

| KEY FINANCIAL DATA For the Year Ended 31 st March 2021 (Audited) | | |
|--|----------------------------------|----------------------------------|
| In Rupees Million | From 01/04/2020 To 31/03/2021 | From 01/04/2019 To 31/03/2020 |
| Interest income | 2,443 | 3,597 |
| Interest expenses | (1,895) | (2,517) |
| Net interest income | 549 | 1,081 |
| Gains/(losses) from trading activities | - | - |
| Other Income | 144 | 220 |
| Operating Expenses (excluding impairment) | (1,213) | (1,396) |
| Impairment | (492) | (390) |
| Profit/(Loss) Before Tax | (1,012) | (486) |
| Taxes * | 109 | 152 |
| Profit/(Loss) After Tax | (903) | (334) |

* Including indirect taxes (Such as VAT on Financial Services) and direct taxes (Corporate Income tax)

| KEY FINANCIAL DATA As at 31 st March 2021 (Audited) | | |
|--|---------------------|---------------------|
| In Rupees Million | As at 31.03.2021 | As at 31.03.2020 |
| Assets | | |
| Cash and Bank Balance | 628 | 390 |
| Placements with banks & other finance companies | 204 | 611 |
| Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) | 301 | 250 |
| Government Securities | 1,002 | 1,554 |
| Due from Related Parties | 160 | 388 |
| Loans (excluding due from related parties) | 16,376 | 16,327 |
| Investments in Equity | 37 | 136 |
| Property, Plant and Equipment | 629 | 676 |
| Other Assets | 1,532 | 1,415 |
| Total Assets | 20,870 | 21,747 |
| Liabilities | | |
| Due to Banks | 699 | 1,011 |
| Due to Related Parties | 39 | 56 |
| Deposits from Customers | 14,581 | 17,016 |
| Other Borrowings | 1,940 | 1,168 |
| Other Liabilities | 583 | 454 |
| Total Liabilities | 17,842 | 19,706 |
| Equity | | |
| Stated Capital | 4,507 | 2,605 |
| Statutory Reserve Fund | 260 | 260 |
| Retained Earnings | (1,875) | (856) |
| Other Reserves | 136 | 31 |
| Total Equity | 3,028 | 2,041 |
| Net Assets Value Per Share | 11 | 20 |

Note: Amounts stated are in net of impairment and depreciation.

| SELECTED KEY PERFORMANCE INDICATORS As at 31 st March 2021 (Audited) | | | | |
|--|---|----------|---------------------|----------|
| Item | As at 31.03.2021 | | As at 31.03.2020 | |
| | Actual | Required | Actual | Required |
| Regulatory Capital Adequacy (%) | | | | |
| Tier 1 Capital Adequacy Ratio | -3.9% | 6.5% | -5.6% | 6.5% |
| Total Capital Adequacy Ratio | -3.9% | 10.5% | -5.8% | 10.5% |
| Capital Funds to Deposit Liabilities Ratio | 20.8% | 10.0% | 11.8% | 10.0% |
| Quality of Loan Portfolio (%) | | | | |
| Gross Non-Performing Loans Ratio | 34.6% | | 32.8% | |
| Net Non-Performing Loans Ratio | 29.9% | | 28.9% | |
| Net Non-Performing Loans to Core Capital Ratio | 190.3% | | 249.9% | |
| Provision Coverage Ratio, | 60.9% | | 54.6% | |
| Profitability (%) | | | | |
| Net Interest Margin | 2.6% | | 4.9% | |
| Return on Assets | -4.7% | | -2.4% | |
| Return on Equity | -35.6% | | -17.6% | |
| Cost to Income Ratio | 175.1% | | 107.3% | |
| Liquidity (%) | | | | |
| Available Liquid Assets to Required Liquid Assets (Minimum 100%) | 207.1% | | 132.7% | |
| Liquid Assets to External Funds | 11.2% | | 12.3% | |
| Memorandum information | | | | |
| Number of Branches | 33 | | 35 | |
| External Credit Rating | [SL] BB-; On watch with developing implications | | [SL] BB-; | |
| Regulatory penalties imposed last 6 months | | | | |
| Amount (Rs. Mn) | 1 | | - | |
| Regulatory Deposit Restrictions | | | | |
| Cap on Total Deposits (Rs. Mn) | 16,600 | | 16,600 | |
| Downsizing of Deposits - per month/ quarter/ year (Rs. Mn) | - | | - | |
| Freezing of Deposits | - | | - | |
| Regulatory Borrowing Restrictions | | | | |
| Cap on Total Borrowings (Rs. Mn) | - | | - | |
| Downsizing of Borrowings - per month/ quarter/ year (Rs. Mn) | - | | - | |
| Freezing of Borrowings | - | | - | |
| Regulatory Lending Restrictions | | | | |
| Cap on Total Lending Portfolio (Rs. Mn) | 18,500 | | 18,500 | |
| Downsizing of Lending Portfolio - per month/ quarter/ year (Rs. Mn) | - | | - | |
| Freezing of Lending Portfolio | - | | - | |
| Any Other Regulatory Restrictions | | | | |
| Amount (Rs. Mn) | - | | - | |

Certification:

We, the undersigned, being the Chief Executive Officer/Director, Chief Financial Officer and the Compliance 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 the Softlogic Finance PLC.

