,607,532)	(31,000,031)	(23,928,779)
Amortisation of Intangible Assets	(79,772)	(183,038)	(48,594)	(154,639)	(5,752)	(89,269)	(2,962,500)	(82,489)
Other Operating Expenses	(101,716,189)	(98,109,867)	(111,401,359)	(103,788,868)	(133,286,178)	(110,809,867)	(182,907,904)	(126,802,669)
Operating Profit Before Tax on Financial Services	251,924,324	55,919,710	309,780,350	172,707,771	276,488,966	159,123,372	300,986,671	203,465,482
Tax on Financial Services	(68,229,446)	(30,643,719)	(81,515,522)	(50,190,504)	(78,505,445)	(47,824,229)	(81,329,846)	(53,297,701)
Profit Before Taxation	183,694,878	25,275,991	228,264,829	122,517,267	197,983,521	111,299,143	219,656,825	150,167,781
Income Tax Expenses	(88,990,974)	(15,213,964)	(107,223,940)	(53,654,469)	(74,288,233)	(42,544,038)	(85,283,974)	(48,251,057)
Profit for the Period	94,703,904	10,062,027	121,040,889	68,862,798	123,695,288	68,755,106	134,372,851	101,916,723

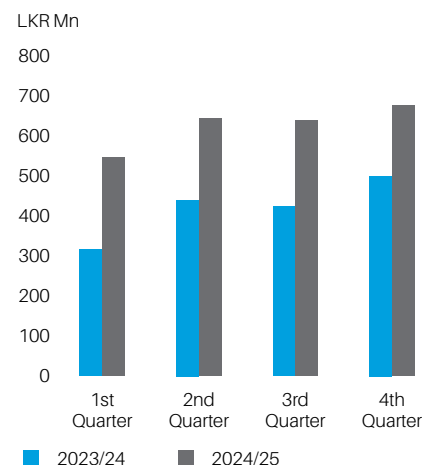
Net Profit



Gross Income



Net Operating Income



Quarterly Financial Statements – Statement of Financial Position

As at	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2024 LKR	30.06.2023 LKR	30.09.2024 LKR	30.09.2023 LKR	31.12.2024 LKR	31.12.2023 LKR	31.03.2025 LKR	31.03.2024 LKR
Assets								
Cash and Cash Equivalents	396,096,306	245,335,841	709,692,310	464,498,898	1,227,688,675	315,279,709	927,665,722	544,919,606
Financial Investments	661,391,585	612,131,812	677,034,015	634,192,125	887,053,150	630,295,144	906,304,991	772,478,191
Other Financial Assets	454,150,641	899,541	510,630,151	926,447	505,752,686	953,353	459,810,771	50,960,718
Financial Assets at Amortised Cost - Loans and Receivables	8,128,766,866	5,190,571,757	9,456,316,408	5,435,121,061	11,226,935,784	6,043,729,235	12,322,099,025	6,958,212,710
Financial Assets at Amortised Cost - Lease Rentals Receivables	5,793,198,336	4,932,759,039	5,984,836,512	5,124,321,233	6,137,592,654	5,425,317,289	6,860,059,251	5,616,318,355
Other Non Financial Assets	173,220,229	155,375,257	203,631,541	185,689,210	194,516,366	237,779,708	276,583,187	238,195,920
Investment Property	246,710,000	234,257,500	246,710,000	234,257,500	246,710,000	234,257,500	246,710,000	246,710,000
Property, Plant and Equipment	221,402,699	157,345,577	229,686,880	174,335,286	241,625,399	179,179,083	271,420,091	224,485,283
Right-of-use Lease Assets	184,332,632	90,950,146	180,878,533	84,285,167	172,362,566	65,677,635	227,819,115	185,152,504
Intangible Assets	4,096,846	4,503,015	4,048,252	4,348,376	4,042,500	4,259,107	1,080,000	4,176,618
Deferred Tax Assets	51,043,668	2,439,552	46,968,924	644,846	130,025,419	-	42,374,071	56,237,769
Total Assets	16,314,409,806	11,626,569,037	18,250,433,524	12,342,620,149	20,974,305,198	13,136,727,763	22,541,926,224	14,897,847,674
Liabilities								
Due to Banks and Other Institutions	3,388,270,875	1,296,872,192	4,772,603,078	1,356,313,646	6,905,952,101	1,826,261,743	7,565,769,378	3,005,408,260
Financial Liabilities at Amortised Cost - Due to Customers	8,232,749,086	6,318,459,076	8,797,702,604	6,826,408,109	9,158,842,642	7,044,957,165	9,832,710,440	7,492,005,969
Lease Liabilities	199,834,253	101,752,551	199,133,690	94,270,445	187,599,239	69,301,422	249,451,675	202,487,184
Other Non Financial Liabilities	563,472,168	343,819,242	490,997,428	395,256,602	520,913,023	610,682,555	724,704,208	425,290,696
Current Tax Liabilities	203,492,698	68,402,524	138,917,960	104,563,263	224,535,342	61,201,951	154,998,448	144,945,144
Post Employment Benefit Liability	61,168,464	37,713,707	64,615,614	37,395,540	66,304,414	37,469,365	70,333,157	56,992,064
Deferred Tax Liabilities	-	-	-	-	-	1,882,952	-	-
Total Liabilities	12,648,987,544	8,167,019,292	14,463,970,374	8,814,207,605	17,064,146,760	9,651,757,153	18,597,967,307	11,327,129,316
Shareholders' Funds								
Stated Capital	2,696,113,032	2,696,113,032	2,696,113,032	2,696,113,033	2,696,113,032	2,696,113,034	2,696,113,032	2,696,113,032
Reserves	194,927,853	182,448,021	194,927,853	211,515,370	194,927,853	230,486,960	218,618,500	194,927,853
Retained Earnings	774,381,377	580,988,692	895,422,265	620,784,140	1,019,117,553	558,370,616	1,029,227,385	679,677,472
Total Shareholders' Funds	3,665,422,261	3,459,549,745	3,786,463,150	3,528,412,544	3,910,158,438	3,484,970,610	3,943,958,917	3,570,718,357
Total Liabilities and Shareholders' Funds	16,314,409,806	11,626,569,037	18,250,433,524	12,342,620,149	20,974,305,198	13,136,727,763	22,541,926,224	14,897,847,674

Statement of Profit or Loss and Other Comprehensive Income in USD

	2025 US \$	2024 US \$
Income	14,762,216	11,052,404
Interest Income	13,714,001	10,305,589
Interest Expenses	(4,806,550)	(4,393,536)
Net Interest Income	8,907,450	5,912,053
Net Fee and Commission Income	904,452	574,378
Other Operating Income	143,763	172,437
Total Operating Income	9,955,665	6,658,868
Impairment Charges for Loans and Other Losses	(1,481,163)	(1,104,757)
Net Operating Income	8,474,502	5,554,111
Operating Expenses		
Personnel Expenses	(2,360,509)	(1,742,729)
Depreciation of Property, Plant and Equipment	(158,544)	(119,515)
Amortisation of Right of Use Assets	(314,360)	(265,829)
Amortisation of Intangible Assets	(10,450)	(1,692)
Other Operating Expenses	(1,786,261)	(1,460,170)
Operating Profit before Tax on Financial Services	3,844,377	1,964,174
Tax on Financial Services	(1,044,737)	(604,505)
Profit before Taxation	2,799,641	1,359,668
Income Tax Expenses	(1,200,670)	(530,444)
Profit for the Year	1,598,970	829,225
Other Comprehensive Income		
Actuarial Gains/(Losses) on Defined Benefit Plans	(16,078)	(76,739)
Deferred Tax (Charge)/Reversal on above items	4,823	23,022
Net Other Comprehensive Income/(Expenses) not to be Reclassified to Profit or Loss	(11,254)	(53,718)
Other Comprehensive Income for the Year, Net of Tax	(11,254)	(53,718)
Total Comprehensive Income/(Expenses) for the Year	1,587,716	775,507

Exchange rate of USD was Rs. 296.32 as at 31 March 2025 (Rs. 301.00 as at 31 March 2024).

The Statement of Profit or Loss is solely for the convenience of Stakeholders (Shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Finance Statement.

Statement of Financial Position in USD

	2025 US \$	2024 US \$
Assets		
Cash and Cash Equivalents	3,130,582	1,810,364
Financial Investments	3,058,496	2,566,373
Other Financial Assets	1,551,718	169,305
Financial Assets at Amortised Cost - Loans and Receivables	41,583,231	23,116,986
Financial Assets at Amortised Cost - Lease Rentals Receivables	23,150,555	18,658,865
Other Non Financial Assets	933,382	791,349
Investment Property	832,569	819,635
Property, Plant and Equipment	915,958	745,798
Right-of-use Lease Assets	768,818	615,125
Intangible Assets	3,645	13,876
Deferred Tax Assets	142,999	186,836
Total Assets	76,071,952	49,494,511
Liabilities		
Due to Banks and Other Institutions	25,532,106	9,984,745
Financial Liability at Amortised Cost - Due to Customers	33,182,323	24,890,385
Lease Liability	841,821	672,715
Other Non Financial Liabilities	2,445,650	1,412,926
Current Tax Liabilities	523,071	481,545
Post Employment Benefit Liability	237,352	189,342
Total Liabilities	62,762,324	37,631,659
Shareholders' Funds		
Stated Capital	9,098,538	8,957,186
Reserves	737,769	647,601
Retained Earnings	3,473,321	2,258,065
Total Shareholders' Funds	13,309,628	11,862,852
Total Liabilities and Shareholders' Funds	76,071,952	49,494,511
Commitments and Contingencies	68,564	20,093

Exchange rate of USD was Rs. 296.32 as at 31 March 2025 (Rs. 301.00 as at 31 March 2024)

The Statement of Financial Position is solely for the convenience of Stakeholders (Shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Finance Statement.

Compliance Status of Corporate Governance Principles

The following disclosures are prepared and presented in conformity with the Finance Business Act Directions (Corporate Governance) No. 5 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka and which came into operation with effect from 1 July 2022 subject to transitional provisions. This report shall be deemed as SDF's Corporate Governance Report for the financial year 2024/25, prepared in compliance with this Direction.

Section Reference	Principle	Extent of Compliance
1.1	The Board shall assume overall responsibility and accountability for the responsibilities operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements.	Complied. SDF Board holds responsibility for setting effective business strategy, ensuring sound corporate culture, and adhering to the rules and regulations. The Board responsibilities are specified in the Board Charter and Policy on Corporate Governance, Nominations & re-elections.
1.2	Business Strategy and Governance Framework <ol style="list-style-type: none"> Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment. Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements. Assessing the effectiveness of its governance framework periodically. Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities. 	Complied. The Board approved three-year business strategy is in force. The Board as a whole review the business strategy periodically to ensure that the Business strategy aligns with current economic environment. The Governance Charter of SDF was approved by the Board. The Board discharges its responsibilities according to the Governance Charter and assess the effectiveness of charter periodically. The Board has appointed the Chairman and the Chief Executive Officer, and clear division of responsibilities have been defined in the Governance Charter.
1.3	Corporate Culture and Values <ol style="list-style-type: none"> Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior. Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest. Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies. Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators. 	Complied. The SDF Board actively contributes to ensure sound corporate culture and values within the Company and Board Approved Policy on Internal Code of Business Conduct And Ethics for All Directors And Employees in place. The sustainable financing is incorporated in the Board approved strategic plan and Board reviews the progress of the implementation of the same. The Board approved Policies on Relations with Shareholders and Investors & Stakeholder Communication also reflects the effective delivery of stakeholder communication, and the Board reviews the policies to enhance its scope of policy implementation.

Section Reference	Principle	Extent of Compliance
1.4	Risk Appetite, Risk Management and Internal Controls a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework. b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently. c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically. d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Complied. SDF has established the Risk Appetite Statement in line with the SDF's three year strategic plan and the overall governance framework. SDF Board ensures the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently, through the Board Integrated Risk Management Committee and the Board Audit Committee. SDF reviews the adequacy and the effectiveness of the internal control systems and management information systems periodically. SDF has a Board approved Disaster Recovery Plan that ensures stability, financial strength, and preserve critical operations and services under unforeseen circumstances. The Business Continuity plan of SDF reviews by the Board.
1.5	Board Commitment and Competency a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC. b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience. c) The Board shall regularly review and agree the training and development needs of all the members. d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments. e) The Board obtain external independent professional advice to discharge duties of the Company.	Complied. The Board as a whole allocates sufficient time in exercising functions of the Company. Members of the Board possess sufficient competency levels including necessary qualifications, knowledge, experience and skills. During the annual appraisal process, the Board reviews and agrees on the training and development needs of all the members. An annual appraisal procedure is in place for self-assessment and assessment of individual performance of each director of its Board as a whole and that of its committees and maintains records of such assessments. The Board obtains external independent professional advice to the Board to discharge duties to SDF successfully.

