

Income Statement		
For the year ended 31 st March 2019		
In Rupees (Thousands)	From 01/04/2018 to 31/03/2019	From 01/04/2017 to 31/03/2018
Interest income	3,674,450	3,523,556
Interest expenses	(2,490,557)	(2,561,130)
Net interest income	1,183,892	962,426
Fee and commission income	225,680	470,335
Net fee and commission income	225,680	470,335
Other operating income (net)	118,763	152,502
Total operating income	1,528,335	1,585,264
Impairment for loans and other losses	(189,682)	(108,425)
Net operating income	1,338,653	1,476,839
Personnel expenses	(447,572)	(465,770)
Depreciation and amortisation	(72,223)	(88,800)
Other expenses	(754,385)	(629,860)
Operating profit/(loss) before value added tax (VAT)	64,473	292,408
VAT & NBT on financial services	(1,358)	(99,329)
Operating profit/(loss) after VAT	63,115	193,079
Share of profit of associates and joint ventures	-	-
Profit/(loss) before tax	63,115	193,079
Tax expenses	140,854	25,686
Profit/(loss) for the period	203,969	218,766
Earnings per share on profit		
Basic earnings per ordinary share (Rs)	3.00	3.70

Statement of Comprehensive Income		
For the year ended 31 st March 2019		
In Rupees (Thousands)	From 01/04/2018 to 31/03/2019	From 01/04/2017 to 31/03/2018
Profit/(loss) for the period	203,969	218,766
Other comprehensive income, net of tax		
Changes in revaluation surplus	12,240	14,984
Actuarial gains and losses on defined benefit plans	304	(5,987)
Gain and losses on re-measuring available-for-sale financial assets	(43,293)	(1,042)
Other comprehensive income for the period, net of taxes	(30,749)	7,955
Total comprehensive income for the period	173,220	226,720

Statement of Financial Position		
As at 31 st March 2019		
In Rupees (Thousands)	As at 31/03/2019	As at 31/03/2018
Assets		
Cash and cash equivalents	709,895	643,032
Placements with banks	223,544	537,267
Loans and receivables - Leases	1,876,867	1,440,366
Loans and receivables - Hire purchase	93,699	126,170
Loans and receivables - Others	16,212,784	15,811,256
Financial investments - Available-for-sale	224,855	2,68,148
Financial investments - Held-to-maturity	1,523,033	1,607,399
Property, plant and equipment	512,018	522,564
Intangible assets	59,186	78,045
Tax assets	136,073	97
Other assets	983,099	645,871
Total assets	22,555,054	21,680,217
Liabilities		
Due to banks	2,194,856	1,342,695
Due to customers	17,115,400	16,391,947
Other borrowings	1,147,850	1,574,211
Other provisions	32,475	28,833
Other liabilities	157,323	62,081
Total liabilities	20,647,904	19,399,767
Equity		
Stated capital	2,002,270	2,002,270
Statutory reserve fund	260,449	219,655
Retained earnings	(365,288)	1,77,552
Other reserves	9,720	40,773
Total equity	1,907,150	2,280,450
Total equity and liabilities	22,555,054	21,680,217
Contingent liabilities and commitments	177,452	15,137
Net assets per share (Rs.)	28.08	33.57

Selected Performance Indicators (as per regulatory reporting)		
As at 31 st March 2019		
	As at 31/03/2019	As at 31/03/2018
Regulatory capital adequacy		
Core capital (Tier 1 capital), Rs. '000	544,494	2,063,324
Total capital base, Rs. '000	446,907	1,962,448
Core capital adequacy ratio, as a % of risk weighted assets (minimum requirement, 6%)	2.2%	12.7%
Total capital adequacy ratio, as a % of risk weighted assets (minimum requirement, 10%)	1.8%	11.4%
Capital funds to deposit liabilities ratio (minimum requirement, 10%)	11.0%	13.7%
Asset quality (quality of loan portfolio)		
Gross non-performing accommodations, Rs. '000	2,867,960	2,538,600
Gross non-performing accommodations ratio, %	14.9%	13.9%
Net non-performing accommodations ratio, %	12.9%	12.0%
Profitability (%)		
Interest margin	5.4%	4.4%
Return on assets (after tax)	0.9%	1.0%
Return on equity (after tax)	9.7%	10.6%
Regulatory liquidity (Rs. '000)		
Required minimum amount of liquid assets	1,874,390	1,755,717
Available amount of liquid assets	2,456,472	2,787,699
Required minimum amount of Government Securities	1,463,922	1,472,156
Available amount of Government Securities	1,523,033	1,607,399
Memorandum information		
Number of employees	528	551
Number of branches	35	35
Number of pawning centers	1	1

