

KEY FINANCIAL DATA  
For the Year ended 31<sup>st</sup> March 2023 (Audited)

In Rupees Million	From 01/04/2022 To 31/03/2023	From 01/04/2021 To 31/03/2022
Interest income	3,925	2,945
Interest expenses	(3,891)	(1,593)
<b>Net interest income</b>	<b>34</b>	<b>1,352</b>
Gains/(losses) from trading activities	14	-
Other Income	260	259
Operating Expenses (excluding impairment)	(1,493)	(1,337)
Impairment	(1,810)	(1,210)
<b>Profit/(Loss) Before Tax</b>	<b>(2,995)</b>	<b>(936)</b>
Taxes *	-	-
<b>Profit/(Loss) After Tax</b>	<b>(2,995)</b>	<b>(936)</b>

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

KEY FINANCIAL DATA  
As at 31<sup>st</sup> March 2023 (Audited)

In Rupees Million	As at 31.03.2023	As at 31.03.2022
<b>Assets</b>		
Cash and Bank Balance	494	438
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	316	-
Government Securities	1,891	1,457
Due from Related Parties	3	4
Loans (excluding due from related parties)	16,658	20,585
Investments in Equity	0	0
Property, Plant and Equipment	510	609
Other Assets	2,310	2,286
<b>Total Assets</b>	<b>22,182</b>	<b>25,379</b>
<b>Liabilities</b>		
Due to Banks	185	605
Due to Related Parties	26	42
Deposits from Customers	12,431	15,582
Other Borrowings	6,766	4,240
Other Liabilities	537	547
<b>Total Liabilities</b>	<b>19,946</b>	<b>21,015</b>
<b>Equity</b>		
Stated Capital	7,598	6,746
Statutory Reserve Fund	260	260
Retained Earnings	(7,544)	(2,804)
Other Reserves	1,922	160
<b>Total Equity</b>	<b>2,236</b>	<b>4,363</b>
<b>Net Assets Value Per Share</b>	<b>3.67</b>	<b>8.86</b>

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

SELECTED KEY PERFORMANCE INDICATORS  
As at 31<sup>st</sup> March 2023 (Audited)

Item	As at 31.03.2023		As at 31.03.2022	
	Actual	Required	Actual	Required
<b>Regulatory Capital Adequacy (%)</b>				
Tier 1 Capital Adequacy Ratio	-1.1%	8.5%	7.1%	7.0%
Total Capital Adequacy Ratio	0.6%	12.5%	12.1%	11.0%
Capital Funds to Deposit Liabilities Ratio	17.8%	10.0%	27.6%	10.0%
<b>Quality of Loan Portfolio (%)</b>				
Gross Non-Performing Loans Ratio	37.4%		27.2%	
Net Non-Performing Loans Ratio	10.9%		6.0%	
Net Non-Performing Loans to Core Capital Ratio	79.0%		26.5%	
Provision Coverage Ratio,	62.5%		62.4%	
<b>Profitability (%)</b>				
Net Interest Margin	0.1%		5.8%	
Return on Assets	-12.6%		-4.0%	
Return on Equity	-90.8%		-25.3%	
Cost to Income Ratio	508.0%		83.0%	
<b>Liquidity (%)</b>				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	132.2%		101.1%	
Liquid Assets to External Funds	12.8%		9.0%	
<b>Memorandum information</b>				
Number of Branches	30		33	
External Credit Rating	*		[SL] BB (Stable)	
<b>Regulatory penalties imposed last 6 months</b>				
Amount (Rs. Mn)	-		-	
<b>Regulatory Deposit Restrictions</b>				
Cap on Total Deposits (Rs. Mn)	12,500		-	
Downsizing of Deposits - by 30 September 2023 (Rs. Mn)	3,500 **		-	
Freezing of Deposits	-		-	
<b>Regulatory Borrowing Restrictions</b>				
Cap on Total Borrowings (Rs. Mn)	***		-	
Downsizing of Borrowings - per month/ quarter/ year (Rs. Mn)	-		-	
Freezing of Borrowings	-		-	
<b>Regulatory Lending Restrictions</b>				
Cap on Total Lending Portfolio (Rs. Mn)	15,500		-	
Downsizing of Lending Portfolio - by 30 September 2023 (Rs. Mn)	2,000 **		-	
Freezing of Lending Portfolio	-		-	
<b>Any Other Regulatory Restrictions</b>				
Amount (Rs. Mn)	-		-	

\* Lanka Rating is evaluating the Company's credit rating at present

\*\* CBSL has downsized the caps on Total Deposits & Total Lending portfolio to Rs.9,000Mn & Rs.13,500Mn respectively by 30 September 2023

\*\*\* CBSL imposed a cap of Rs. 5,600Mn on borrowings through Commercial papers (with Accrued Interest) on 10 April 2023 & downsized to Rs. 4,600Mn on 7 July 2023

Please refer to the link (<https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=CRL.N0000>) in Colombo Stock Exchange for more details in relation to note nos 41.5 and 44 depicted in the Auditors report.