Compliance Status of Corporate Governance Principles

Section Reference	Principle	Extent of Compliance
1.6	Oversight of Senior Management <ol style="list-style-type: none"> Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management. Defining the areas of authority and key responsibilities for the senior management. Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives. Ensuring there is an appropriate oversight of the affairs of the FC by senior management. Ensuring the FC has an appropriate succession plan for senior management. Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives. 	<p>Complied.</p> <p>The Board has identified and designated senior management to execute business strategy, who possess the necessary qualifications, skills, experience and knowledge. The job descriptions of the Senior Management define the responsibilities of each member. Board approved succession plan is available for SDF Senior Management.</p>
1.7	Adherence to the Existing Legal Framework <ol style="list-style-type: none"> Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders. Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards. Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently. 	<p>Complied.</p> <p>SDF Board ensures the conformity with the rules and regulations. The Board acts with due care and prudence, and with integrity and is aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.</p>
2 2.1	Governance Framework <p>Board shall develop and implement a governance framework in line with these directions and including but not limited to the following.</p> <ol style="list-style-type: none"> role and responsibilities of the Board matters assigned for the Board. delegation of authority composition of the Board the Board's independence the nomination, election and appointment of directors and appointment of senior management the management of conflicts of interests access to information and obtaining independent advice. capacity building of Board members the Board's performance evaluation role and responsibilities of the chairperson and the CEO role of the Company secretary Board sub committees and their role; and limits on related party transactions. 	<p>Complied.</p> <p>The SDF Board has developed a Board Charter and Policy on Corporate Governance, Nominations & re-elections in line with the Corporate Governance Direction No.5 of 2021.</p>

Section Reference	Principle	Extent of Compliance
3	Composition of the Board	Complied.
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	The SDF Board composition adds value to the Company through their knowledge and experience.
3.2	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	The Company complies with the requirement
3.3	The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.	The approval of Central Bank of Sri Lanka has been granted to reappoint Mr. Channa de Silva to the Board w.e.f 10th January 2022.
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of non- executive directors eligible to exceed 9 years are limited to one-fourth (1/4) of the total number of directors of the Board.	The Company complies with the requirement
3.5	Executive Directors	SDF Board does not comprise Executive Directors.
3.6	Non-Executive Directors a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC	Complied. Profiles of the Non-Executive Directors are given in Pages 28 to 31.
3.7	Independent Directors a) The number of independent directors of the Board shall be at least three (03) or one-third (1 / 3) of the total number of directors, whichever is higher b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience c) A non-executive director shall not be considered independent if such: i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC.	Complied. The SDF Board comprises four (04) Non-Executive Independent Directors. The Independent Directors of SDF fulfil the given independent requirements. The Company complies with the requirements.

Compliance Status of Corporate Governance Principles

Section Reference	Principle	Extent of Compliance
3.7	<ul style="list-style-type: none"> iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director. iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC. d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation. 	<p>Complied.</p> <p>The SDF Board comprises four (04) Non-Executive Independent Directors.</p> <p>The Independent Directors of SDF fulfil the given independent requirements.</p>

Section Reference	Principle	Extent of Compliance
3.8	Alternate Directors a) Representation through an alternate director is allowed only; i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad. b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board d) An alternate director cannot be appointed to represent an executive director. e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director	Not Applicable. No Alternate Directors have been appointed by the Company.
3.9	Cooling off Periods a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board. b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent	Such a situation has not arisen during the Financial Year 2024/2025
3.10	Common Directorships Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f)	Complied. The SDF Board members do not hold directorships in other Finance Companies.

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Section Reference	Principle	Extent of Compliance
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	Complied. The Directorships or any equivalent positions held by the Directors of SDF in other entities do not exceed the given threshold.
4	Assessment of Fitness and Propriety Criteria No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied. SDF follows a formal procedure when appointing Directors to the Board in accordance with regulatory requirements.
4.1		
4.2 & 4.3	A person over the age of 70 years shall not serve as a director of a FC.	Complied. No Director serves the Company over the age of 70 years.
5	Appointment and Resignation of Director and Senior Management	Complied.
5.1	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	SDF follows the regulatory guidelines during appointments, resignations or removal of Directors and Senior Management.
6	The Chairperson and the CEO	Complied.
6.1	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing	The functions and responsibilities of the Chairman and the CEO have been clearly defined and approved by the Board of Directors.
6.2 and 6.3	The chairperson shall be an independent director, subject to 6.3 below In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-Executive directors including senior director shall assess the chairperson's performance at least annually.	Complied. The Chairman is a Non Independent Non-Executive Director and a Senior Director has been appointed subsequently.
6.4	Responsibilities of the Chairperson The responsibilities of the chairperson shall at least include the following: a) Provide leadership to the Board b) Maintain and ensure a balance of power between executive and non-executive Directors c) Secure effective participation of both executive and non-executive directors d) Ensure the Board works effectively and discharges its responsibilities	Complied. Responsibilities of the Chairman include providing leadership to the Board, ensuring effective discharge of responsibilities of board members and implementing decisions of the regulator. The Non-executive directors annually evaluate the performance of the Chairman.

Section Reference	Principle	Extent of Compliance
	<ul style="list-style-type: none"> e) Ensure all key issues are discussed by the Board in a timely manner f) Implement decisions/directions of the regulator g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company secretary h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO 	
6.5	<p>Responsibilities of the CEO</p> <p>The CEO shall function as the apex executive-in-charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at least include:</p> <ul style="list-style-type: none"> I. Implementing business and risk strategies in order to achieve the FC's strategic objectives II. Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions III. Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior IV. Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator V. Strengthening the regulatory and supervisory compliance framework VI. Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner VII. CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10 	<p>Complied.</p> <p>The Chief Executive Officer is responsible for implementing business strategy of the Company while ensuring sound internal controls and effective risk management.</p>

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Section Reference	Principle	Extent of Compliance
7	Meetings of the Board	Complied.
7.1	The Board shall meet at least twelve times a financial year at approximately the Board monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible	There have been twelve Board meetings during the financial year 2024/2025.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings	Complied. The company has established a procedure to enable all Directors to include matters and proposals in the agenda for regular Board meetings.
7.3	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	Complied. Agendas have been circulated by the Company Secretary to the Board of Directors at least 3 days prior to the Board meeting.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions	Complied. The Directors allocate adequate time to contribute effectively during the Board meetings.
7.5	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 fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors	The company duly complied with the requirement.
7.6	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year	Complied. The Board comprises with Non-Executive Directors.
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative 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 in the Board meeting	Complied. The Board approved policy on conflicts of interests is in place. Directors' interests (if any) are disclosed to the Board and any Director who has a particular interest in matters set before the Board abstains from participating and voting.
7.8	A director who has not attended at least two-thirds (2 / 3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors	Complied. The Directors have fulfilled the said requirement during the period under review and no such instances had been occurred in respect of the attendance for the Board Meetings of the Company.
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for adhoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	No such Ad Hoc Board Meetings have been held during the period under review

Section Reference	Principle	Extent of Compliance
8	Company Secretary	Complied.
8.1	<p>a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.</p> <p>b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company secretary, such person shall become an employee of FC and shall not become an employee of any other institution</p>	<p>The Board has appointed Ms Shiromi Patabendige, a qualified Chartered Corporate Secretary who is a Registered Company Secretary in accordance with the Companies (Secretaries) Regulations No.1 of 2023 made under Section 527 read with Section 222 of the Companies Act No.07 of 2007 as the In-House Company Secretary to carry out all functions and responsibilities in accordance with statutory and regulatory requirements.</p> <p>She is an employee of SDF and not an employee of any other institution.</p>
8.2	All directors shall have access to advice and services of the Company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed	<p>Complied.</p> <p>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.</p>
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function	<p>Complied.</p> <p>The Company Secretary prepares the Agenda with the concurrence of the Chairman.</p>
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years	<p>Complied.</p> <p>The Company Secretary maintains minutes of the Board meetings and other recording materials for the period specified in the Direction.</p>
8.5	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC	<p>Complied.</p> <p>The Company Secretary records the proceedings of the meetings and the decisions taken throughout in sufficient detail.</p> <p>Detailed minutes are kept covering the given criteria and the Board minutes contain the required details such as contribution of individual Director, decisions and Board resolutions, ultimate decision of the Board, whether it complies with strategies and policies of the Company, Board knowledge and understanding of risk management measures adopted by the Company.</p>

Compliance Status of Corporate Governance Principles

Section Reference	Principle	Extent of Compliance
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions	The Company complies with the requirement
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director	The Company complies with the requirement
9	Delegation of Functions by the Board	Complied.
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC	The Board approves delegation of authorities and provide clear directions to the Senior Management to executive strategic functions.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself	Complied. The Board has established Board Audit committee, Board Integrated Risk Management Committee, Board Nomination and Governance Committee, Board Human Resources & Remuneration Committee and Related Party Transactions Review Committee as specified in the section 10 of this Direction.
9.3	The Board may establish appropriate senior management level subcommittees with appropriate DA to assist in Board decisions	Complied. The Board has established Management level committees with appropriate delegation authorities such as Management committee, Assets and Liability committee (ALCO), IT steering committee, Management Credit Committee, Product development committee, Information Security Committee, Sustainability Committee and Operational Risk Management Committee.
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions	Complied. The Board delegates matters to its board sub-committees or senior management to an extent that such delegation would not significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC	Complied. The Board periodically reviews the delegation of authorities and the pertinent processes to ensure its effectiveness.

Section Reference	Principle	Extent of Compliance
10	Board Committees	Complied.
10.1.a	FCs are divided into two categories, based on the asset base and assets base of more than Rs. 20 bn and FCs with asset base of less than Rs. 20 bn, subject to transitional provisions. Asset Base of more than Rs. 20 bn shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resources and Remuneration Committee and Related Party Transactions Review Committee. Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	<p>The following committees have been established by the Board and each such committee is required to report to the Board.</p> <p>During the financial year 2024/2025, there were six (06) Board appointed Committees directly reporting to the Board, namely; the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Credit Committee (BCC), Board Nomination & Governance Committee (BNGC), Board Human Resources and Remuneration Committee (BHRRC) and Related Party Transactions Review Committee (RPTRC). Each committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the Chairman of the respective committees.</p> <p>Pages 147 to 159 provides the details of the scope and composition of the above committees</p>
10.1.b	Each subcommittee shall have a board approved written TOR specifying clearly its authority and duties.	<p>Complied.</p> <p>Board Approved Terms of Reference (charters) clearly specifying the authority and duties are in place for each sub-committee.</p>
10.1.c	Board shall Present a report on the performance of duties and functions of each Board subcommittees at the annual general meeting.	<p>Complied.</p> <p>The Board has done a sub committee evaluation for the Financial Year 2024/25. Please refer respective Board Sub-Committee reports for more details on pages 147 to 159.</p>
10.1.d	Each subcommittee shall appoint a secretary to arrange its meetings. Maintain minutes, recordings and carry out other secretarial functions.	<p>Complied.</p> <p>Each committee has a secretary that arranges its meetings, maintains minutes, recordings and carries out other secretarial functions related to the respective Committee.</p>
10.1.e	Each subcommittee shall consist of at least 3 Board members and who have skills, knowledge and experience relevant to the responsibilities of the committee.	<p>Complied.</p> <p>All the sub committees are comprising with at least three Board members who possess skills, knowledge and experience relevant to the responsibilities of the Board Sub Committees. Please refer to the respective Board Sub Committee report on page 147 to 159.</p>
10.1.f	The Board may consider occasional rotation of members and chairperson each committee.	<p>Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required.</p>
10.2	Board Audit Committee (BAC)	Complied.
10.2.a	The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/ or audit.	<p>The Chairperson of the Committee is an Independent Non-Executive Director.</p> <p>Refer to the page 31 for the complete profile of Ms Suranjani Wickremaratne.</p>

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Section Reference	Principle	Extent of Compliance
10.2.b	The board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	Complied. All three (3) members of the Committee are Non-Executive Directors and the majority of the members of the Committee consists of independent Non Executive Directors.
10.2.c	The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	Complied. The Head of Internal Audit is the secretary to the Board Audit Committee.
10.2.d 10.2.d.i	External Audit Function The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	Complied. The BAC has Recommended the appointment of Messrs. Deloitte Associates, Chartered Accountants as External Auditors for Audit Services from the financial year 2024/25. The service period, audit fees, resignation or dismissal of an auditor, re-engaging the audit partner were also recommended by the BAC in line with the regulatory requirements. Messrs Deloitte Associates, Chartered Accountants completed their services as external Auditor from the financial Year 2024/25 in line with Corporate Governance Direction 05 of 2011.
10.2.d.ii	Engagement of an audit partner shall not exceed five years, and the same 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. FC shall not use the service of the same external audit firm for not more than ten years consecutively.	Complied. Engagement of the Audit Partner of external audit service has not exceeded five years and has not re-engaged with the Company 's audit before. The Company has not used the service of the Messrs Deloitte Associates for more than ten years consecutively.
10.2.d.iii	Audit partner shall not be a substantial shareholder, director, senior management or employee of any FC.	Complied. The Audit Partner is not a substantial shareholder, Director, Senior Management or employee of the Company.
10.2.d.iv	The committee shall review and monitor the external auditor's independence, objectivity and effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied. The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and effectiveness of the audit process taking into account the applicable standards and best practices..
10.2.d.v	Audit partner shall not be assigned to any non-audit services during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	Complied. A Board approved policy on " engagement of External Auditors to provide non-audit services " is in place to ensure the best practices and to avoid actual or perceived conflict of interests. The policy has precisely identified the permitted services and prohibited services, approval process and reporting requirements including non - audit fees to audit fees ratio in order to ensure the External Auditor's independence and Objectivity.

