

# CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

Audited Financial Statements for the Year Ended 31<sup>st</sup> March 2024

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 <sup>st</sup> March	2024 Rs. '000	2023 Rs. '000
Revenue	23,893,966	21,561,194
Interest income	22,219,786	20,133,427
Less: Interest expense	13,126,771	12,577,615
<b>Net interest income</b>	<b>9,093,015</b>	<b>7,555,812</b>
Fee and commission income	240,497	242,615
Other operating income	1,433,683	1,185,752
<b>Total operating income</b>	<b>10,767,195</b>	<b>8,984,179</b>
Less: Impairment charges and other credit losses	740,916	811,118
<b>Net operating income</b>	<b>10,026,279</b>	<b>8,173,061</b>
Less: Operating expenses		
Personnel expenses	1,940,116	1,805,530
Premises, equipment and establishment expenses	2,901,290	2,733,067
Other expenses	585,573	533,906
<b>Total operating expenses</b>	<b>5,426,979</b>	<b>5,072,503</b>
<b>Operating profit before taxes on financial services</b>	<b>4,599,300</b>	<b>3,099,558</b>
Less: Taxes on financial services	893,116	605,219
<b>Profit before tax</b>	<b>3,706,184</b>	<b>2,494,339</b>
Less: Income tax expense	1,190,634	867,236
<b>Profit for the year</b>	<b>2,515,550</b>	<b>1,626,893</b>
<b>Other comprehensive income</b>		
Items that are or may be reclassified subsequently to profit or loss		
Fair value changes in hedge reserve	(102,705)	248,464
Items that will not be reclassified to profit or loss		
Change in deferred tax on revaluation due to rate change	-	(64,153)
Financial instruments at FVOCI - net change in fair value	287,959	(264,618)
Less : Deferred tax on Financial investments at FVOCI	(73,418)	73,418
<b>Net actuarial gain/(loss) on defined benefit plan</b>	<b>(313,896)</b>	<b>(107,724)</b>
<b>Total other comprehensive income</b>	<b>(313,896)</b>	<b>(107,724)</b>
<b>Total comprehensive income for the year</b>	<b>2,201,654</b>	<b>1,519,169</b>
<b>Earnings per share</b>		
Basic earnings per share (Rs.)	35.95	23.29
Diluted earnings per share (Rs.)	34.57	22.73

Figures in brackets indicate deductions.

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 62 of 2011.

*[Signature]*  
Ruedi Quasthoff  
Chief Financial Officer

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements. Approval assigned for and on behalf of the Board.

*[Signature]*  
J.R. Alastair Gomes  
Chairman

30<sup>th</sup> June 2024 Colombo

*[Signature]*  
C.M. Nanayakkara  
Managing Director/CEO

30<sup>th</sup> June 2024 Colombo

Email & Young  
Chartered Accountants  
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P.O. Box 101  
Colombo 03, Sri Lanka



Building a better world

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Citizens Development Business Finance PLC

Report on the Audit of the Financial Statements

**Opinion**

We have audited the financial statements of Citizens Development Business Finance PLC ("the Company"), which comprise the statements of financial position as at 31st March 2024, statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 31st March 2024, and of its 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 (SLAuS). 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.

**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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Allowances for impairment and other credit losses	In addressing the adequacy of the allowances for expected credit losses of financial assets, our audit procedures included the following key procedures:
Allowances for impairment and other credit losses of financial assets amounting to LKR 4.9 Bn arising from loans and advances of LKR 80.9 Bn (Note 23) as determined by the management based on the accounting policies described in Note 10.	<ul style="list-style-type: none"> <li>Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report.</li> <li>Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management.</li> <li>Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross-checking to relevant source documents and accounting records of the Company.</li> <li>Evaluated the reasonableness of credit quality assessments and related stage classifications.</li> <li>Assessed the reasonableness of the judgments, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collateral, forward-looking macroeconomic scenarios and their associated weights, which are subject to inherently heightened levels of estimation uncertainty.</li> <li>Assessed the adequacy of the related financial statement disclosures set out in notes 23 and 49.</li> </ul>
This was a key audit matter due to	
<ul style="list-style-type: none"> <li>the involvement of significant management judgments, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and</li> <li>the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination.</li> </ul>	
Key areas of significant judgments, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weights, which are subject to inherently heightened levels of estimation uncertainty.	

Key audit matter	How our audit addressed the key audit matter
<b>Information technology (IT) systems related Internal Controls over Financial Reporting.</b>	Our audit procedures included the following key procedures: <ul style="list-style-type: none"> <li>Obtained an understanding of the internal control environment of the relevant significant processes and tested key controls relating to financial reporting and related disclosures.</li> <li>Involved our internal specialized resources and;</li> <li>Obtained an understanding of IT Governance Structure of the Company.</li> <li>Identified, evaluated and tested the design and operating effectiveness of IT systems related to Internal Controls over Financial Reporting, relating to user access management, change management and other IT operations, while testing some key automated controls.</li> <li>Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks.</li> <li>Tested source data of the reports used to generate disclosures for accuracy and completeness.</li> </ul>

**Other Matter**

The financial statements of Citizens Development Business Finance PLC for the year ended 31st March 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 June 2023.