Certification:

We, the undersigned, being the Chief Executive Officer, Head of Finance and the Acting Compliance Officer of Softlogic Finance PLC certify jointly that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

(b) the information contained in these statements have been extracted from the audited financial statements of the Softlogic Finance PLC.

**Ms. Ivon Brohier**  
(Sgd.) Chief Executive Officer  
Date: 11/08/2023

**Deshantha De Alwis**  
(Sgd.) Head of Finance  
Date: 11/08/2023

**Dinesh Sivaguru**  
(Sgd.) Acting Compliance Officer  
Date: 11/08/2023

Board of Directors: D.P Renganathan (Chairman),

H.K. Kaimal, A.C.M. Fernando, A.C.M. Lafir, P.T. Wanigasekara, H.S.S. Dabare, R.J. 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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APAG/WDPL/IP/AD

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 2023, 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 2023, 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.

Emphasis of Matter relating compliance with regulatory requirements

We draw attention to Notes 41.5 and 44 to the financial statements which discusses compliance with regulatory requirements and corrective actions taken by the Company. Our opinion is not modified in respect of this matter.

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
<b>Allowance for expected credit losses on financial assets carried at amortized cost</b>  As at 31 March 2023, allowance for expected credit losses on financial assets carried at amortized cost net of impairment allowances amounted to LKR 16.6 Bn as disclosed in notes 21, 22, 23, & 24 to the financial statements.  This was a key audit matter due to the materiality of the reported allowance for expected credit losses which involved complex calculations; degree of significant judgements and assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets.  Key areas of significant judgments, estimates and assumptions used by management in the assessment of the allowance for expected credit losses included the following; <ul style="list-style-type: none"><li>Management overlays to incorporate the current economic contraction.</li><li>The Incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.</li></ul>	In addressing the adequacy of the allowance for expected credit losses on financial assets carried at amortized cost, our audit procedures included the following key procedures. <ul style="list-style-type: none"><li>We assessed the alignment of the Company's allowance for expected credit losses computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report.</li><li>We evaluated the Internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of allowance for expected credit losses policies and procedures by the Board and management</li><li>We checked the completeness, accuracy and classification of the underlying data used in the computation of credit impairment by agreeing details to relevant source documents and accounting records of the Company</li><li>In addition to the above, following procedures were performed. <b>For Loan, Lease and Hire Purchase receivables assessed on an individual basis for impairment:</b><ul style="list-style-type: none"><li>We evaluated the reasonableness of credit quality assessment.</li><li>We checked the arithmetical accuracy of the underlying individual impairment calculations.</li><li>We evaluated the reasonableness of key inputs used in provision for credit impairment made with particular focus on current economic contraction. Such evaluations were carried out considering the customer exposure to elevated risk industries, debt moratoriums, status of recovery actions of collaterals in forecasting the value and timing of cashflows.</li></ul><b>For Loan, Lease and Hire Purchase receivables assessed on a collective basis for impairment:</b><ul style="list-style-type: none"><li>We tested key inputs as disclosed in note 24 and the calculations used in the allowance for expected credit losses.</li><li>We assessed whether judgements used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation, elevated risk industries, evaluating the reasonableness of forward-looking information, different economic scenarios and probability weighting assigned to each scenario.</li></ul></li></ul> We assessed the adequacy of the related financial statement disclosures set out in notes 21, 22, 23 & 24 of the financial statements.
<b>Information Technology (IT) systems and internal controls over financial reporting</b>  Company's financial reporting process is significantly 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 spreadsheets.  Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following; <ul style="list-style-type: none"><li>We obtained an understanding of the Internal control environment of the processes and checked relevant controls relating to financial reporting and related disclosures.</li><li>We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management.</li><li>We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the company and the actions taken to address these risks.</li><li>We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of general ledger reconciliations.</li></ul>

Other information included in the 2023 Annual Report

Other information consists of the information included in the Company's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2023 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.

  
11 August 2023  
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 FCMA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S 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: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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