M.H.P. Wijesekera
(Sgd.) Chief Executive Officer/Director
Date: 29/06/2021

Ms. Ivon Brohier
(Sgd.) Chief Financial Officer
Date: 29/06/2021

Irshard Othman
(Sgd.) Compliance Officer
Date: 29/06/2021

Board of Directors: A. Russell-Davison - Chairman,

M.H. Priyantha Wijesekera - CEO, Hareesh Kaimal, Manilka Fernando, Dinesh P Renganathan, Ms. A. Goonetilleke, A.C. Mohamed Lafir
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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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 2021, and the statement of profit or loss and 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 2021, 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 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>Impairment allowance on loans & leases:</p> <p>As at 31 March 2021, loans & advances and receivables from lease & hire purchase (net of impairment) amounted to Rs. 11,270 Million (Note 21-23) and Rs. 5,263 Million (Note 24) respectively net of total allowance for impairment of LKR 2,065 Million (Note 21-24). These collectively contributed 79% to the Company's total assets.</p> <p>As described in Note 21-24, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard - SLFRS 9 Financial Instruments (SLFRS 9).</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> materiality of the reported impairment allowance which involved complex spread sheets calculations; and the degree of assumptions, judgements and estimation uncertainty associated with the calculations. <p>Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following:</p> <ul style="list-style-type: none"> the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the company); and forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses. | <p>We assessed the alignment of the company's impairment computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> We evaluated the design, implementation and operating effectiveness of controls where relevant over estimation of impairment of loans and advances, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. We checked the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records of the company. We test-checked the underlying calculations. In addition to the above, following focused procedures were performed: <p>For a sample of loans and advances individually assessed for impairment:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the criteria used by the management to determine whether there are any indicators of impairment; and Evaluating the reasonableness of the provisions made with particular focus on the impact of COVID-19 on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows. <p>For loans and advances collectively assessed for impairment:</p> <ul style="list-style-type: none"> Assessing the reasonableness of assumptions and estimates used by management including the reasonableness of forward-looking information and scenarios; and As relevant, assessing the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID-19 pandemic. We assessed the adequacy of the related financial statement disclosures as set out in Note(s) 21 - 24. |
| <p>IT systems and controls relevant to financial reporting</p> <p>The Company uses multiple IT systems in its operations. We selected IT systems and controls relevant to financial reporting as a key audit matter due to:</p> <ul style="list-style-type: none"> The Company's financial reporting process being heavily dependent on information derived from its IT systems and Key financial statement disclosures involving the use of multiple system - generated reports and calculations there on A changed working environment of increased remote access | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Understanding the security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and gathering of required information in calculating the significant information for financial statements disclosures Checking the source data of the reports used to generate significant disclosures for accuracy and completeness Assessing the reasonability of management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant |
| <p>Impact of moratoriums and other relief measures on recognition of interest income</p> <p>Moratoriums and other relief measures were granted by the Company to customers affected by the COVID - 19 Pandemic. Impact of moratoriums and other relief measures on the recognition of interest revenue on loans & receivables and lease rentals receivable & stock out on hire was a key audit matter due to:</p> <ul style="list-style-type: none"> Significant judgments that were applied in determining whether such moratoriums and other relief measures have resulted in substantial modifications or not, to contracts with customers as set out in Note 6 to the financial statements Use of spread sheet-based calculations by management to quantify the impacts of such moratoriums and other relief measures on the amount of revenue recognized for the period | <p>Our audit procedures (among others) included the following:</p> <ul style="list-style-type: none"> We gained an understanding of the process adopted by the Company to grant, record and account for moratoriums and other relief measures provided to customers We assessed the reasonableness of judgements applied by management in determining whether moratoriums and other relief measures have resulted in substantial modifications or not, to customer contracts. This included evaluating whether interest income on modified contracts have been recognized in line with its accounting policy for interest revenue recognition We tested the accuracy of underlying spread sheet based calculations. Our procedures included testing the completeness and accuracy of the data used in such spread sheet-based calculations, by agreeing to source documents and moratorium customer returns. |

Other information included in the 2021 Annual Report

Other information consists of the information included in the Company's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2021 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 will 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, or is so inconsistent with the financial statements that it is likely 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 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 to 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 ethical requirements in accordance with the Code of Ethics 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 Adverse 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.



29 June 2021
Colombo

Partners: W R H Fernando FCA FCMA RN de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA FCMA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA FCMA Ms. L K H Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulungamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manattunga FCA A A J R Perera ACA FCMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA FCMA B E Wijesuriya FCA FCMA Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA A member firm of Ernst & Young Global Limited