Section Reference	Principle	Extent of Compliance
10.2.d.vi	<p>The BAC shall,</p> <p>Before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including:</p> <p>(i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting;</p> <p>(ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and</p> <p>(iii) the co-ordination between auditors where more than one auditor is involved.</p>	<p>Complied.</p> <p>The Audit Committee met with External Auditors, Messrs Deloitte Associates and discussed the Audit Plan, nature and scope before the commencement of the audit.</p>
10.2.d.vii	<p>Review the financial information of the FC, in order to monitor the integrity of the financial statements in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:</p> <p>(i) major judgmental areas;</p> <p>(ii) any changes in accounting policies and practices;</p> <p>(iii) significant adjustments arising from the audit;</p> <p>(iv) the going concern assumption; and</p> <p>(v) the compliance with relevant accounting standards.</p>	<p>Complied.</p> <p>The Board Audit Committee periodically reviews the financial information in order to monitor major judgement areas, changes in accounting policies, significant audit judgements in the financial statements, going concern assumptions and compliance with accounting standards and other legal requirements. The Board Audit Committee reviews and recommends the interim Financial Statements and Audited Financial Statements before submission thereof to the Board.</p>
10.2.d.viii	<p>The BAC 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 senior management, if necessary.</p>	<p>Complied.</p> <p>The Board Audit Committee has met the External Auditors twice, without the Senior Management during the year under review.</p>
10.2.d.ix	<p>The BAC shall review the external auditor's management letter and the management's response there to within 3 months of submission of such, and report to the Board.</p>	<p>Complied.</p> <p>The Board Audit Committee has reviewed the Management Letter issued by the previous External Auditors with the responses of the Management.</p>
10.2.e	<p>At least annually conduct a review of the effectiveness of the system of internal controls.</p>	<p>Complied.</p> <p>The Board Audit Committee had reviewed the effectiveness of the prevailing internal control system through the Internal Audit reports.</p>
10.2.f	<p>The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the FC.</p>	<p>Complied.</p> <p>The Board Audit Committee, with the assistance of the Internal and External Auditors, reviews the effectiveness of the internal control procedures and takes corrective action where necessary.</p>

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Section Reference	Principle	Extent of Compliance
10.2.g 10.2.g.i	Internal Audit Function The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	Complied. An in-house independent internal audit function has been established in the Company to provide independent assurance to the committee on the quality and effectiveness of the existing internal control systems of the Company, risk management, governance practices and processes.
10.2.g.ii	The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	Complied. The Board -approved internal audit charter and risk and significant based internal audit plan are in place. The Internal Audit Department possesses adequate expertise on its scope and function and is vested with sufficient authority to carry out its activities.
10.2.g.iii	The BAC shall take the following steps with regard to the internal audit function of the FC: (i) Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work. (ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit. (iii) Assess the performance of the head and senior staff members of the internal audit department. (iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care. (v) Ensure internal audit functions carry out periodic review of compliance functions and regulatory reporting to regulatory bodies (vi) Examine the major findings of internal investigations and management's responses thereto.	Complied. The Board Audit Committee has reviewed the information provided in the internal audit plan and concluded that the scope, functions and resources of the Internal Audit Department are sufficient to carry out its functions. The Board Audit Committee has reviewed and approved the internal audit plan. The Board Audit Committee evaluated the performance of the Head/ Acting in Charge of internal audit during the year under review. The Board Audit Committee ensured the independence of the internal audit function. The Board Audit Committee has ensured the periodic reviews of the compliance conducted by the internal audit. The Board Audit Committee regularly examines the major findings of internal investigations and Management responses.
10.2.h	Review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	Complied. The Board Audit Committee periodically reviews the statutory examination reports of CBSL and monitors the progress of the implementations pertaining to the concerns of such statutory examination reports which was submitted by the Compliance Department.

Section Reference	Principle	Extent of Compliance
10.2.i	Meeting of the Committee	Complied.
10.2.ii	The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	The Board Audit Committee met Seven times during the financial year under review. Please refer to the page 152 for details of the Directors' Attendance at the Board and Board Sub- Committee meetings.
10.2.iii	Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	Complied. The CEO, COO , Head of Finance , Head of Internal Audit and other members of the Key Responsible Personnel (as deemed necessary) also attend meetings by invitation.
10.2.iii	BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/ employees being present.	Complied. The Board Audit Committee met twice with the External Auditors without the presence of the CEO and Senior Management.
10.3	Board Integrated Risk Management Committee (BIRMC)	Complied.
10.3.a	The chairperson should be an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The Chairman of the Committee is an Independent Non-Executive Director. The Committee consists of four (04) Non-Executive Directors (majority are Independent Directors) with sufficient knowledge and experience in banking, finance, risk management issues and practices. The CEO, Head of Risk Management and relevant Senior Management personnel are attended by invitation. The Committee closely works with Senior Management personnel and makes decisions on behalf of the Board within the Board approved Terms of Reference of the Committee.
10.3.b	The secretary to the committee may preferably be the CRO.	Complied. The Head of Risk Management functions as the Secretary to the Committee.
10.3.c	The committee shall assess the impact of risks including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on a once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	Complied. The Committee has established a process to assess all risks, including credit, market, liquidity, operational, strategic, compliance, and technology risks to the Company on a monthly basis using appropriate risk indicators and management information. Additionally, the Committee assesses the Risk Appetite Statement of the Company and reports to the Board, highlighting key risks and mitigation strategies of the Company.
10.3.d	Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	Complied. The Company has developed a Board-approved Risk Appetite Statement (RAS) which is in line with Company's Business Strategy that includes both quantitative and qualitative measures as required by the regulations. The RAS also defines maximum limits and business considerations in accordance with which the company is expected to operate when pursuing its business strategy.

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Section Reference	Principle	Extent of Compliance
10.3.e	Review the risk policies including RAS, at least annually.	Complied. The BIRMC periodically reviews risk policies, including the risk appetite statement (RAS).
10.3.f	Review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied. The BIRMC has reviewed the effectiveness of the performance of Management Level Committees for the FY 2024-25.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Complied. The Committee has reviewed the Business Continuity and Disaster Recovery Plans.
10.3.h	Annually assess the performance of the compliance officer and the CRO.	Complied. The Committee annually assesses the performance of the Head of Compliance and Head of Risk Management.
10.3.i	Compliance Function	Complied.
10.3.i.i	Shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations	An Independent Compliance function is in place to assess the Compliance with laws, regulations, rules, directions, regulatory guidelines and Board approved policies on the Business operations.
10.3.i.ii	For FCs with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting'. i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	Complied. Dedicated and an Independent Compliance function is in place and the Company has a dedicated Head of Compliance to oversee the function.
10.3.i.iii	For FCs with asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Not Applicable as the Company's asset base is over Rs. 20 Bn.

Section Reference	Principle	Extent of Compliance
10.3.i.iv	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) Develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory development relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity.	Complied. The Job Description (JD) of the Head of Compliance has been prepared in compliance with this direction and best practices. The JD and the Compliance Policy cover mainly the following; 1. Ensure all business operations adhere to sound corporate governance practice and business ethics. 2. Ensure that SDF would comply with internal and external regulatory frameworks. 3. Check and report compliance status monthly and report to the Board Integrated Risk Management committee.
10.3.j	Risk Management Function	Complied.
10.3.j.i	Establish an independent risk management function responsible for managing risk-taking activities across the FC.	The Company has established an independent Risk Management Function.
10.3.j.ii	For FCs with asset base of more than Rs. 20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	Complied. The Company has a Risk Management Department which is headed by the Head of Risk Management who has been appointed to carry out the risk management function and regular reports are submitted to the BIRMC.
10.3.j.iii	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	Complied. The Board approved Risk Management Policy and Procedures including RAS are in place.
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: (i) Various potential risks and frauds; (ii) Possible sources of such risks and frauds; (iii) Mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing; (iv) Effective measures to control and mitigate risks at prudent levels; and (v) Relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	Complied. The risk management framework is reviewed and updated on an annual basis covering the arrears specified.

Compliance Status of Corporate Governance Principles

Section Reference	Principle	Extent of Compliance
10.3.j.v	The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	Complied. The Head of Risk Management participates in key decision-making processes including strategic planning, capital, liquidity planning, new product development etc. and makes recommendations accordingly.
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Complied. The risk register of the company is updated and submitted to the BIRMC in a timely manner.
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	A risk assessment report for the subsequent Board meeting has been submitted seeking the Board's views, concurrence and/or specific directions.
10.4	Nomination Committee	Complied.
10.4.a	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The Board Nomination & Governance Committee (BNGC) is Chaired by an Independent Director, and the composition of the Committee complies with the requirements stipulated in the direction.
10.4.b	Secretary to the nomination committee may preferably be the company secretary.	Complied. The Head of HR was the Secretary to the Committee up to the F/Y ended 31st March 2025
10.4.c	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	Complied. According to the ToR, the Committee will implement a formal and transparent procedure to select / appoint new directors and senior management. The Senior Management are appointed with the recommendation of relevant Directors and the CEO except CIA, CRO and Compliance Officer.
10.4.d	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied. The BNGC has ensured that all the KRPs are fit and proper individuals to perform their functions in accordance with the directives of CBSL. The company has obtained the necessary approval from CBSL for their initial appointments and for the continuing of Directors as required by the Direction.
10.4.e	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	Complied. All KRPs are appointed in accordance with the policy on the nomination, election, and appointment of Directors and other key responsible persons. This policy ensures adherence to the stipulated selection criteria for the appointment of KRPs.
10.4.f	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	Complied. The Committee ensured that the composition of the Board does not dominate by any individual or a group of individuals in a manner that is detrimental to the interest of the stakeholders of the Company.

Section Reference	Principle	Extent of Compliance
10.4.g	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	Complied. The committee has set criteria that are required for eligibility to be considered for appointment of management KRPs.
10.4.h	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	Complied. Details of new Directors are disclosed to the shareholders at the time of their appointment by way of announcements made to the Colombo Stock Exchange (CSE) as well as in the Annual Report. Prior approval for appointment of new Directors is obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka and notification is sent to CSE. All new appointments are reviewed by the Committee.
10.4.i	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities	Complied. The committee ensured compliance of the stipulated requirements for the re-election of a current Director.
10.4.j	The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management	Complied. The Board-approved succession plan for Key Responsible Persons (KRPs), recommended by the BNGC, is in place.
10.4.k	A member of the nomination committee shall not participate in decision making relating to own appointment/re-appointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	Complied. The members of the Board Nomination & Governance committee do not participate in decision making relating to own appointments or reappointments. Further, Chairman of the Board abstains from the meeting when matters related to his successor are discussed.
10.5	Human Resource and Remuneration Committee	Complied.
10.5.a	The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	The Human Resource and Remuneration Committee (BHRRC) is chaired by a non-executive director, and its composition complies with the required guidelines.
10.5.b	The secretary to the human resource and remuneration committee may preferably be the company secretary.	Complied. Head of HR serves as the secretary of the BHRRC.
10.5.c/d	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	Complied. The company has a Board approved Remuneration policy for Executive Directors and Senior Management. The remuneration of Non-Executive Directors is governed by the board-approved Non-Executive Directors Remuneration Policy, which falls under the purview of the BHRRC and is approved by the Board.

Compliance Status of Corporate Governance Principles

Section Reference	Principle	Extent of Compliance
10.5.e.	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	Complied. The Remuneration Policy is reviewed periodically and recommended by the Committee for the approval of the Board on paying salaries allowances and other financial incentives for directors and employees of the Company.
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentive employees to take excessive risk or to act in self-interest.	Complied. The committee has ensured that the remuneration structure is aligned with the business strategy, objectives, values, long-term interests, and cost structure of the company and it also incorporated measures to avoid conflict of interest. The Committee is mindful to abstain from incentivizing employees for taking excessive risks or act in self-interests.
10.5.g	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefit and other payments of performance-based incentives	Complied. The BHRRC has reviewed the emoluments structure of Key Responsible Personnel (excluding the Chief Internal Auditor, Compliance Officer, and Chief Risk Officer), as well as their Performance Evaluation scores and any changes compared to the previous year's data.
10.5.h	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Complied. Senior Management abstain from attending meetings when matters related to them are being discussed.
11	Internal Controls	Complied.
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks	SDF has adopted a robust internal control system that reflects clear reporting lines with segregation of duties and Board approved organization structure to effectively mitigate the operational risk.
11.2	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies	Further the Company reviews the existing internal control system to make sure it contributes to effective and efficient operations, safeguards company assets, ensures effective risk management system and compliance with laws and regulations.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives	All employees were made accountable and responsible for internal controls as part of their routine functions through the various policies and procedures of the Company. This may include in the JD of all employees. Any violations of internal controls are reported to the BAC by the Internal Audit Department. And the company board approved a whistle blowing policy that encourages the whistleblowers to report any such violations.