Description	Year ended 31.03.2019	Year ended 31.03.2018
SLFRS 9 based impairment provisions recorded in the Financial Statements (Rs. '000)	1,101,041	879,029
Regulatory provisions reported to Central Bank without Interest in Suspense (Rs. '000)	1,623,848	1,372,368
Interest in Suspense reported to Central Bank (Rs. '000)	431,516	386,912
Total Regulatory provisions (Rs. '000)	2,055,363	1,759,281
Impairment Provision Gap (Rs. '000)	954,322	880,252
Profit / (Loss) as reported in accordance with the Central Bank provisioning method (Rs. '000)	(240,525)	(290,580)
Capital Adequacy Ratios (as per Central bank Direction)		
Tier 1 Ratio - (Minimum Requirement - 5% for 2018 & 6% for 2019)	2.2%	12.7%
Total Capital ratio - (Minimum Requirement - 10% for 2018 & 2019)	1.8%	11.4%

CERTIFICATION:

We, the undersigned, being the Chief Executive Officer/Director and the Chief Financial Officer 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.

V. S. Premawardana
(Sgd.) Chief Financial Officer
Date: 26/06/2019

N. H. G. Wijekoon
(Sgd.) Chief Executive Officer / Director
Date: 26/06/2019

Board of Directors: Ashok Pathirage - Chairman, A. Russell-Davison - Deputy Chairman,
Nalin Wijekoon - CEO, Chris Corea, Dushan Soza, Haresh Kaimal, Nilantha Bastian

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



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eyl@lk.ey.com
ey.com

APAGWDPL/TW

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Softlogic Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019 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 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's 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
Impairment Allowance for Lease receivables, Factoring receivables and Loan receivables including Company's transition to SLFRS 9:	<p>To assess the reasonableness of the allowance for impairment, we carried out audit procedures (among others) to obtain sufficient and appropriate audit evidences, that included the following:</p> <ul style="list-style-type: none"> We evaluated the design, implementation and operating effectiveness of key internal controls over estimation of impairment for Lease receivables, Factoring receivables and Loan receivables, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. We test-checked the underlying calculations and data used in such calculations. In addition to the above, following focused procedures were performed: <ul style="list-style-type: none"> For those individually assessed for impairment: <ul style="list-style-type: none"> we assessed the main criteria used by the management for determining whether an impairment event had occurred. where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries. For those collectively assessed for impairment: <ul style="list-style-type: none"> we tested the completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT systems. we also considered reasonableness of macro-economic and other factors used by management in their judgmental overlays, by comparing them with relevant publicly available data and information sources. We assessed the adequacy of the related financial statement disclosures as set out in Note 4.1.9, 21, 22, 23 and 24. We also assessed the adequacy of the Company's disclosure on the impact of the initial adoption of SLFRS 9 as set out in note 6. This included testing of the quantitative impact of the transition
IT System and Controls	<ul style="list-style-type: none"> As part of the audit, we review the supporting IT General Controls that provide assurance over the continued integrity of these controls for the full financial reporting. The Company is heavily reliant upon automated controls and IT dependent manual controls. We identified recurring control matters, particularly in relation to the management of IT privileged access to IT systems, among other factors and therefore have relied on additional substantive procedures. The IT platform is key to its revenue generation and is also relied upon for many aspects of the financial reporting process. Where controls continued to be ineffective for the full financial period, and these control matters affected applications and supporting IT systems within the scope of the audit, we performed additional substantive audit procedures. On the basis of our additional audit testing, we were able to place reliance on the data and reports from in-scope applications.

Other information included in the Company's 2018 Annual Report

Other information consists of the information included in the Company's 2018 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 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.

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 the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance

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'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, related safeguards.

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 1697.

26 June 2019
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. R R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulanpamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manalunga FCA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

NO Interest..
Only capital...
Softlogic Vehicle Loan
0703 220 220

No early settlement fee
5 payment plans to choose from
Settle payments through eZ Cash
No guarantors required for unregistered vehicles

