

KEY FINANCIAL DATA		
For the Year Ended 31 st March 2022 (Audited)		
In Rupees Million	From 01/04/2021 To 31/03/2022	From 01/04/2020 To 31/03/2021
Interest income	2,945	2,443
Interest expenses	(1,593)	(1,895)
Net interest income	1,352	549
Gains/(losses) from trading activities	-	-
Other Income	259	144
Operating Expenses (excluding impairment)	(1,337)	(1,213)
Impairment	(1,210)	(492)
Profit/(Loss) Before Tax	(936)	(1,012)
Taxes *	0	109
Profit/(Loss) After Tax	(936)	(903)

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

KEY FINANCIAL DATA		
As at 31 st March 2022 (Audited)		
In Rupees Million	As at 31.03.2022	As at 31.03.2021
Assets		
Cash and Bank Balance	438	628
Placements with banks & other finance companies	-	204
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	-	301
Government Securities	1,457	1,002
Due from Related Parties	4	160
Loans (excluding due from related parties)	20,585	16,376
Investments in Equity	0	37
Property, Plant and Equipment	609	629
Other Assets	2,286	1,535
Total Assets	25,379	20,873
Liabilities		
Due to Banks	605	699
Due to Related Parties	42	39
Deposits from Customers	15,582	14,581
Other Borrowings	4,240	1,940
Other Liabilities	547	586
Total Liabilities	21,015	17,845
Equity		
Stated Capital	6,746	4,507
Statutory Reserve Fund	260	260
Retained Earnings	(2,804)	(1,875)
Other Reserves	160	136
Total Equity	4,363	3,028
Net Assets Value Per Share	8.86	11.27

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

SELECTED KEY PERFORMANCE INDICATORS				
As at 31 st March 2022 (Audited)				
Item	As at 31.03.2022		As at 31.03.2021	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	7.1%	7.0%	-3.9%	6.5%
Total Capital Adequacy Ratio	12.1%	11.0%	-3.9%	10.5%
Capital Funds to Deposit Liabilities Ratio	27.6%	10.0%	20.8%	10.0%
Quality of Loan Portfolio (%)				
Gross Non-Performing Loans Ratio	27.2%		34.4%	
Net Non-Performing Loans Ratio	22.9%		29.7%	
Net Non-Performing Loans to Core Capital Ratio	123.8%		188.9%	
Provision Coverage Ratio,	62.4%		61.3%	
Profitability (%)				
Net Interest Margin	5.8%		2.6%	
Return on Assets	-4.0%		-4.7%	
Return on Equity	-25.3%		-35.6%	
Cost to Income Ratio	83.0%		175.1%	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	101.1%		207.1%	
Liquid Assets to External Funds	9.0%		11.2%	
Memorandum information				
Number of Branches	33		33	
External Credit Rating	[SL] BB (Stable)		[SL] BB-: On watch with developing implications	
Regulatory penalties imposed last 6 months				
Amount (Rs. Mn)	-		1	
Regulatory Deposit Restrictions				
Cap on Total Deposits (Rs. Mn)	-		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	
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: 29/06/2022
Ms. Ivon Brohier (Sgd.) Chief Financial Officer Date: 29/06/2022
Rashika Daniel (Sgd.) Compliance Officer Date: 29/06/2022

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

M.H. Priyantha Wijesekera - CEO, Haresh 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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APAG/WDP/LIP

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 2022, 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 2022, 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
Impairment allowances for loan, Lease and Hire purchase receivables: As at 31 March 2022, Loan, Lease and Hire purchase receivables net of impairment allowances amounted to LKR 20.5 Bn and is disclosed in note(s) 21, 22, 23 & 24. These collectively contributed 81% to the Company's total assets. Impairment allowances on Loan, Lease and Hire purchase receivables is a key audit matter due to: • Materiality of the reported provision for credit impairment which involved complex calculations; and • Significant judgements used in assumptions and estimates made by the management as reflected in note 3.1.9, which in the current year was influenced by the need to assess the change in current economic conditions on forward looking information and the continuing impact of Covid-19 debt moratorium relief measures.	Our audit procedures included amongst others the following: • We assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. • We evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls. • We checked the completeness, accuracy and classification of the underlying data used in the computation of impairment allowances by agreeing details to relevant source documents and accounting records of the Company. For Loan, Lease and Hire purchase receivables assessed on a collective basis for impairment: - We tested key calculations used in the impairment allowances. - We assessed whether significant judgements used in assumptions and estimate made by the management in the underlying methodology and management overlays were reasonable. We also evaluated the reasonableness of forward looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Our procedures were based on the best available information up to the date of our report. For loans and advances assessed on individual basis for impairment: - We assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on borrower's particular circumstances. - We checked the accuracy of the underlying individual impairment calculations. - We evaluated the reasonableness of key inputs used in the provision for credit impairment made with the particular focus on current economic conditions. Such evaluations were carried out considering value and timing of cash flow forecasts particularly relating to elevated risk industries, status of recovery actions and collateral values. We assessed the adequacy of the related financial statement disclosures set out in note(s) 21, 22, 23 & 24.
Financial reporting related IT based Internal controls A significant part of the Company's financial reporting process is primarily reliant on multiple IT systems with automated processes and 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 spread sheets. Accordingly, financial reporting related IT based Internal controls is considered a key audit matter.	Our audit procedures included the following: • We obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures. • We identified and test checked relevant controls of key IT systems related to the Company's Financial reporting process. • We evaluated the design and operating effectiveness of IT controls, including those related to user access and change management. • We checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations.

Other information included in the 2022 Annual Report

Other information consists of the information included in the Company's 2022 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2022 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.

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 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 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 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.



29 June 2022
Colombo

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA L.L.B (London), Ms. A A Ludowyke FCA FCMA, Ms. G S G Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACA, Ms. P S Paranavitane ACA LLB (Colombo), T P M Ruberu FCMA FCCA

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