Section Reference	Principle	Extent of Compliance
12	Related Party Transactions	Complied.
12.1.	Board shall establish a policy and procedures for related party transactions, which covers the following	The Board has formed a Related Party Transactions Review Committee (RPTRC) who shall be responsible for the effective function of reviewing the proposed and existing related party transactions. SDF has adopted a Board approved Related Party Transactions Review Committee charter and Terms of Reference.
12.1.a	All FCs shall establish a Related Party Transactions Review Committee and the chairperson shall be an independent director and the members shall consist of non-executive directors	<p>The committee consisted of three Non-Executive Directors and chaired by an Independent Non-Executive Director. The majority of the members are independent Non-Executive Directors.</p> <p>The Board approved policy is in place for govern the Related Party Transactions. As defined in the Policy, Related Party Transactions are reviewed and recommended by RPTRC for Board's approval. Board approved RPT policy outlines the transactions that can be carried out by the company to avoid any non-compliance and conflicts of interest.</p>
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	<p>Complied.</p> <p>The Board approved policy is in place to govern the Related Party Transactions. As defined in the Policy, Related Party Transactions are reviewed and recommended by RPTRC for Board's approval. Board approved RPT policy outlines the transactions that can be carried out by the company to avoid any non-compliance and conflicts of interest.</p>
12.1.c	<p>The business transactions with a related party that are covered in this Direction shall be the following:</p> <ol style="list-style-type: none"> Granting accommodation Creating liabilities to the FC in the form of deposits, borrowings and any other payable Providing financial or non-financial services to the FC or obtaining those services from the FC Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related parties 	<p>Complied.</p> <p>All other Related party transactions are prior reviewed and recommended by the RPTRC.</p> <p>All related party transactions have been disclosed in the Financial Statements. No accommodation has been granted to Directors and/or their close relatives during the year. The process will be further strengthened in future in line with the requirement of the Direction.</p>

Compliance Status of Corporate Governance Principles

Section Reference	Principle	Extent of Compliance
12.2	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises</p> <ol style="list-style-type: none"> Directors and senior management Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa Directors and senior management of legal persons in paragraph (b) or (c) Relatives of a natural person described in paragraph (a), (b) or (d) Any concern in which any of the FC’s directors, senior management or a relative of any of the FC’s director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest 	<p>Complied.</p> <p>Board approved RPT policy outlines the list of Natural Persons/Institutions identified as related parties.</p>
12.3	<p>The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party ‘more favorable treatment’ than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, ‘more favorable treatment’ shall mean:</p> <ol style="list-style-type: none"> Granting of ‘total accommodation’ to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties Providing or obtaining services to or from a related party without a proper evaluation procedure; or Maintaining reporting lines and information flows between the FC 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 	<p>Complied.</p> <p>The Board-approved Related Party Transactions Review Policy contains provisions to ensure compliance and the Related Party Transactions Review Committee ensures that all the transactions with Related Parties are on arm’s length basis. The Company ensures that related party transactions are not entered into on more favorable terms than those offered to others, and where applicable relevant approvals of the Related Party Transactions Review Committee/Board are obtained.</p> <p>Related party transactions that have been carried out during the year are disclosed under related party transactions on pages 262 to 264 of these Financial Statements.</p>

Section Reference	Principle	Extent of Compliance
13	Group Governance	
13.1	Responsibilities of the FC as a Holding Company	
13.2	Responsibilities as a Subsidiary	
14	Corporate Culture	Complied.
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers	The company has a board approved code of conduct that addresses the issues of confidentiality, conflict of interest, integrity of reporting and other ethical practices and the Company is in the process of maintaining record of breaches.
14.2	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity	
14.3	A FC shall establish a Whistle-Blowing Policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically	Complied. The Board approved policy on whistle blowing is in place.
15	Conflict of Interest	Complied.
15.1.a	Relationships between the directors shall not exercise undue influence or coercion. Director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such Director has substantial interest, is interested, and such Director shall not be counted in the quorum for the relevant agenda item in the Board meeting	The company has formed policy on conflict of interest and the policy prohibits Directors to use his or her position to divulge confidential or price- sensitive information, for personal benefit or benefit of any third party, whether financially or otherwise
15.1.b	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall, <ul style="list-style-type: none"> i. Identify circumstances which constitute or may give rise to conflicts of interests ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy to be addressed 	Complied. Directors do not participate in and excuse themselves from the Meeting when the Board considers matters in which a conflict may arise.

Compliance Status of Corporate Governance Principles

Section Reference	Principle	Extent of Compliance
16.1	<p>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 regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC,</p> <p>i) Financial statements In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, 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.</p> <p>A statement of responsibility of the Board in preparation and presentation of financial statements.</p>	Page 204
	<p>Chairperson, CEO and Board related disclosures</p> <ul style="list-style-type: none"> • Name, qualification and a brief profile. • Whether Executive, Non-Executive and/or Independent Director. • Details of the Director who is serving as the senior Director, if any. • The nature of expertise in relevant functional areas. • Relatives and/or any business transaction relationships with other directors of the Company • Names of other companies in which the Director/CEO concerned serves as a director and whether in an executive or non-executive capacity. • Number/percentage of board meetings of the FC attended during the year; and • Names of board committees in which the director serves as the Chairperson or a member. 	Pages 28 to 31
	<p>iii. Appraisal of board performance An overview of how the performance evaluations of the Board and its committees have been conducted</p>	Page 144

Section Reference	Principle	Extent of Compliance										
16.1	<div>iv. Remuneration</div> <div><div><div><div></div><div>A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)</div></div><div><div></div><div>The aggregate values of remuneration paid by the FC to its directors and senior management.</div></div></div></div> <table><tr><th>Description</th><th>LKR '000</th></tr><tr><td>Short term employee benefits</td><td>84,708</td></tr><tr><td>Post Employment Benefits</td><td>489</td></tr><tr><td>Gratuity</td><td>733</td></tr><tr><td>Directors Fees</td><td>10,240</td></tr></table> <div>(The Remuneration paid to Directors as disclosed in Note 43.1.1. to the Financial Statements in included above.)</div>	Description	LKR '000	Short term employee benefits	84,708	Post Employment Benefits	489	Gratuity	733	Directors Fees	10,240	Page 144
Description	LKR '000											
Short term employee benefits	84,708											
Post Employment Benefits	489											
Gratuity	733											
Directors Fees	10,240											
	<div>v. Related party transactions</div> <div><div><div></div><div>The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.</div></div><div><div></div><div>Total net accommodation granted 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 FC’s core capital.</div></div><div><div></div><div>The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.</div></div></div>	Pages 262 to 264										
	<div>vi. Board appointed committees</div> <div><div><div></div><div>The details of the chairperson and members of the board committees and attendance at such meetings.</div></div></div>	Pages 147 to 159										
	<div>vii. Group Structure</div> <div><div><div></div><div>The group structure of the FC within which it operates.</div></div><div><div></div><div>The group governance framework.</div></div></div>											
16.1	<div>viii. Director’s report</div> <div><div><div></div><div>A report, which shall contain the following declarations by the Board:</div></div><div><div></div><div>The FC has not engaged in any activity, which contravenes laws and regulations.</div></div><div><div></div><div>The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.</div></div><div><div></div><div>The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.</div></div><div><div></div><div>The business is a going concern with supporting assumptions; and</div></div><div><div></div><div>The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.</div></div></div>	Pages 144 to 146										

Compliance Status of Corporate Governance Principles

Section Reference	Principle	Extent of Compliance
	ix. Statement on Internal Control	Page 142
	<ul style="list-style-type: none"> • A report by the Board on the FC'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. • The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. • A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. • A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions. 	
16.1	x. Corporate governance report	Page 142
	<ul style="list-style-type: none"> • Shall disclose the manner and extent to which the Company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction. 	
	xi. Code of Conduct	
	<ul style="list-style-type: none"> • FC's code of business conduct and ethics for directors, senior management and employees. 	Page 106
	<ul style="list-style-type: none"> • The Chairperson shall certify that the Company has no violations of any of the provisions of this code. 	Page 145 and 196
	xii. Management report	
	<ul style="list-style-type: none"> • Industry structure and developments • Opportunities and threats • Risks and concerns • Sustainable finance activities carried out by the Company • Prospects for the future 	Page 192
	xiii. Communication with shareholders	
	<ul style="list-style-type: none"> • The policy and methodology for communication with shareholders. • The contact person for such communication. 	Page 137

Compliance with Section 9 of the Listing Rules Issued by the Colombo Stock Exchange on Corporate Governance

Rule No.	Requirement	Affirmation/Extent of Adoption
9.2	Policies	
9.2.1	<p>Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website;</p> <ul style="list-style-type: none"> a. Policy on the matters relating to the Board of Directors. b. Policy on Board Committees c. Policy on Corporate Governance, Nominations and Re-election. d. Policy on Remuneration e. Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f. Policy on Risk management and Internal controls g. Policy on Relations with Shareholders and Investors h. Policy on Environmental, Social and Governance Sustainability i. Policy on Control and Management of Company Assets and Shareholder Investments j. Policy on Corporate Disclosures k. Policy on Whistle-blowing l. Policy on Anti-Bribery and Corruption 	The Board approved policies are in place and published in the SDF Website.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	No such waivers were granted during the year under review.
9.2.3	<p>Listed Entities shall disclose in its Annual Report:</p> <ul style="list-style-type: none"> (i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website. (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above. 	The availability of required Policies in Website in compliant to Rule 9.2.1 is disclosed
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	Upon receipt of a written request by a Shareholder, a copy/copies of the Policy/ Policies be made available

Compliance Status of Corporate Governance Principles

Rule No.	Requirement	Affirmation/Extent of Adoption
9.3	Board Committees	
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; <ol style="list-style-type: none"> Nominations and Governance Committee Remuneration Committee Audit Committee Related Party Transactions Review Committee. 	The Board approved Board Sub Committees, which covers the minimum requirement, are in place
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	The Company complies with the said requirements
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	
9.4.	Adherence to Principles in the adoption of meeting procedures and conduct of all General Meetings with Shareholders	
9.4.1	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC. <ol style="list-style-type: none"> The number of shares in respect of which proxy appointments have been validly made; The number of votes in favour of the resolution; The number of votes against the resolution; and The number of shares in respect of which the vote was directed to be abstained. 	The Company maintains records of all resolutions which are being considered at the Annual General Meeting.
9.4.2	Communication and relations with shareholders and investors <ol style="list-style-type: none"> Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity. Listed Entities shall disclose the contact person for such communication. The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity. Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange. 	The Company has a Board approved Stakeholder Communication Policy and complies with the requirements

Rule No.	Requirement	Affirmation/Extent of Adoption
9.5	Policy on matters relating to the Board of Directors	
9.5.1	<p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <ol style="list-style-type: none"> recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO. where a Listed Entity decides to combine the role of the Chairperson and CEO, <ol style="list-style-type: none"> set out the rationale for combining such positions; and, require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest. set out the measures implemented to safeguard the interests of the SID. require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors. stipulate the maximum number of Directors with the rationale for the same specify the frequency of Board meetings, having regard to the requirements under the Listing Rules. provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules. specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position. provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements. specify the maximum number of directorships in Listed Entities that may be held by Directors. Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum. 	The Board approved Policy on Matters Reserved for the Board of Directors is in place.
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	The Company complies with the requirements stated in Rule 9.5.1.

Compliance Status of Corporate Governance Principles

Rule No.	Requirement	Affirmation/Extent of Adoption
9.6	Chairperson and CEO	
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	The Chairperson is a Non-Executive Director and the Chairperson and the CEO positions are held by two separate individuals.
9.6.2	A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules). Such Market Announcement shall include the following: a) The reasons for non-compliance The rationale for combining the positions of the Chairperson and CEO	Not applicable
9.6.3	The Requirement for a Senior Independent Director a) A Listed Entity shall appoint an Independent Director as the SID in the following instances: i) The Chairperson and CEO are the same person ii) The Chairperson and CEO are Close Family Members or Related Parties Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement. b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members. c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate. d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above. e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.	In terms of the Section 6.3 of Finance Business Act Direction No.05 of 2021 of CBSL a Senior Independent Director has been appointed since the Chairperson is a Non-Independent Director. The Company complies with the requirements The Company complies with the requirements
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report	The Company complies with Rule 9.6.1
9.7	Fitness of Directors and CEOs	The Company complies with the Fitness & Propriety Assessment of Directors
9.7.3	Fit and Proper Assessment Criteria:	requirements under Finance Business Act Direction No.06 of 2021.

Rule No.	Requirement	Affirmation/Extent of Adoption
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	The Company has obtained declarations on Fit and Proper Assessment Criteria from the Directors and the CEO for the Financial Year under review
9.7.5	Disclosures in the Annual Report of Listed Entities Listed Entities shall include the following disclosures/reports in the Annual Report; a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.	The Company complies with the disclosures requirement
9.8	Board Composition	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board consists of seven (07) Directors, which is within the listing rules requirement. <ul style="list-style-type: none"> ☉ Mr Channa de Silva, Chairman/Non-Executive, Non-Independent Director ☉ Mr Dhammika Ganegama, Senior Director/Non-Executive, Independent Director ☉ Mr Amrit CanagaRetna, Non-Executive, Independent Director ☉ Mr Ramesh Schaffter, Non-Executive, Non-Independent Director ☉ Mr Senthil Nandhanan Senthilveri, Non-Executive, Non-Independent Director ☉ Ms Shehara de Silva, Non-Executive, Independent Director ☉ Ms Suranjani Wickremaratne, Non-Executive, Independent Director
9.8.2	Minimum Number of Independent Directors: a) The Board of Directors of Listed Entity shall include at least 2 Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. b) Any change to this ratio shall be rectified within ninety (90) days from the date of the change.	The Board consists of 4 independent directors during the year.

Compliance Status of Corporate Governance Principles

Rule No.	Requirement	Affirmation/Extent of Adoption
9.8.3	Criteria for determining independence:	
9.8.5.	<p>The Board of Directors of Listed Entities shall require:</p> <p>a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.</p> <p>b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report.</p> <p>c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.</p>	<p>The Company obtained a declaration from each Independent director as specified in appendix 9A to ensure their independence.</p> <p>No such instances occurred during the year under review.</p>
9.9	Alternate Directors	There are no Alternate Directors in the Board.
9.10	Disclosures relating to Directors	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	The Company complies with the Rule 9.10.1
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following:	Immediate Market Announcement was made upon the appointment of Ms Suranjani Wickremeratne as a Non-Executive, Independent Director to the Board of SDF.
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	<p>Immediate Market Announcements were made to the following effects;</p> <ul style="list-style-type: none"> ⦿ Reconstitution of BAC-published on 23/08/2024 ⦿ Reconstitution of BIRMC-published on 29/08/2024 ⦿ Separation of Board Nomination & Remuneration Committee [BNRC] as Board Nomination & Governance Committee [BNGC] and Board Remuneration Committee [BRC]-published on 27/09/2024
9.10.4	Details relating to Directors in the Annual Report:	Directors Details are given in pages 28 to 31.

