

# SOFTLOGIC FINANCE PLC

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2016  
IN ACCORDANCE WITH SECTION 29(2) OF THE  
FINANCE BUSINESS ACT NO. 42 OF 2011.

| INCOME STATEMENT<br>FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH 2016    |                                  |                                  |
|---|----------------------------------|----------------------------------|
| In Rupees Thousand  | From 01/04/2015<br>To 31/03/2016 | From 01/04/2014<br>To 31/03/2015 |
| Interest income   | 3,612,022                        | 3,545,704                        |
| Interest expenses   | (2,020,846)                      | (2,081,375)                      |
| <b>Net Interest Income</b>  | <b>1,591,176</b>                 | <b>1,464,329</b>                 |
| Fee and commission income   | 487,125                          | 267,430                          |
| Net gain/(loss) from trading  | 16,049                           | 41,259                           |
| Other operating income (net)  | 19,695                           | 118,509                          |
| <b>Total Operating Income</b>   | <b>2,114,045</b>                 | <b>1,891,527</b>                 |
| Impairment for loans and other losses                                 |                                  |                                  |
| Individual impairment   | (136,884)                        | (352,756)                        |
| Collective impairment   | (268,324)                        | (169,539)                        |
| <b>Net Operating Income</b>   | <b>1,708,838</b>                 | <b>1,369,232</b>                 |
| Personnel expenses  | (499,768)                        | (403,300)                        |
| Depreciation and amortization   | (84,665)                         | (74,214)                         |
| Other expenses  | (605,764)                        | (620,784)                        |
| <b>Operating Profit/(Loss) before Value Added Tax (VAT &amp; NBT)</b> | <b>518,641</b>                   | <b>270,934</b>                   |
| VAT & NBT on financial services                                       | (88,966)                         | (50,273)                         |
| <b>Profit/(Loss) before Tax</b>                                       | <b>429,675</b>                   | <b>220,661</b>                   |
| Tax expenses  | (60,714)                         | (4,172)                          |
| <b>Profit/(Loss) for the Period</b>                                   | <b>368,961</b>                   | <b>216,490</b>                   |
| <b>Earnings Per Share on Profit</b>                                   |                                  |                                  |
| Basic earnings per ordinary share                                     | 7.04                             | 5.44                             |

| STATEMENT OF COMPREHENSIVE INCOME<br>FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH 2016 |                                  |                                  |
|---|----------------------------------|----------------------------------|
| In Rupees Thousand  | From 01/04/2015<br>To 31/03/2016 | From 01/04/2014<br>To 31/03/2015 |
| <b>Profit/(loss) for the period</b>   | <b>368,961</b>                   | <b>216,490</b>                   |
| <b>Other comprehensive income, net of tax</b>                                       |                                  |                                  |
| Changes in revaluation surplus  | 58,265                           | -                                |
| Actuarial gains and losses on defined benefit plans                                 | 4,389                            | 3,974                            |
| Gains and losses on re-measuring available-for-sale financial assets                | (50,657)                         | 47,224                           |
| Others  | -                                | 30,540                           |
| <b>Other comprehensive income for the period, net of taxes</b>                      | <b>11,997</b>                    | <b>81,738</b>                    |
| <b>Total comprehensive income for the period</b>                                    | <b>380,958</b>                   | <b>298,227</b>                   |

| STATEMENT OF FINANCIAL POSITION<br>AS AT 31 <sup>ST</sup> MARCH 2016 |                   |                   |
|--|-------------------|-------------------|
| In Rupees Thousand   | As at 31/03/2016  | As at 31/03/2015  |
| <b>Assets</b>  |                   |                   |
| Cash and cash equivalents  | 2,495,231         | 1,078,469         |
| Placements with banks  | -                 | 289,518           |
| Other financial assets held-for-trading                              | -                 | 118,296           |
| Loans and receivables - Leases                                       | 836,761           | 1,584,475         |
| Loans and receivables - Hire purchase                                | 754,034           | 1,512,838         |
| Loans and receivables - Others                                       | 15,266,654        | 12,601,501        |
| Financial investments - Available-for-sale                           | 179,848           | 60,730            |
| Financial investments - Held-to-maturity                             | -                 | 1,191,251         |
| Property, plant and equipment  | 373,352           | 333,803           |
| Intangible assets  | 37,431            | 33,662            |
| Other assets   | 848,959           | 1,209,290         |
| <b>Total Assets</b>  | <b>20,792,270</b> | <b>20,013,834</b> |
| <b>Liabilities</b>   |                   |                   |
| Due to banks   | 888,402           | 488,177           |
| Due to customers   | 14,055,572        | 12,363,571        |
| Other borrowings   | 1,172,310         | 3,083,599         |
| Debt securities issued   | 2,015,808         | 2,009,961         |
| Deferred tax liabilities   | 13,346            | 20,109            |
| Other provisions   | 14,855            | 14,264            |
| Other liabilities  | 89,537            | 84,518            |
| <b>Total Liabilities</b>   | <b>18,249,830</b> | <b>18,064,198</b> |
| <b>Equity</b>  |                   |                   |
| Stated capital   | 1,692,615         | 1,404,523         |
| Statutory reserve fund   | 193,060           | 119,268           |
| Retained earnings  | 649,156           | 425,844           |
| Other reserves   | 7,608             | -                 |
| <b>Total Equity</b>  | <b>2,542,440</b>  | <b>1,949,636</b>  |
| <b>Total Equity and Liabilities</b>                                  | <b>20,792,270</b> | <b>20,013,834</b> |
| <b>Contingent Liabilities and Commitments</b>                        | <b>4,650</b>      | <b>12,250</b>     |

