

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

Audited Financial Statements for the period ended 31st March 2025

INDEPENDENT AUDITOR'S REPORT To the Shareholders of Citizens Development Business Finance PLC Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Citizens Development Business 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 give a true and fair view of the financial position of the Company as at 31 March 2025 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Code of Ethics 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
<p>Allowances for impairment and other credit losses of loans and receivables to customers</p> <p>Allowances for impairment and other credit losses of loans and receivables to customers as stated in Note 22, is determined by management on the accounting policies described in Note 10 to the financial statements.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none">the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future cash flows to recover such loans and receivables to customers; andthe materiality of the reported amount of allowances impairment and other credit losses. <p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the allowances for impairment and other credit losses of loans and receivables to customers include forward-looking macroeconomic scenarios and their associated weightages. These are subject to inherently heightened levels of estimation uncertainty and subjectivity.</p> <p>Further information on the key estimates, assumptions and judgements is disclosed in Note 47.A.I.</p>	<p>In addressing the adequacy of the allowances for impairment and other credit losses of loans and receivables to customers, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none">Assessed the alignment of the Company's allowances for impairment and other credit losses computations and the underlying methodology including responses to economic conditions with its accounting policies, on the best available information up to the date of our report.Evaluated the design, implementation and operating effectiveness of controls over estimation of impairment and other credit losses, which included assessing the level of oversight, review and approval of allowances for impairment and other credit losses, policies and procedures by the Board and the management.Tested the completeness, accuracy and reasonableness of the underlying data used in the impairment and other credit losses computations by cross checking to relevant source documents and accounting records of the Company.Evaluated the reasonableness of credit quality assessments and related stage classifications.Tested the key inputs and the calculations used in the impairment and other credit losses.Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario.Assessed the adequacy of the related financial statement disclosures set out in notes 22 and 47.A.
<p>Information Technology (IT) systems related internal controls over financial reporting</p> <p>Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures</p> <ul style="list-style-type: none">Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures.Involved our internal specialized resources and;<ul style="list-style-type: none">Obtained and understanding IT Governance Structure of the CompanyIdentified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management, andObtained a high-level understanding of the cybersecurity risks affecting the Company and the actions taken to address these risks primarily through inquiry.Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other Information included in the Company's 2025 Annual Report

Other information consists of the information included in the Company's 2025 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.

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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



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

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 4839.

05th June 2025
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 st March	2025 Rs.'000	2024 Rs.'000
Revenue	25,598,532	23,893,966
Interest income	22,884,998	22,219,786
Less: Interest expense	11,493,679	13,126,771
Net interest income	11,391,319	9,093,015
Fee and commission income	272,909	240,497
Other operating income	2,440,625	1,433,683
Total operating income	14,104,853	10,767,195
Less: Impairment charges and other credit losses	(644,228)	740,916
Net operating income	14,749,081	10,026,279
Less: Operating expenses		
Personnel expenses	2,739,735	1,940,116
Premises, equipment and establishment expenses	3,390,872	2,901,290
Other expenses	696,105	585,573
Total operating expenses	6,826,712	5,426,979
Operating profit before taxes on financial services	7,922,369	4,599,300
Less: Taxes on financial services	2,171,700	893,116
Profit before tax	5,750,669	3,706,184
Less: Income tax expense	1,745,189	1,190,634
Profit for the period	4,005,480	2,515,550
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Fair value changes in hedge reserve	17,760	(102,705)
Deferred tax on hedge reserve	(5,328)	-
Items that will not be reclassified to profit or loss		
Increase in revaluation surplus	691,061	-
Less: Deferred tax on revaluation	(207,318)	-
Financial investments at FVOCI - net change in fair value	624,551	267,959
Deferred tax on Financial Instruments at FVOCI	-	(73,418)
Net actuarial (loss) on defined benefit plan	(567,257)	(405,732)
Total other comprehensive income	553,469	(313,896)
Total comprehensive income for the period	4,558,949	2,201,654
Earnings per share		
Basic earnings per share (Rs.)	56.53	35.95
Diluted earnings per share (Rs.) *	55.05	34.57