Rule No.	Requirement	Affirmation/Extent of Adoption
9.11	Nominations and Governance Committee	
	Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules	The Company has the Board approved BNGC and complies with the Rule 9.11
	Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.	
	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	
9.12	Remuneration Committee	
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	The Company has the Board approved Board Remuneration Committee, which was renamed as Board Human Resources & Remuneration Committee (BHRC) in line with the Section 10.1 of Finance Business Act Direction No.05 of 2021
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	A Board Approved TOR is available defining its scope, roles and responsibilities etc..
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	
9.12.6	Composition <ol style="list-style-type: none"> 1) The members of the Remuneration Committee shall; <ol style="list-style-type: none"> a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. a) not comprise of Executive Directors of the Listed Entity. 2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. 3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors. 	The BHRC comprises of three Independent Non-Executive Directors and is chaired by Mr Dhammika Ganegama, Senior Director/Non-Executive, Independent Director. Other members of the committee are Mr Channa de Silva, Mr Amrit CanagaRetna and Ms Shehara de Silva.
9.12.7	Functions <ol style="list-style-type: none"> 1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations. 2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO. 	The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the CEO and senior management are decided by the BHRC.

Compliance Status of Corporate Governance Principles

Rule No.	Requirement	Affirmation/Extent of Adoption
9.12.8	Disclosure in Annual Report	The report of BHRRC is given in pages 149 to 150.
9.13	Audit Committee	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	The Company currently has two separate committees in operation a Board Audit Committee (BAC) and a Board Integrated Risk Management Committee (BIRMC)
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Board approved Terms of References is in place
9.13.3	Composition	<p>The BAC consists of two (02) Independent Directors and one (01) Non Independent Director and the members are; Ms Suranjani Wickremeratne, Non-Executive, Independent Director (Chairperson of the BAC), Mr Ramesh Schaffter, Non-Executive, Non-Independent Director, and Mr Amrit CanagaRetna, Non-Executive, Independent Director.</p> <p>Please refer the BAC Report on Pages 151 to 154.</p>
9.13.4	Functions	The Company complies with the requirements
	(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	
	(iv) Obtain and review assurance received from:	
	(a) The CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and	
	(b) The CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.	
	(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.	
	(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	
	(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.	
	(viii) Review the risk policies adopted by the Entity on an annual basis.	
	(ix) 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 Listed Entity's policies and regulatory requirements.	

Rule No.	Requirement	Affirmation/Extent of Adoption
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.	The Company complies with the requirements
	(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.	
	(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.	
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.	
	(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.	
9.13.5	Disclosures in Annual Report	
	(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.	The Company complies with the requirements
	(2) The Audit Committee Report shall contain the following disclosures:	
	(a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);	
	(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).	
	(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.	
	(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.	
	(e) Whether the listed entity has a formal Audit Charter	
	(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;	

Compliance Status of Corporate Governance Principles

Rule No.	Requirement	Affirmation/Extent of Adoption
	<p>(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;</p> <p>(h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and</p> <p>(i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.</p>	The Company complies with the requirements
9.14	Related Party Transactions Review Committee	<p>The Company has established its own Related Party Transactions Review Committee (RPTRC).</p> <p>RPTRC comprises a total of three Non-Executive Directors, out of which two of them are Independent Directors. The Chairperson is an Independent Director.</p>
9.14.7	Immediate Disclosures	
9.16	Additional Disclosures	
	(1) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;	Directors and the relevant interests of Directors in the shares of the Company are given in pages 144 to 146.
	(2) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;	Directors' Statement on Internal Control over Financial Reporting given in page 193.
	(3) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	Given in Corporate Governance and Compliance with Laws and Regulations section of the Annual Report of the board of Directors on the affairs of the company pages 129 to 137.
	(4) disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	None

Compliance with Code of Best Practice on Corporate Governance 2023 Issued by the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Compliance Status of the Company
A.1.1	Board meetings	<p>Board meetings are scheduled well in advance, with the dates for monthly meetings finalized by the end of the preceding year. During the review period, a total of twelve Board meetings were held.</p> <p>These meetings primarily focused on evaluating the Company's performance, strategic planning, and setting future directions. Senior management presented comprehensive updates, concentrating entirely on their respective operational performance and forward-looking strategies aimed at achieving the Company's long-term objectives.</p> <p>This structured and proactive approach to Board governance ensures timely decision-making and the alignment of business processes with the expectations of all stakeholders.</p> <p>For further details, please refer to the 'Directors' Attendance and Committee Memberships' table on page 133 of this Annual Report.</p>
A.1.2	Responsibilities of the Board	<p>The Board, guided by the Company's core values, is charged with developing a robust business strategy for the organization. Management prepares a rolling three-year strategic plan that anticipates future challenges; this plan is presented to the Board for thorough review, discussion, and formal approval.</p> <p>To discharge its duties effectively, the Board safeguards the integrity of corporate information, oversees risk management, and ensures the operation of a comprehensive internal control framework. Concurrently, a rigorous compliance function guarantees adherence to all applicable laws and regulations, as well as the Company's ethical standards and corporate values. This integrated governance approach ensures that the interests of all stakeholders are duly considered in every strategic decision.</p>
A.1.3	Agreed procedure on seeking independent professional advice	A Board approved policy is in place for the directors to seek independent professional advice as and when required. The Board sub-committees advise the Board on various matters under their purview, when necessary.
A.1.4	Advice and services of the Company Secretary	The Board has explicitly defined and adopted a policy providing Board members full access to the Company Secretary in order to verify that all Board procedures are carried out and all applicable rules and regulations are complied with. She provides such information after obtaining necessary professional advice whenever required.
A.1.5	Independent judgement of directors	All Directors are encouraged to exercise independent judgment in Board deliberations, contributing to decisions on strategy, performance, resource allocation, and business conduct. The Company Secretary records key discussions and differing viewpoints to ensure the rationale behind Board decisions is clearly documented.
A.1.6	Dedicating adequate time and effort by the directors	All Directors devote sufficient time and effort to Board and Committee responsibilities, including reviewing papers, seeking clarifications, and following up on key matters. They also engage in understanding the Company's operations, risks, and controls to support effective governance and informed decision-making.
A.1.7	Call for a resolution	The Board acknowledges that one-third of its Directors may call for a resolution to be presented to the Board if they believe it is in the best interest of the Company.

Compliance Status of Corporate Governance Principles

Code of Best Practice Reference	Requirement	Compliance Status of the Company
A.1.8	Training for new and existing directors	Directors acknowledge the importance of continuous professional development and participate in relevant training as needed. The Company engages industry experts to provide insights, while the Company Secretary keeps Directors informed of applicable training opportunities.
A.2	Chairman and Chief Executive Officer [CEO] Board of Directors does not intervene with the Company's day-to-day business and there is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company by the Senior Management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive toward the Company's Strategic Vision and to ensure the effectiveness of the Board. The CEO's role is to conduct the business operations of the Company with the help of the Senior Management. Hence, the roles of the Chairman and the CEO are clearly distinct from one another.	
A.2.1	Justification of combining the roles of Chairman & CEO	Not relevant to the Company
A.3	Chairman's Role Chairman is responsible to ensure that all Board members make a full contribution to the Board's affairs and ensure that the Board acts as a team while discharging Board functions. He provides leadership to the Board and effectively manages the Board while preserving order and facilitating the effective discharge of Board functions.	
A.3.1	Role/functions of the Chairman	The Role & functions of the Chairman have been clearly stated in the Board approved Policy on Corporate Governance, Nominations and Re-election and Board Charter of the Company, which complies with the A.3.1.
A.4	Financial Acumen The Code of Best Practice requires that the Board comprises members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board of the Company has met the above requirement as majority of the Board members are professionally qualified and experienced in the fields of Banking, Finance and Auditing and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.	
A.5	Board Balance The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) thus no individual or a small group of individual directors is able to dominate the Board's decision making.	
A.5.1	Presence of a strong team of Non-Executive Directors (NEDs)	All seven (07) Directors are NEDs
A.5.2 & A.5.3	Independence of NEDs	Four (04) of seven (07) NEDs are independent.
A.5.4	Annual declaration of NEDs	Every NED of the Company has made written declarations as to their independence against the specified criteria set out by the Company.
A.5.5	Annual declaration by the Board on the independence of directors	The Board has determined the independence of Directors based on the declarations submitted by the NEDs as to their independence as a fair representation and will continue to evaluate their independence on this basis annually in line with CBSL directions, the SEC and the Code of Best Practice. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code. Independent Non-Executive Directors are; Mr Dhammika Ganegama, Mr Amrit CanagaRetna, Ms Shehara de Silva and Ms Suranjani Wickmeratne

Code of Best Practice Reference	Requirement	Compliance Status of the Company
A.5.6	Alternate Director	There are no alternate Directors in the Board of SDF
A5.7 & A5.8	Requirement to appoint a 'Senior Non-Executive Director' and make himself available for confidential discussions.	The Chairman of the Company is a Non-Independent Non-Executive Director and hence a Senior Director who is an Independent, Non-Executive Director has been appointed to the Board.
A5.9	Chairman holds meetings with NEDs only without EDs	The Board consists only with Non-Executive Directors
A.5.10	Recording of concerns in Board minutes	<p>The Company Secretary ensures that deliberations and concerns raised by the Directors during Board Meetings are adequately detailed in the minutes.</p> <p>The Company Secretary ensures that all decisions are accurately documented in the minutes, capturing how they were reached. These minutes are maintained in a detailed and comprehensive manner.</p>
A.6	Supply of Information The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions that would enable it to discharge its duties.	
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	The Senior Management of the Company should ensure that the directors are provided with adequate information in a timely manner and make every effort to provide the information, as early as possible. The Board Papers are prepared by the Executive Management of the Company to provide adequate information to the Board enabling it to deliberate on all key issues concerning the Company. Directors are free to raise inquiries/ concerns for additional information, where necessary. In addition, key members of the Senior Management make their presentations at every Board meeting on their performance and issues of importance during the reviewed period. The Chairman ensures that all directors are briefed adequately on issues arising at Board meetings.
A.6.2	Adequate time for Board meetings	According to the Articles of Association of the Company, all Board members are given notice well ahead of the meeting, and all minutes of previous meetings, agenda, and Board Papers are being uploaded in advance, to the BoardPAC, which is a digital platform used for Board Meetings and Sub Committee Meetings. Further, adequate notice is given to all directors prior to emergency/special Board meetings. This ensures that the Board members have adequate time to study the related papers and prepare for a meaningful discussion at the meetings.
A.7	Appointments to the Board Company has a formal and transparent procedure in place to appoint new Directors.	
A.7.1& .7.2	Presence of a Nomination Committee and annual assessment of the composition of the Board.	<p>The Company has established its own Board Nomination & Governance Committee [BNGC], which is chaired by an Independent Director. Additionally, two-third of the Directors are independent.</p> <p>The Committee is authorized to implement a procedure to assess the skill, knowledge, and experience required for the selection and appointment of new Directors and the Managing Director for the Company. The final decision is taken by the Board in terms of the procedure approved by the Board to appoint new Directors which is a formal and transparent procedure.</p> <p>The Board assesses the composition of the Board to ensure that the combined knowledge and experience of the Board match the strategic demand of the market.</p>

Compliance Status of Corporate Governance Principles

Code of Best Practice Reference	Requirement	Compliance Status of the Company
A.7.3	Succession plan for the CEO and Key Management Personnel and determine the training and development requirements	The committee has ensured that a succession plan is in place for the CEO and all other key management personnel. Furthermore, the committee has determined the necessary training and development requirements for those identified for succession.
A.7.4	Disclosure of information to shareholders upon appointment of New Directors	All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange in English language, together with brief resumes of such Directors. Such announcements set out the fields of the respective Director's expertise, his/her directorships in other companies, and the number of shares he/she holds in the Company, whether he/she is appointed as an Executive Director or a Non-Executive Director, and whether as an Independent Director or as a Non-Independent Director. During the year, Ms Suranjani Wickremaratne was appointed to the Board on 1st August 2024 as an Independent, Non-Executive Director.
A.7.5	Identifying the Chairman and the members of the Nomination Committee in the Annual Report	A report from the BNGC is included in the annual report, outlining the functions and responsibilities of the Committee.
A.7.6	Terms of reference for nomination committee are set out in schedule E of the code	The Committee operates in accordance with the Board-approved Terms of Reference.
A.8	Re-Election The Code requires all Directors	to submit themselves for re-election, at regular intervals and at least once every three years.
A.8.1 & A.8.2	Re-election of Non-Executive Directors including Chairman and Directors	The procedure adopted by the Company to re-elect by rotation is in compliance with Articles 85 & 86 of the Articles of Association. In accordance with articles, at least one-third of the Directors retire at the AGM or if their number is not a multiple of three (3), rounded up to the nearest whole number shall retire from office.
A.8.3	Resignation of a director	In the event of resignation before completing the term, the Director must inform the Board in writing, providing the reasons for resignation. There were no resignations to the Board during the year under review.
A.9	Appraisal of Board Performance The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.	
A.9.1	Annual appraisal of the Board's performance and the performance of its Sub - Committees.	The Board has established a formal and rigorous process for the annual review of its performance and that of its committees. This process ensures that the Board and its committees operate effectively, identify areas for improvement, and align with best practices in corporate governance. The review includes self-assessments, feedback from Directors, and evaluation against established performance criteria.
A.9.2	Annual Self evaluation of the performance of the Board	The Chairman and the Board of Directors evaluate the Board's performance. The Board Subcommittees carry out a self-assessment process annually to ensure they function effectively and efficiently to facilitate continuous improvement and align with good governance. The summary of the Board self-assessment and Board sub-committees assessments will be tabled at the Board Meeting.

