

# SOFTLOGIC FINANCE PLC

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017  
IN ACCORDANCE WITH SECTION 29(2) OF THE FINANCE BUSINESS ACT NO. 42 OF 2011.

Income Statement		
For the year ended 31st March 2017		
In Rupees (Thousands)	From 01/04/2016 To 31/03/2017	From 01/04/2015 To 31/03/2016 Restated
Interest income	3,637,130	3,558,081
Interest expenses	(2,291,408)	(2,002,506)
<b>Net interest income</b>	<b>1,345,721</b>	<b>1,555,575</b>
Fee and commission income	602,310	487,125
Fee and commission expenses	-	-
<b>Net fee and commission income</b>	<b>602,310</b>	<b>487,125</b>
Net gain/(loss) from trading	16,128	17,927
Other operating income (net)	56,451	17,465
<b>Total operating income</b>	<b>2,020,610</b>	<b>2,078,092</b>
Impairment for loans and other losses		
Individual impairment	(157,551)	(178,881)
Collective impairment	(211,204)	(532,964)
<b>Net Operating Income</b>	<b>1,651,856</b>	<b>1,366,246</b>
Personnel expenses	(441,067)	(499,768)
Depreciation and amortization	(79,065)	(84,665)
Other expenses	(602,009)	(624,104)
<b>Operating profit/(loss) before Value Added Tax (VAT)</b>	<b>529,715</b>	<b>157,709</b>
VAT & NBT on financial services	(68,141)	(67,129)
<b>Operating profit/(loss) after VAT</b>	<b>461,574</b>	<b>90,581</b>
Share of profits of associates and joint ventures	-	-
<b>Profit/(loss) before tax</b>	<b>461,574</b>	<b>90,581</b>
Tax expenses	(96,774)	(17,438)
<b>Profit/(loss) for the period</b>	<b>364,800</b>	<b>73,142</b>
<b>Earnings per share on profit</b>		
Basic earnings per ordinary share	6.18	1.40

Statement of Comprehensive Income		
For the year ended 31st March 2017		
In Rupees (Thousands)	From 01/04/2016 To 31/03/2017	From 01/04/2015 To 31/03/2016 Restated
<b>Profit/(loss) for the period</b>	<b>364,800</b>	<b>73,142</b>
<b>Other comprehensive income, net of tax</b>		
Changes in revaluation surplus	30,000	58,265
Actuarial gains and losses on defined benefit plans	(4,026)	4,389
Gains and losses on re-measuring available-for-sale financial assets	4,339	(50,657)
Others	(15,116)	-
<b>Other comprehensive income for the period, net of taxes</b>	<b>15,197</b>	<b>11,997</b>
<b>Total comprehensive income for the period</b>	<b>379,997</b>	<b>85,139</b>

SPF/DTD/ADP/TW

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOFTLOGIC FINANCE PLC



### Report on the Financial Statements

We have audited the accompanying financial statements of Softlogic Finance PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board 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

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 the 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 Board, as well as evaluating the overall presentation of the financial statements.

### CERTIFICATION:

- We, the undersigned, being the Chief Executive Officer/Director and the Deputy General Manager - Finance 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 have been extracted from the audited financial statements of Softlogic Finance PLC.

N. H. G. Wijekoon  
(Sgd.) Chief Executive Officer / Director  
Date: 29/06/2017

N. M. K. Ranasinghe  
(Sgd.) Deputy General Manager - Finance  
Date: 29/06/2017

**Board of Directors:** Ashok Pathirage - Chairman, Harris Premaratne - Deputy Chairman, Nalin Wijekoon - CEO, Ifthikar Ahamed, Chris Corea, Dushan Soza, H. K. M. Perera.

Date of Incorporation: 24/08/1999 Licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No: 42 of 2011



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Website: www.softlogicfinance.lk

Statement of Financial Position			
As at 31st March 2017			
In Rupees (Thousands)	As at 31/03/2017	As at 31/03/2016 Restated	As at 31/03/2015 Restated
<b>Assets</b>			
Cash and cash equivalents	427,659	436,306	678,469
Placements with banks	466,156	348,556	289,518
Other financial assets held-for-trading	-	-	118,296
Loans and receivables - Leases	705,707	759,736	1,582,281
Loans and receivables - Hire purchase	243,609	684,495	1,512,838
Loans and receivables - Others	17,665,324	14,881,571	12,432,979
Financial investments - Available-for-sale	184,194	179,848	60,730
Financial investments - Held-to-maturity	1,638,821	1,710,369	1,591,251
Property, plant and equipment	373,818	373,352	333,803
Goodwill and intangible assets	95,066	37,431	33,662
Deferred tax assets	-	29,930	-
Other assets	389,023	830,916	1,117,292
<b>Total assets</b>	<b>22,189,377</b>	<b>20,272,509</b>	<b>19,751,120</b>
<b>Liabilities</b>			
Due to banks	1,362,995	888,402	488,177
Due to customers	16,048,474	14,055,203	12,363,202
Other borrowings	2,308,397	3,188,118	5,093,560
Current tax liabilities	-	56,162	-
Deferred tax liabilities	63,536	-	20,109
Other provisions	16,939	14,855	14,264
Other liabilities	96,903	83,792	82,818
<b>Total Liabilities</b>	<b>19,897,243</b>	<b>18,286,533</b>	<b>18,062,130</b>
<b>Equity</b>			
Stated capital	1,692,615	1,692,615	1,404,523
Statutory reserve fund	266,020	193,060	119,288
Retained earnings	306,667	92,692	165,199
Other reserves	26,831	7,608	-
<b>Total Equity</b>	<b>2,292,134</b>	<b>1,985,976</b>	<b>1,688,990</b>
<b>Total equity and liabilities</b>	<b>22,189,377</b>	<b>20,272,509</b>	<b>19,751,120</b>
<b>Contingent liabilities and commitments</b>	<b>3,040,856</b>	<b>1,393,385</b>	<b>694,830</b>
Net assets per share	38.80	33.62	33.23

### Selected Performance Indicators (as per regulatory reporting) As at 31st March 2017

In Rupees (Thousands)	As at 31/03/2017	As at 31/03/2016 Restated
<b>Regulatory Capital Adequacy</b>		
Core Capital (Tier 1 Capital), Rs. '000	2,203,868	1,927,711
Total Capital Base, Rs. '000	2,096,501	1,888,485
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 5%)	11.83%	11.37%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 10%)	11.26%	11.14%
Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%)	14.21%	14.72%
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Gross Non-Performing Accommodations, Rs. '000	1,758,178	1,655,799
Gross Non-Performing Accommodations Ratio, %	9.03%	9.68%
Net Non-Performing Accommodations Ratio, %	4.63%	5.09%
<b>Profitability (%)</b>		
Interest Margin	9.36%	10.65%
Return on Assets (before Tax)	2.17%	0.45%
Return on Equity (after Tax)	17.05%	3.98%
<b>Regulatory Liquidity (Rs. '000)</b>		
Required minimum amount of Liquid Assets	1,728,677	1,626,088
Available amount of Liquid Assets	2,535,336	2,495,231
Required minimum amount of Government Securities	1,462,664	1,406,344
Available amount of Government Securities	1,638,821	1,710,369
<b>Memorandum information</b>		
Number of employees	490	491
Number of branches	31	30
Number of pawning centres	5	6

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Other Matter

The financial statements of Softlogic Finance PLC for the year ended 31 March 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 29 June 2016.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion, scope and limitations of the audit are as stated above.
- In our opinion:
  - 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, and
  - the financial statements of the Company comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

*Ranasinghe*  
29 June 2017  
Colombo