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 st March	2025 Rs.'000	2024 Rs.'000
Assets		
Cash and cash equivalents	4,582,802	3,642,333
Derivative financial assets	31,712	-
Loans and receivables to banks	3,671,842	8,013,219
Deposits with financial institutions	18,069,873	14,908,971
Loans and receivables to customers	110,866,909	85,963,874
Other investment securities	9,498,082	7,126,742
Investment properties	558,091	535,000
Property, plant and equipment	4,657,677	3,402,042
Right-of-use assets	955,841	912,303
Intangible assets	333,470	308,553
Goodwill on amalgamation	-	19,628
Other assets	3,710,047	3,945,320
Total assets	156,936,346	128,777,985
Liabilities		
Due to banks and financial institutions	32,142,375	27,849,165
Deposits from customers	86,849,204	73,258,779
Debt securities issued and subordinated debt	6,969,330	2,788,338
Lease liabilities	982,001	912,177
Current tax liabilities	2,950,940	1,289,562
Deferred tax liabilities	565,271	560,581
Retirement benefit obligation	553,890	66,419
Other liabilities	1,987,046	1,845,126
Total liabilities	133,000,057	108,570,147
Equity		
Stated capital	2,550,492	2,550,492
Reserves	7,352,802	5,806,374
Retained earnings	14,032,995	11,850,972
Total equity	23,936,289	20,207,838
Total liabilities and equity	156,936,346	128,777,985
Net assets value per share (Rs.)	337.84	285.22
Contingencies and commitments	5,252,610	6,012,503

The financial statements are in compliance with the requirements of the Companies Act No.7 of 2007 and Finance Business Act No. 42 of 2011.

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

Ruwan Chandrajith
Chief Financial Officer

J R Alastair Corera
05th June 2025 Colombo

C M Nanayakkara
Managing Director/CEO

Selected Performance Indicators as per regulatory requirements	Company	
	As at 31-03-2025	As at 31-03-2024
Asset Quality (Rs. 000)		
Gross Non-Performing Accommodations	7,139,900	10,720,258
Gross Non-Performing Accommodations Ratio	6.32%	12.06%
Net Non-Performing Accommodations Ratio	3.10%	6.88%
Net Non-Performing Loans to Core Capital Ratio	19.02%	37.17%
Provision Coverage Ratio	52.53%	46.14%
Liquidity (Rs. 000)		
Required Minimum Amount of Liquid Assets	10,572,131	8,783,382
Available Amount of Liquid Assets	20,256,078	18,804,854
Required Minimum Amount of Government Securities	5,731,512	5,191,119
Available Amount of Government Securities	9,381,123	12,769,988
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	191.60%	214.10%
Liquid Assets to External Funds **	16.08%	18.10%
Capital Adequacy (Rs. 000)		
Core Capital (Tier 1 Capital)	17,821,571	15,533,257
Total Capital Base	22,276,671	15,915,077
Core Capital to Risk Weighted Assets Ratio (Minimum 10%)	14.47%	15.51%
Total Capital to Risk Weighted Assets Ratio (Minimum 14%)	18.09%	15.89%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	25.65%	21.72%
Profitability		
Net Interest Margin	7.97%	7.77%
Return on Average Assets-After Tax	2.80%	2.15%
Return on Average Equity-After Tax	18.15%	13.10%
Cost to Income Ratio	48.40%	50.40%
Memorandum information		
Number of Employees	1,939	1,916
Number of Branches	71	71
External Credit Rating (Fitch Ratings Lanka Ltd.)	BBB (Ika)/ Stable	BBB (Ika)/ Stable
** External funds includes deposits and borrowings		

Partners: D K. Hulangamuwa FCA FCMA LLB (London), APA Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. GGS Manatunga FCA, WKBSP Fernando FCA FCMA FCCA, BE Wijesuriya FCA FCMA, RN de Saram ACA FCMA, MS. NA De Silva FCA, N M Sulaiman FCA FCMA, MS. LKHL Fonseka FCA, MS. PVK N Sajeeewani FCA, A AJJR Perera FCA ACMA, NYRL Fernando ACA, DN Gamage ACA ACMA, CA Yalagala ACA ACMA, Ms. PS Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, WDP L Perera ACA

Principals: TPM Ruberu FCCA FCMA MBA (USJ-SL), G B Goudian ACMA, DL B Karunathilaka ACMA, WSJ De Silva Bsc (Hons)-MIS Msc-IT, V Shaktihivel B.Com (Sp)

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