Code of Best Practice Reference	Requirement	Compliance Status of the Company
A.9.3	A process to review the participation, contribution and engagement of each director at the time of re-election.	The Board has a process in place to review each Director's participation, contribution, and engagement at the time of re-election. This includes assessing attendance, involvement in discussions, committee contributions, peer feedback, and relevant skills. Directors also complete self-assessments to ensure alignment with the Board's objectives.
A.9.4	Disclosure of criteria used for performance evaluation	The Board's performance evaluations are conducted by way of a questionnaire, and a summary of the results will be presented to the Board for their information. The Company Secretary and the Board subcommittee secretaries submit the self-evaluation questionnaire to each director and obtain their individual responses. A summary of the responses is submitted to the Board for further action if deemed necessary.
A.10	Disclosure of Information In Respect of Directors The Code requires that details of directors be disclosed in the Annual Report for information of the shareholders.	
A.10.1	Disclosures on Directors in the Annual Report	The following details pertaining to each director are disclosed in the Annual Report (a) Brief profile with expertise and experience - pages 28 to 31 (b) Other business interests - pages 141 to 146 (c) Remuneration - Note 44.3.1 on page 319 (D) Details of Board Meetings and Board Committee Meetings held during the year - page 134.
A.11	Appraisal of CEO The Code requires the Board to assess the performance of the CEO at least annually to ascertain the degree to which the CEO met the pre-set financial and non-financial targets.	
A.11.1 & A.11.2	Setting annual targets and the appraisal of the performance of the CEO	At the beginning of each financial year, the Board discusses the 5-year rolling budget with the CEO to be achieved by the CEO within the course of that year. Assessment of the performance of the CEO is carried out by the Board on an ongoing basis to ensure that the performance of the Company is achieved.
B.	Directors' Remuneration	
B.1	Remuneration Procedure This principle ensures that the Company has a well-established formal and transparent procedure in place for developing an effective remuneration policy to avoid potential conflict of interest.	
B.2	Board Human Resources & Remuneration Committee [BHRRC] The code requires a level and makeup of remuneration of both executive and non-executive directors that should be sufficient to attract and retain the directors needed to run the company successfully.	
B.2.1	Establishment of a Remuneration Committee	As per the Remuneration Policy & Terms of Reference. The Company has a BHRRC which has the power to evaluate, assess, and decide matters that may affect the Human Resources Management of the Company.
B.2.2	Composition of the Remuneration Committee	As per the Terms of Reference As prescribed in this code, all members of the BHRRC are Non-Executive Directors, and the Chairman of the Committee is appointed by the Board.
B.2.3	Remuneration of executive directors & senior management and access to professional advice when discharging their duties	As per the Terms of Reference. The Board Chairman is a member of the BHRRC and the Committee decides the remuneration of the CEO and the Senior Management. Additionally, the Committee has access to professional advice, both internal and external, to effectively discharge its responsibilities.

Compliance Status of Corporate Governance Principles

Code of Best Practice Reference	Requirement	Compliance Status of the Company
B.2.4 & B.2.5	Remuneration packages of Executive Directors	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Directors and Senior Management are decided by the BHRRC.
B.2.6	Comparison of remuneration with other companies in the industry	As per the Remuneration Policy & Terms of Reference. The BHRRC, when necessary, reviews the Company's remuneration structure in comparison to industry standards.
B.2.7	Sensitivity to remuneration and employment conditions	As per the Remuneration Policy & Terms of Reference. The BHRRC considers the remuneration and employment conditions of employees within the Company when determining annual salary increases. Individual remuneration details are strictly confidential.
B.2.8	Designing the performance-related remuneration of Chief Executive and Executive Directors	As per the Remuneration Policy & Terms of Reference. The remuneration of the CEO and the Senior Management will be based on the performance.
B.2.9	Executive Share Options	No Executive Share Options were granted during the year.
B.2.10	Designing the performance-related remuneration	As per the Terms of Reference. All increments and incentives will be based on the performance.
B.2.11 & B.2.12	Early termination of Executive Directors	As per the Remuneration Policy & Terms of Reference. This is in line with the contract of appointment.
B.2.13 & B.2.14	Levels of remuneration of Non-Executive Directors	Allowances are decided in terms of the Remuneration Policy.
B.2.15	The chairman and members of the remuneration committee should be listed in the annual report each year.	The details of the members are provided in the BHRRC report in the Annual Report. Please refer BHRRC report on Pages 149 to 150.
B.2.16	Terms of reference for remuneration committee	The Board approved Terms of References is in Place.
B.3	Disclosure of Remuneration The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.	
B.3.1 B.3.2	Disclosures in the Annual report	The details of the members, scope, number of meetings held during the year, etc. are given in the BHRRC report on pages 149 to 150 of the Annual Report. Please refer Note 44.3.1 to the Financial Statements for the aggregate remuneration paid to Directors.

Code of Best Practice Reference	Requirement	Compliance Status of the Company
C.	Relations With Shareholders	
C.	C.1 Constructive Use of Annual General Meeting (AGM) And Conduct of General Meetings The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation.	
C.1.1	Notice of the AGM	The Company gives the required notice period for the AGM, which is held annually.
C.1.2	A separate resolution at the AGM on each substantially separate issue and adoption of Annual Report Accounts.	Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance, and the Financial Statements together with the Report of the Auditors thereon are considered separately.
C.1.3	Proxy Votes	The Proxy Votes including Major Shareholders are being duly taken into consideration
C.1.4	Availability of Board Subcommittee Chairpersons.	The Board Subcommittee Chairpersons, who are the Board of Directors of the Company, are available at the AGM, to answer any questions raised at the AGM.
C.1.5	Adequate Notice of AGM to shareholders together with a summary of the procedure governing voting.	Notice of the Meeting along with the Proxy Form detailing summary of the procedure governing voting are being dispatched to the Shareholder within the stipulated time line.
C.2	Communication With Shareholders The Code requires effective communication with shareholders.	
C.2.1	Channel to reach all shareholders of the Company	A Board approved Policy on Relations with Shareholders and Investors is in place which covers the requirements
C.2.2	Policy and methodology for communication	
C.2.3	Implementation of the policy and methodology for communication with shareholders	
C.2.4	Contact person in relation to shareholder matters	
C.2.5 & C.2.6	Process to make all directors aware of major issues and concerns of shareholders	
C.2.7	Process responding to shareholder matters	
C.3	Major and Material Transactions The Code requires the Directors to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company if entered into.	
C.3.1	Disclosures on proposed major, transactions	No such occurrences during the period under review
C.3.2	Provisions of the Companies Act 07 of 2007 for Limited Liability Companies	No such occurrences during the period under review
C.3.3	Disclosure Requirements	No such occurrences during the period under review

Compliance Status of Corporate Governance Principles

Code of Best Practice Reference	Requirement	Compliance Status of the Company
D.	Accountability and Audit	
D.1	Financial Reporting This Principle requires the Board of the Company to present a balanced and understandable assessment of the company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	
D.1.1	Financial and Business Reporting (Annual Report)	Refer pages 192 to 285
D.1.2	Board's Responsibility for Statutory and Regulatory Reporting	Refer page 193
D.1.3	Declaration on the level of compliance and accurateness of the Financial Statements	Refer pages 294 to 320
D.1.4	Declarations by Directors in the Directors' Report	Please refer the Annual Report of the Board of Directors on the state of affairs of the Company on pages 141 to 145.
D.1.5	Statements by Directors' and Auditors' on responsibility for financial reporting	Please refer page 193
D.1.6	Management Discussion and Analysis	Please refer page 78
D.1.7	Requirement to Summon an Extraordinary General Meeting (EGM) to notify serious loss in net assets (capital)	Not applicable & No such event occurred during the financial year.
D.1.8	Declaration by Board on Related Party Transactions	The Company complies and Internal controls are being placed to identify, record, and disclose related party transactions. All Related Party Transactions as defined in Sri Lanka Accounting Standards- LKAS 24 (Related Party Transactions) are disclosed in Note 43 to the Audited Financial Statements.
D.2	Risk Management and Internal Control The Code requires the Company's Board to establish a policy for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and ensure that an effective system of internal controls, which safeguards the Company's assets to protect the interest of shareholders is in place.	
D.2.1	Risk Management Framework	Please refer the Integrated Risk Management Report on Pages 162 to 187 for detailed information.
D.2.1.1	Robust assessment of principle risks	Please refer the Integrated Risk Management Report on Pages 162 to 187 for detailed information.
D.2.1.2	Disclosure of Risk Management Framework in the Annual Report	Please refer - the report of the Board Integrated Risk Management Committee on Pages 162 to 187. - Integrated Risk Management Report on Pages 162 to 187. - Notes to the Financial Statements on Risk Management on Pages 270 to 284.

Code of Best Practice Reference	Requirement	Compliance Status of the Company
D.2.1.3	Establishment of Risk Management Committee	The Board Integrated Risk Management Committee (BIRMC) has been established by the Board of Directors in accordance with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance.
D.2.1.4	Consideration of regulatory requirements and sector/ industry specific business risks	The Company has established an independent risk management function responsible for managing risk taking activities within its ordinary course of business across the Company. The Company has established an independent Compliance Function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on the business operations.
D.2.1.5	Composition on the BIRMC	During FY2024/25, the BIRMC consisted of 4 Non-Executive Directors, majority being Independent. Please refer the Report of the Board Integrated Risk Management Committee on Page 158 for more information.
D.2.1.6	TOR of the BIRMC	The Board approved, BIRMC Charter and the ToR explicitly defines the membership, authority, duties, and responsibilities of the Committee.
D.2.1.7	Report of the BIRMC	BIRMC plays a key role in supporting the Board of Directors to ensure the financial viability and sustainability of the Company by regularly evaluating a broad range of risks associated with SDF's business operations and verifies the adequacy and effectiveness of the Risk Management Framework in place.
D.2.1.8	Composition, scope, roles and responsibilities of the risk committee and guidance on establishing a risk management framework	Please refer the Report of the Board Integrated Risk Management Committee on Pages 158 to 159 for more information.
D.2.2	Design of the Internal Control system	Refer the three lines of defense mechanism mentioned in the integrated risk management report where the first line of defense is held responsible for designing internal controls.
D.2.2.1	Effectiveness of the Internal Control System	Effectiveness of the Internal Controls is tested by the second and third line of defenses and corrective measures are been taken accordingly.
D.2.2.2	Internal Control function	There is an in-house Internal Audit Department.
D.2.2.3 D.2.2.4	Reviewing the process of Internal Control and Sound system of Internal Control	The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting.
D.3	Audit Committee The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting, internal control principles and risk management, ensure compliance with laws and regulations and ensuring the independence of the company's auditors.	
D.3.1	Composition of the Audit Committee	Report on Board Audit Committee, Page 151.
D.3.2	Terms of Reference of the Audit Committee	Report on Board Audit Committee, Page 151.
D.3.3	Report by the Audit Committee	Report of the Board Audit Committee, Pages 151 to 154.

Compliance Status of Corporate Governance Principles

Code of Best Practice Reference	Requirement	Compliance Status of the Company
D.4	Risk Committee The board should establish a procedure for risk management including how they determine risk culture, risk appetite, risk identification and classification, rating and management of risk.	
D.4.1	Composition of BIRMC	Please refer the update mentioned under D.2.1.5
D.4.2	Terms of Reference of the Committee	Please refer the update mentioned under D.2.1.6
D.4.3	BIRMC Meetings	In accordance with the Finance Business Act Directions No. 5 of 2021 on Corporate Governance, the regulatory requirement stipulates that BIRMC meetings be held once every two months, given the Company's asset base exceeding Rs. 20 billion. However, in line with current practice and the Company's rapid growth, the Committee convenes monthly, recognizing the importance of frequent meetings to effectively address the dynamic and changing risk landscape. Please refer the Report of the Board Integrated Risk Management Committee on Pages 157 to 159 for more information.
D.4.4	Seeking External Professional advice	Based on the requirement, Committee shall seek for external professional advice upon the Company's policy on Seeking Independent Professional Advice by the Board of Directors.
D.4.5	Disclosures made in the Annual Report	Please refer the update mentioned under D.2.1.2
D.5	Related Party Transactions Review Committee The board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	
D.5.1	Related Parties and Related Party Transactions	The Board approved sub committee, Related Party Transactions Review Committee [RPTRC] has been established to review related party transactions of the Company. Refer the report on Related Party Transaction Review Committee on pages 155 to 156.
D.5.2	Composition of RPTRC	The Committee comprises of Mr Amrit CanagaRetna, Mr Channa de Silva (Chairman of the Board) and Mr Dhammika Ganegama. Refer the report on Related Party Transaction Review Committee on page 155.
D.5.3	The TOR of the Committee	The Committee is governed by the Board approved Terms of References.
D.6	Code of Business Conduct and Ethics The Code requires the Company to adopt an internal Code of Conduct and Ethics to be adhered to by all directors, members of the senior management of the Company, and all other employees including but not limited to dealing with shares of the company; compliance with listing rules; bribery and corruption; and confidentiality, encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance.	
D.6.1	Disclosures on the Code of Business Conduct and Ethics, whistle-blowing policy, Anti-bribery and corruption policy	At Sarvodaya Development Finance PLC (SDF), integrity, accountability, and ethical behavior are the cornerstones of our corporate culture. In line with this commitment, SDF has established a comprehensive Code of Conduct and Ethics that serves as a guiding framework for all employees, including Key Responsible Persons (KRPs), in the discharge of their professional duties. The Code outlines the standards and expectations for ethical behavior, regulatory compliance, and good governance across all levels of the organization.