| SELECTED PERFORMANCE INDICATORS<br>(AS AT 31 <sup>ST</sup> MARCH 2016)                |                  |                  |
|---|------------------|------------------|
|   | As at 31/03/2016 | As at 31/03/2015 |
| <b>Regulatory Capital Adequacy</b>  |                  |                  |
| Core Capital (Tier 1 Capital) (Rs. 000)   | 2,484,174        | 1,949,635        |
| Total Capital Base (Rs. 000)  | 2,495,744        | 2,408,003        |
| Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 5%)   | 14.37%           | 11.45%           |
| Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 10%) | 14.44%           | 14.14%           |
| Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%)                 | 18.09%           | 15.77%           |
| <b>Assets Quality (Quality of Loan Portfolio)</b>                                     |                  |                  |
| Gross Non-Performing Accommodations (Rs. 000)   | 1,668,178        | 1,361,948        |
| Gross Non-Performing Accommodations Ratio, %  | 9.89%            | 8.72%            |
| Net Non-Performing Accommodations Ratio, %  | 6.41%            | 5.08%            |
| <b>Profitability (%)</b>  |                  |                  |
| Interest Margin   | 8.72%            | 8.85%            |
| Return on Assets (before Tax)   | 2.07%            | 1.10%            |
| Return on Equity (after Tax)  | 14.51%           | 11.10%           |
| <b>Regulatory Liquidity (Rs. 000)</b>   |                  |                  |
| Required minimum amount of Liquid Assets  | 1,621,064        | 1,578,859        |
| Available amount of Liquid Assets   | 2,272,498        | 2,148,162        |
| Required minimum amount of Government Securities                                      | 1,406,344        | 1,057,571        |
| Available amount of Government Securities   | 1,683,789        | 1,441,251        |
| <b>Memorandum Information</b>   |                  |                  |
| Number of Employees   | 491              | 521              |
| Number of Branches  | 30               | 18               |
| Number of Pawning Centres   | 6                | 13               |

## Independent auditor's report To the shareholders of Softlogic Finance PLC

### Report on the financial statements

1 We have audited the accompanying financial statements of Softlogic Finance PLC, which comprise the statement of financial position as at 31<sup>st</sup> March 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 2 to 37.

### Management's Responsibility for the Financial Statements

2 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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial



statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

4 In our opinion, the financial statements give a true and fair view of the financial position of Softlogic Finance PLC as at 31<sup>st</sup> March 2016, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

5 These financial statements also comply with the requirements of Section 151 (2) of the Companies' Act, No. 07 of 2007.

*PricewaterhouseCoopers*  
CHARTERED ACCOUNTANTS  
Colombo, 29th June 2016.

## CERTIFICATION:

"We, the undersigned, being the Chief Executive Officer and Deputy General Manager of Softlogic Finance PLC certify jointly that:

- The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;
- The information contained in these statements has been extracted from the audited financial statements of Softlogic Finance PLC."

**N.H.G. Wijekoon**  
(Sgd.) Chief Executive Officer / Director  
Date : 29/06/2016

**N.M.K. Ranasinghe**  
(Sgd.) Deputy General Manager  
Date : 29/06/2016

**Board of Directors:** Ashok Pathirage - Chairman, Harris Premaratne - Deputy Chairman, Nalin Wijekoon - CEO, B.H.S. Jayawardena, Iftikar Ahamed, Chris Corea, Dushan Soza, S.N.P. Palihena, H.K.M. Perera

Date of Incorporation : 24/08/1999 Registered by the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies' Act No. 78 of 1988.



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