**Other information included in the Company's 2024 Annual Report**

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

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

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

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 SLAuS 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 SLAuS, 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 internal controls of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## STATEMENT OF FINANCIAL POSITION

As at 31 <sup>st</sup> March	2024 Rs. '000	2023 Rs. '000
<b>Assets</b>		
Cash and cash equivalents	3,642,333	3,267,193
Derivative financial assets	-	825,656
Financial assets measured at fair value through profit or loss (FVTPL)	-	37,941
Loans and receivables to banks	8,013,219	1,166,430
Deposits with financial institutions	14,908,971	7,216,234
Loans and receivables to customers	85,963,874	76,476,889
Other investment securities	7,126,742	7,919,968
Investment property	328,000	328,000
Property, plant and equipment	3,402,042	3,382,065
Right-of-use assets	890,741	782,533
Intangible assets	308,553	295,691
Goodwill on amalgamation	19,628	45,225
Reirement benefit assets	66,419	329,313
Other assets	3,876,882	3,212,383
<b>Total assets</b>	<b>129,777,985</b>	<b>105,165,711</b>
<b>Liabilities</b>		
Due to banks and financial institutions	27,849,165	16,610,517
Deposits from customers	73,252,779	62,875,228
Debt securities issued and subordinated debt	2,788,338	3,650,182
Lease liabilities	912,177	832,102
Current tax liabilities	1,289,562	1,053,990
Deferred tax liabilities	560,591	403,901
Reirement benefit obligation	66,419	329,313
Other liabilities	1,848,126	1,348,572
<b>Total liabilities</b>	<b>109,570,147</b>	<b>86,075,430</b>
<b>Equity</b>		
Stated capital	2,550,492	2,361,947
Reserves	5,365,374	4,531,003
Retained earnings	11,859,972	11,292,271
<b>Total equity</b>	<b>20,275,838</b>	<b>18,190,271</b>
<b>Total liabilities and equity</b>	<b>129,777,985</b>	<b>105,165,711</b>
Net assets value per share (Rs.)	285.22	280.40
Contingencies and commitments	6,012,503	4,680,123

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 our audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation prohibits 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 2471.

*[Signature]*  
28<sup>th</sup> June 2024  
Colombo

CHARTERED ACCOUNTANTS Colombo,  
Sri Lanka.

Selected Performance Indicators as per regulatory requirements	Company	
	As at 31-03-2024	As at 31-03-2023
Asset Quality (Rs. 000)*		
Gross Non-Performing Accommodations*	10,720,258	8,755,534
Gross Non-Performing Accommodations Ratio*	12.06%	10.96%
Net Non-Performing Accommodations Ratio*	6.88%	5.12%
Net Non-Performing Loans to Core Capital Ratio*	37.17%	26.49%
Provision Coverage Ratio*	46.14%	56.30%
Liquidity (Rs. 000)		
Required Minimum Amount of Liquid Assets	8,783,382	7,381,141
Available Amount of Liquid Assets	18,804,854	11,705,814
Required Minimum Amount of Government Securities	5,191,119	4,317,212
Available Amount of Government Securities	12,768,968	6,105,510
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	214.10%	158.59%
Liquid Assets to External Funds**	18.10%	14.05%
Capital Adequacy		
Core Capital (Tier I Capital)	15,533,257	14,445,941
Total Capital Base	15,915,077	15,438,459
Core Capital to Risk Weighted Assets Ratio (Minimum 10%)	15.51%	16.23%
Total Capital to Risk Weighted Assets Ratio (Minimum 14%)	15.89%	17.35%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	21.2%	24.55%
Profitability		
Net Interest Margin	7.77%	7.18%
Return on Average Assets-After Tax	2.15%	1.55%
Return on Average Equity-After Tax	13.10%	9.08%
Cost to Income Ratio	50.40%	56.47%
Memorandum Information		
Number of Employees	1,916	1,683
Number of Branches	71	71
External Credit Rating	BBB (kaj)/Stable	BBB (kaj)/FWM

\* Asset quality ratios have computed based on 90 Days Past Due in March 2024 and 120 Days Past Due in March 2023.  
\*\* External funds includes deposits and borrowings

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

Principals: T. P. M. Rubero FCA FCMA MBA (USJ-SL), G. B. Goudan ACA, Ms. P. S. Paravanthi ACA FCMA LLB (Colombo), D. L. B. Karunathilaka ACA, W. S. J. De Silva BSc (Hons) - MS Mac - IT, Y. Shaktivel B.Com (Sp)

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