Code of Best Practice Reference	Requirement	Compliance Status of the Company
D.6.2	Reporting of material and price sensitive information	<p>Sarvodaya Development Finance PLC is fully committed to maintaining transparency, fairness, and compliance in its communication with shareholders, investors, regulators, and the public. In line with this commitment, the Company adheres strictly to the timely and accurate disclosure of all material and price sensitive information in accordance with applicable laws, regulations, and regulatory guidelines.</p> <p>As outlined in the Company's Code of Conduct and Ethics, all employees, especially those in positions of responsibility, are expected to handle sensitive information with the utmost integrity and confidentiality.</p>
D.6.3	Policy on trading of shares by Directors, KRPs, and Employees	The board approved policy on Trading in the Entity's Listed Securities describe the same.
D.6.4	Whistle-blowing procedure	Sarvodaya Development Finance PLC (SDF) is committed to upholding the highest standards of ethical conduct, integrity, and accountability in all aspects of its operations. As part of this commitment, the Company has established a robust Whistle-Blowing Procedure, as outlined in the Code of Conduct and Ethics, to encourage employees and stakeholders to report any concerns about unethical, illegal, or questionable conduct in good faith.
D.6.5	Training on Code of Conduct and Ethics	Sarvodaya Development Finance PLC (SDF) recognizes that fostering a culture of ethical behavior and compliance begins with awareness and education. To ensure that all employees understand and internalize the principles outlined in the Code of Conduct and Ethics, the Company has implemented a structured training and communication program. Through mandatory induction training and ongoing awareness programs SDF ensures that all employees are familiar with the Company's expectations regarding ethical behavior from the outset. As part of their commitment to ethical behavior, all employees are required to acknowledge their understanding of and compliance with the Code through a formal declaration.
D.6.6	Dissemination of the policy	Sarvodaya Development Finance PLC (SDF) is committed to ensuring that its Code of Conduct and Ethics is effectively communicated and understood by all employees, including Key Responsible Persons (KRPs). The dissemination of the Code is a critical step in reinforcing a culture of integrity, accountability, and ethical behavior across the organization.
D.6.7	Affirmative Statement by the Chairman	Refer Chairman's message in pages 19 to 22.
D.7	Corporate Governance Disclosures Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, the Central Bank of Sri Lanka (CBSL) Finance Business Act Directions No. 05 of 2021 on Corporate Governance and Section 9 of the Listing rules of the Colombo Stock Exchange on Corporate Governance.	
D.7.1	Annual Corporate Governance Report in the Annual Report	Corporate Governance report is given on pages 294 to 331 in the Annual Report.

Compliance Status of Corporate Governance Principles

Code of Best Practice Reference	Requirement	Compliance Status of the Company
Section 2 : Shareholders		
E.	Institutional Investors	
E.1	Shareholder Voting	
E.1.1	Communication with shareholders	Company complies as per the Policy on Relations with Shareholders and Investors
E.2	Evaluation of Governance Disclosures The Code requires the Company to encourage institutional investors to give due weight to all relevant factors drawn to their attention.	
E.2.	Encourages Institutional Investors to give due weight to relevant governance arrangements	Refer Board approved Policy on Relations with Shareholders and Investors.
F.	Other Investors;	
F.1	Investing/Divesting Decision	
F.1	Seek independent advice in investing or divesting decisions.	The Board seeks independent advice in investing or divesting decisions whenever needed.
F.2	Shareholder Voting	
F.2	Encourage voting by Individual Investors in general meetings	At the AGM shareholders are encourage to voting as individual investors.
Section 3 : Other Matters		
G.	Internet of Things and Cybersecurity	
G.1	Identify connectivity and related cyber risks	Information and cyber security are considered a key priority by the Board of Directors and Management. In pursuit of an elevated security posture, initiatives have been undertaken to recruit industry expertise. Progress is assessed through regular weekly and monthly reviews. Furthermore, ongoing educational programs are provided for both staff and Management. A detailed assessment was conducted to identify potential threats to the organization
G.2	Appoint a CISO and allocate budget to implement a cyber- security policy	In parallel with on-boarding required staff, SDF has engaged a professional service provider to enhance the company's information security. Furthermore, budget provisioning has been completed to implement necessary technological solutions and maintain a technological advantage.
G.3	Include cyber risk management on Board agenda	Cyber security progress is assessed as part of the monthly board meetings, and additional review meetings are also held.
G.4	Obtain periodic assurance to review effectiveness of cyber- security Risk Management	Information/cyber security is a primary concern of the Information Security Committee, while the IT Board Sub-Committee overlooks the functional aspects and progress of related initiatives. At a higher level, the Board monitors these cyber security initiatives on a monthly basis.
G.5	Disclosures in the Annual Report	Integrated Risk Management report, Page 159.

Code of Best Practice Reference	Requirement	Compliance Status of the Company
H.	Sustainability: ESG Risk and Opportunities Sustainability is a business approach that creates long-term stakeholder value. It focuses on managing risks arising from economic, environmental, and social aspects. Sustainability reporting aims towards the goals of sustainable development in the context of business strategy and activities.	
H.1	ESG Risk and Opportunities	SDF identifies ESG risks and opportunities by aligning its operations with the Sustainable Development Goals (SDGs), ensuring that its financial services contribute positively to society and the environment. To further institutionalize this commitment, the company has established an ESG Risk Management Policy, which was approved by the Board Integrated Risk Management Committee (BIRMC) on 25.10.2024 and subsequently endorsed by the Board of Directors on 30.10.2024. This policy provides a structured approach to identifying, assessing, and managing environmental, social, and governance risks across the organization.
H.1.1	Impact of ESG risks and opportunities	<p>The impact of ESG risks is systematically assessed through a structured framework, enabling the company to proactively identify, evaluate, and manage potential risks and opportunities. This framework aligns with local financial sector regulations, including directives issued by the Central Bank of Sri Lanka (CBSL).</p> <p>SDF applies an Exclusion List in line with the guidelines, avoiding financing for sectors considered harmful to society and the environment; such as alcohol, weapons, gambling, animal slaughter, and other ethically sensitive industries.</p>
H.2	Views of stakeholders	<p>SDF values the views of its stakeholders and considers their input important for responsible and sustainable decision-making. Key stakeholders include customers, employees, investors, regulators, community members, and business partners.</p> <p>SDF regularly engages with stakeholders through meetings, feedback channels, and community initiatives. These interactions help the company understand their expectations, concerns, and suggestions related to environmental, social, and governance (ESG) matters.</p> <p>Stakeholder feedback is used to improve services, manage ESG risks, and align business practices with sustainability goals. It also supports transparency and strengthens trust between the company and its stakeholders.</p>
H.2.1	Process to recognize significant stakeholders	<p>SDF follows a structured process to identify and prioritise significant stakeholders based on their influence on the business and the impact the business has on them.</p> <p>Key criteria used to recognize significant stakeholders include:</p> <ul style="list-style-type: none"> - Level of influence on SDF's strategic direction and operations - Dependency on SDF's services or outcomes - Potential impact of SDF's activities on the stakeholder group - Legal, regulatory, or ethical obligations - Alignment with long-term sustainability goals <p>Stakeholder mapping is periodically reviewed and updated through cross-functional discussions, feedback analysis, and market developments.</p>

Compliance Status of Corporate Governance Principles

Code of Best Practice Reference	Requirement	Compliance Status of the Company
H.3	Governance Framework and structure which includes conformance, performance and sustainability/ESG factors.	<p>The ESG governance structure promotes transparency, risk management, and long-term value creation for stakeholders.</p> <p>Key elements of the ESG governance framework include:</p> <ul style="list-style-type: none"> - Management structure for ESG management *Board of Directors: 7 members *Board Integrated Risk Management Committee (BIRMC): 4 members *Management Sustainability Committee: 10 members - ESG oversight by the Board Integrated Risk Management Committee (BIRMC) - Integration of ESG risk assessments into strategic planning - Monitoring of ESG performance <p>This governance framework operates in accordance with the company Sustainability - Terms of Reference (ToR) and is reinforced through regular Sustainability Committee meetings. This integrated approach helps SDF align its business practices with national regulations, global standards, and stakeholder expectations while maintaining financial strength and social impact.</p>
H.3.1	Sustainability factors	<p>SDF integrates key sustainability factors into its overall governance and business strategy to promote long-term value creation while addressing ESG responsibilities.</p> <p>Through continuous monitoring and stakeholder engagement, these sustainability factors are embedded into policies, risk assessments, and operational decisions, enabling SDF to contribute meaningfully to national development goals and global sustainability targets.</p>
H.3.1.1	Environmental Governance	<p>GRI 2-27, 302, 305</p> <p>The company integrates environmental considerations into its decision-making and operational processes, supporting responsible financing and resource use. SDF promotes green financing solutions, assesses environmental risks in lending, and complies with applicable environmental regulations. Environmental impact areas such as energy use, emissions, and resource efficiency are monitored in line with relevant GRIs.</p> <p>Through board-level oversight and policy implementation, SDF ensures that environmental governance supports both national sustainability goals and global climate objectives.</p>
H.3.1.2	Social Governance Relationship with Community Relationship with customers Labour practice Governance Suppliers and outsourced providers	<p>GRI 401-404, 413, 414, 418,</p> <p>SDF upholds strong social governance by fostering ethical, inclusive, and community-focused practices across all stakeholder relationships.</p> <ul style="list-style-type: none"> - Relationship with the Community <p>SDF is deeply rooted in community development, providing access to finance for underserved populations and supporting socio-economic upliftment through partnerships and grassroots initiatives.</p> <ul style="list-style-type: none"> - Relationship with Customers <p>The company is committed to customer-centric services, financial literacy, and fair treatment. Regular feedback mechanisms ensure continuous improvement in service quality and customer satisfaction.</p>

Code of Best Practice Reference	Requirement	Compliance Status of the Company
		<p>- Labour Practice Governance</p> <p>SDF promotes fair labour practices, equal opportunity, employee well-being, and continuous development. The company complies with labour laws and standards, maintaining a safe and inclusive workplace.</p> <p>- Suppliers and Outsourced Providers</p> <p>SDF engages with suppliers and outsourced partners who align with its ethical and ESG standards. Responsible sourcing, due diligence, and sustainability criteria are integrated into procurement practices.</p>
H.4	Establishment of a governance structure to support ESG factors	<p>The ESG governance structure is anchored by the Board of Directors and the Board Integrated Risk Management Committee (BIRMC), which provide oversight on ESG risks and opportunities. Key policies, including the Sustainable Development Policy and ESG Risk Management Policy, guide the organization's sustainability approach, ensuring alignment with national regulations and global best practices.</p> <p>Dedicated personnels are responsible for identifying, assessing, and managing ESG impacts across the organisation, reinforcing accountability and long-term stakeholder value creation.</p>
H.4.1	Recognition of Key resources/ Capital	<p>SDF recognises a broad range of capitals that contribute to sustainable value creation. These include:</p> <ul style="list-style-type: none"> - Financial Capital – Funds and investments that support operations and growth - Human Capital – Skills, experience, and well-being of employees - Social and Relationship Capital – Trust-based relationships with communities, customers, and partners - Intellectual Capital – Knowledge, systems, and innovation that drive service excellence - Natural Capital – Environmental resources that SDF seeks to protect through responsible finance - Manufactured Capital – Physical infrastructure and technology enabling service delivery
H.4.2	Process in ascertaining, assessing and managing ESG factors	<p>1. Identification</p> <p>ESG risks and opportunities are identified through engagement with stakeholders, alignment with regulatory requirements (including CBSL guidelines), and review of industry trends and internal operations.</p> <p>2. Assessment</p> <p>Identified ESG factors are assessed based on their potential impact on the business and stakeholders. This includes both qualitative and quantitative analysis, guided by the company's ESG Risk Management Policy.</p> <p>3. Management</p> <p>ESG risks are integrated into the enterprise risk management framework. Mitigation strategies include policy implementation, capacity building, responsible lending practices, and ongoing monitoring of ESG performance.</p>

Compliance Status of Corporate Governance Principles

Code of Best Practice Reference	Requirement	Compliance Status of the Company
H.4.3	Establishment of Financial and non-financial measures	<p>- Financial Measures include profitability, portfolio quality, capital adequacy, and cost efficiency to ensure financial resilience and growth.</p> <p>- Non-Financial Measures track ESG performance such as carbon footprint, social outreach, customer satisfaction, employee engagement, and community impact.</p>
H.5	Disclose ESG Risks and opportunities	<p>SDF upholds a strong commitment to the transparent disclosure of ESG risks and opportunities. This ensures that all stakeholders receive accurate and timely information on the company's sustainability-related performance and risk management.</p> <p>All disclosures comply with applicable regulatory frameworks, including guidelines issued by the Central Bank of Sri Lanka, and adhere to recognized global reporting standards.</p> <p>This approach reinforces accountability, supports stakeholder confidence, and underpins the integration of ESG considerations into the company's long-term business strategy.</p>
H.5.1. - H.5.4	ESG Reporting	<p>- GRI Alignment: SDF's ESG disclosures cover material topics relevant to its business and stakeholders, including economic performance, environmental impact, social responsibility, and governance practices. The reporting follows GRI's modular structure to provide consistent, comparable, and balanced information.</p> <p>- Integrated Reporting (IR): SDF's ESG reporting is integrated within its overall corporate reporting, highlighting the interconnectedness of financial and non-financial capitals.</p> <p>This approach governs the company's ESG factors influence value creation over time, aligning with the IR principles of strategic focus, connectivity of information, and stakeholder responsiveness.</p>
I.	Special Considerations for Listed Entities	
I.1	Establishment and Maintenance Of Policies	All Policies are in place as required by the code.
I.1	Establishment and maintenance of Policies and other requirements	All Policies are in place as required by the code.
I.1.1	Establishment of policies	
I.1.2	Disclosure in the Annual Report regarding any waivers from compliance with the internal code of business conduct and ethics	Not applicable for the Company

Code of Best Practice Reference	Requirement	Compliance Status of the Company
I.1.3	Disclosure in the Annual Report	<p>The following policies are published in the Company website,</p> <ul style="list-style-type: none"> ⦿ Policy on the matters relating to the Board of Directors ⦿ Policy on Board Subcommittees ⦿ Policy on Selection, Nomination, Election, Appointment and Resignation of Directors ⦿ Policy on Remuneration ⦿ Policy on Internal Code of Business Conduct and Ethics for <ul style="list-style-type: none"> - Directors - Policy on Employee Code of Conduct ⦿ Policy on Risk management and Internal controls <ul style="list-style-type: none"> - Integrated Risk Management Policy and Framework - Credit Risk Management Policy - Operational Risk Management Policy and Framework ⦿ Policy on Relations with Shareholders and Investors ⦿ Policy on Environmental, Social and Governance Sustainability ⦿ Policy on Control and Management of Company Assets and Shareholder Investments ⦿ Policy on Corporate Disclosures ⦿ Policy on Whistleblowing ⦿ Policy on Anti-Bribery and Corruption
I.1.4	Availability of policies to shareholders upon a written request	Upon written request, a copy of the policy will be furnished to the shareholder.
I.2	Policy on Matters Relating to the Board of Directors	
I.2.1	Establishing policies relating to the Board of Directors	Policy on the matters relating to the Board of Directors is in place.
I.2.2	Confirming compliance with the requirements of the policy in the annual report	The relevant disclosures / publications are made in the annual report in compliance with the requirements of the said policy.

GRI Content Index with Reference

Statement of use Sarvodaya Development Finance PLC has reported for the period April 1st, 2023 to March 31st 2024 with reference to the GRI Standards.

GRI 1 used GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Page Number
General disclosures		
GRI 2: General Disclosures 2021		
	2-1 Organizational details	8
	2-2 Entities included in the organization's sustainability reporting	7
	2-3 Reporting period, frequency and contact point	7
	2-4 Restatements of information	7 & 49
	2-5 External assurance	7
	2-6 Activities, value chain and other business relationships	8
	2-7 Employees	110
	2-8 Workers who are not employees	110
	2-9 Governance structure and composition	129, 130 & 134
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Glossary

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis

Recognizing 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

Recognizing 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.

Capital Funds

Shareholders' funds net of statutory reserves

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.

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.

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 Net Income Ratio

The operating expenses, including tax on financial services but excluding the impairment (charge)/reversal

for loans and other losses, expressed 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.

De recognition

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

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.

Efficiency Ratio

Operating expenses expressed as a percentage of income; interest income plus other income

Eligible Deposits

Customer Deposits after deducting for loans outstanding balances taken against the security of deposits and deposits balances of directors and KMPs.

Glossary

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.

Funding Mix

The total of shareholders' funds, customer deposits and borrowings from banks and other institutions

G

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Gross NPA Ratio

The total of the non-performing loans and receivables and non-performing Lease Rentals Receivables expressed as a percentage of the total of average loans and receivables and average Lease Rentals Receivables portfolio. In calculating gross NPA ratio the age of the re-schedule contracts are calculated based on post re-schedulement age.

Gross NPA Ratio (with reschedulements)

The total of the non-performing loans and lease receivables expressed as a percentage of average loans and lease receivables portfolio. In calculating gross NPA ratio, the age of the rescheduled contracts are calculated based on the pre and post rescheduled age.

Gross Portfolio

The total of rental installments outstanding and the un-due capital receivable of the advances granted to customers under leasing, loans and other 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 Company 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 difference between the average interest rate earned on the interest earning assets and the average interest rate paid on the interest bearing liabilities.

Impairment Allowance for Loans and Other Losses

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

Lending

Lending represents the disbursements of the Company during the year under review

Lending Base

This represents Loans and Lease Receivables of the Company

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.

Liquidity 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 intends to sell immediately or in the near term and designated as fair value through profit or loss or available 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 NPA Ratio

The total of non-performing loans and lease receivables net of accumulated impairment charge expressed as a percentage of average loans and lease receivables portfolio net of impairment charge. In calculating net NPA ratio, the age of the rescheduled contracts are calculated based on the post rescheduled age.

Net NPA Ratio (with reschedulings)

The total of non-performing loans and lease receivables net of accumulated impairment charge expressed as a percentage of average loans and lease receivables portfolio net of impairment charge. In calculating net NPA ratio, the age of the rescheduled contracts are calculated based on the pre and post rescheduled age.

Net Portfolio

The total of rental installments outstanding and the un-due capital receivable of the advances granted to customers under leasing, loans and other facilities net of impairment charge for loans and other losses.

Non-performing Advances

Rentals receivables in arrears equals to six rentals or more than six rentals have been categorised as non-performing.

NPA to Assets

The total of non-performing loans and lease receivables expressed as a percentage of average total asset

I**Operational Risk**

The risk of loss incurring from inadequate or failed internal processes, people and systems or from external events.

Operating Expense Ratio (Opex Ratio)

Operating expenses expressed as a percentage of average of gross loan portfolio

P**Parent**

An entity that controls one or more subsidiaries.

Portfolio Yield

Interest earned on loans and lease receivables expressed as a percentage of average gross loans and lease 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 loans and other losses expressed as a percentage of the total of non-performing loans and lease receivables before discounting for allowance for impairment charge on non-performing loans and lease 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.

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

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 Addition**

Value of wealth created by providing leasing and other related services considering the cost of providing such services.

List of Abbreviations

AFS	Available for Sale
AGM	Annual General Meeting
ALCO	Assets and Liabilities Management Committee
AM	Acting Manager
ASPI	All Share Price Index
ATM	Automated Teller Machine
AWDR	Average-Weighted Deposit Rate
AWFDR	Average-Weighted Fixed Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
BN	Billion
BOD	Board of Directors
CAR	Capital Adequacy Ratio
CBSL	Central Bank of Sri Lanka
CDS	Central Depository System
CDM	Cash Deposit Machine
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRM	Customer Relationship Management
CSC	Customer Service Centres
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
EIR	Effective Interest Rate
EPF	Employees' Provident Fund
EPS	Earnings per Share
ERP	Enterprise Resource Planning
ESC	Economic Service Charge
ETF	Employees' Trust Fund
FVTPL	Fair Value through Profit or Loss
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HFT	Held for Trading
HODs	Head of Departments
HTM	Held to Maturity
ICASL	The Institute of Chartered Accountants of Sri Lanka
IFA	Investment Fund Account
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
IRMC	Integrated Risk Management Committee
ISO	International Standard Organisation
IT	Information Technology
KMP	Key Management Personnel

KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
L&R	Loans and Receivables
LRA	Lanka Rating Agency
LCB	Licensed Commercial Bank
LFC	Licensed Finance Company
LKAS	Lanka Accounting Standards
LKR	Sri Lankan Rupees
LTV	Loan to Value
MN	Million
M3	Cubic Meter
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NBFI	Non-Bank Financial Institutions
NBT	Nation Building Tax
NPA	Non-Performing Advances
NII	Net Interest Income
NIM	Net Interest Margin
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
PAT	Profit after Tax
PAYE	Pay As You Earn
PER	Price Earnings Ratio
PLC	Public Limited Company
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
SDF	Sarvodaya Development Finance PLC
SEC	Securities and Exchange Commission
SLC	Specialised Leasing Company
SLA	Statutory Liquid Assets
SLAR	Statutory Liquid Asset Ratio
SLAS	Sri Lanka Accounting Standard
SLFRS	Sri Lanka Financial Reporting Standard
SLIPS	Sri Lanka Inter-Bank Payment System
SME	Small and Medium Enterprises
SSS	Sarvodaya Shramadana Society
UOM	Unit of Measurement
USD	US Dollar
VAR	Value at Risk
VAT	Value Added Tax
WHT	Withholding Tax

Theme Song of SDF

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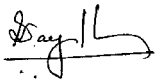
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ගායනය - අමරසිරි පීරිස්

Notice of Meeting

NOTICE IS HEREBY GIVEN that the fifteenth (15th) Annual General Meeting of Sarvodaya Development Finance PLC will be held on Wednesday, 25th June, 2025 at the Miyamoto Hall, Sarvodaya Development Finance PLC, No 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka at 11.00 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2025 and the Report of the Auditors thereon.
2. To re-elect Ms Shehara de Silva, who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr Senthil Nandhanan Senthilveri, who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company.
4. To elect as a Director, Ms Suranjani Wickremaratne, who retires in terms of Article 92 of the Articles of Association of the Company.
5. To re-appoint M/s Deloitte Associates, Chartered Accountants as the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine donations for the year ending 31st March 2026 and up to the date of the next Annual General Meeting.

By Order of the Board



Shiromi Patabendige

Company Secretary

28 May 2025

At Colombo

Note:

A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The completed form of Proxy should be deposited at the Registered Office of the Company, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

Corporate Information

Name of the Company

Sarvodaya Development Finance PLC

Legal Form

- Public Quoted Company Incorporated in Sri Lanka under the Companies Act No. 7 of 2007.
- A Licensed Finance Company under the Finance Business Act No. 42 of 2011.
- A registered Finance Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000.
- The Company was admitted to the official List of the Colombo Stock Exchange on 14 December 2021.

Principal Activities

The Company provides a comprehensive range of financial services encompassing Acceptance of Fixed Deposits, Savings, Providing Finance Lease, SME Loans, Gold Loans, Personal Loans, Other Credit Facilities, Digital Financial Services and Value-Added Services.

Company Registration Number

- PB 3795 (Before Listing)
- PQ 00251293

Central Bank Registration Number

047

Tax Payer Identity Number (TIN)

134037954

Registered Office & Head Office

No. 155/A,
Dr. Danister De Silva Mawatha,
Colombo 08,
Sri Lanka.
Telephone No.: +94 11 5 444 666
E-mail: info@sdf.lk
Website: www.sarvodayafinance.lk

Accounting Year-End

31st March

No. of Branches

56

Countries of Operations

Sri Lanka

Credit Rating

Lanka Ratings (SL) BB+ Stable

Board of Directors

- Mr. Channa de Silva - Chairman/Non-Executive, Non-Independent Director
- Mr. Dhammika Ganegama - Senior Director/Non-Executive, Independent Director
- Mr. C Amrit CanagaRetna - Non-Executive, Independent Director
- Mr. Ramesh Schaffter - Non-Executive, Non-Independent Director
- Mr. Senthil Nandhanan Senthilverl - Non-Executive, Non-Independent Director
- Ms. Shehara De Silva - Non-Executive, Independent Director
- Ms. Suranjani Wickremaratne - Non-Executive, Independent Director

Board Sub-Committees Operating

- Board Audit Committee
- Board Integrated Risk Management Committee
- Board Governance & Nomination Committee
- Board Human Resources & Remuneration Committee
- Related Party Transactions Review Committee
- Board Credit Committee

Company Secretary

(Mrs) Shiromi Patabendige ACCS (SL)

External Auditors

M/s Deloitte Associates
Chartered Accountants
100 Braybrook Place
Colombo 02
Sri Lanka

Legal Advisers

- Nithya Partners
- D. L. & F. De Saram

Bankers

- Sampath Bank PLC
- National Development Bank PLC
- Hatton National Bank PLC
- Seylan Bank PLC
- Cargills Bank PLC
- People's Bank
- Bank of Ceylon
- Commercial Bank PLC
- Sanasa Development Bank PLC

Form of proxy

I/We* of
..... being a
shareholder / shareholders* of Sarvodaya Development Finance PLC hereby appoint:
..... of
..... or failing him /her*

Mr. Channa de Silva of Colombo 06,	whom failing
Mr. Dhammika Ganegama of Moratuwa,	whom failing
Mr. C Amrit CanagaRetna of Madiwela,	whom failing
Mr. Ramesh Schaffter of Nugegoda,	whom failing
Mr. S Nandhanan Senthilverl of Colombo 04,	whom failing
Ms. Shehara de Silva of Colombo 02,	whom failing
Ms. Suranjani Wickremeratne of Rajagiriya	

all of whom are members of the Board of Directors of Sarvodaya Development Finance PLC;

as my/our* Proxy to represent me/us* to speak and to vote on my/our* behalf at the Annual General Meeting of the Company to be held on Wednesday, 25th day of June 2025 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

(Please mark your preference with an "X")

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the Company for the year ended 31 March 2025	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Ms Shehara de Silva who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr Senthil Nandhanan Senthilverl who retires by rotation in terms of Article 85 of the Articles of Association, as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4) To elect as a Director, Ms Suranjani Wickremeratne, who retires in terms of Article 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint M/s Deloitte Associates, Chartered Accountants as the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorize the Directors to determine donations for the year ending 31st March 2026 and up to the date of the next Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our hands this day of Two Thousand and Twenty Five.

.....
Signature

Notes: 1. A Proxy need not be a shareholder of the Company
2. Instructions as to completion appear below.
* Please delete what is inapplicable.

Form of proxy

Instructions For Completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08, Sri Lanka 48 hours before the date of Annual General Meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. In the case of a Company/ Corporation, the Proxy must be executed in accordance with the Articles of Association/Statute.



SARVODAYA DEVELOPMENT FINANCE PLC

No. 155/A, Dr. Danister De Silva Mawatha, Colombo 08.

Telephone No : 011 5 444 666

E-mail: info@sdf.lk | Website: www.sarvodayafinance.lk