

KEY FINANCIAL DATA			
For the Year ended 31 st March 2024 (Audited)			
In Rupees Million	From 01/04/2023 To 31/03/2024	From 01/04/2022 To 31/03/2023	
Interest income	2,576	3,925	
Interest expenses	(2,781)	(3,891)	
Net interest income	(205)	34	
Gains/(losses) from trading activities	21	14	
Other Income	123	260	
Operating Expenses (excluding impairment)	(1,071)	(1,493)	
Impairment	(644)	(1,810)	
Profit/(Loss) Before Tax	(1,777)	(2,995)	
Taxes*	-	-	
Profit/(Loss) After Tax	(1,777)	(2,995)	

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

KEY FINANCIAL DATA			
As at 31 st March 2024 (Audited)			
In Rupees Million	As at 31.03.2024	As at 31.03.2023	
Assets			
Cash and Bank Balance	334	494	
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	379	316	
Government Securities	603	1,891	
Due from Related Parties	4	3	
Loans (excluding due from related parties)	7,838	16,658	
Investments in Equity	0	0	
Property, Plant and Equipment	106	510	
Other Assets	2,027	2,310	
Total Assets	11,291	22,182	
Liabilities			
Due to Banks	23	185	
Due to Related Parties	2	1,036	
Deposits from Customers	7,481	12,431	
Other Borrowings	558	5,756	
Other Liabilities	438	537	
Total Liabilities	8,502	19,946	
Equity			
Stated Capital	9,930	7,598	
Statutory Reserve Fund	260	260	
Retained Earnings	(9,138)	(7,544)	
Other Reserves	1,736	1,922	
Total Equity	2,789	2,236	
Net Assets Value Per Share	2.90	3.67	

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

SELECTED KEY PERFORMANCE INDICATORS				
As at 31 st March 2024 (Audited)				
Item	As at 31.03.2024		As at 31.03.2023	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	4.9%	8.5%	-1.1%	8.5%
Total Capital Adequacy Ratio	4.9%	12.5%	0.6%	12.5%
Capital Funds to Deposit Liabilities Ratio	13.8%	10.0%	2.5%	10.0%
Quality of Loan Portfolio (%)				
Gross Non-Performing Loans Ratio	61.1%		37.4%	
Net Non-Performing Loans Ratio	17.9%		10.9%	
Net Non-Performing Loans to Core Capital Ratio	39.2%		79.0%	
Provision Coverage Ratio,	67.5%		62.5%	
Profitability (%)				
Net Interest Margin	-1.5%		0.2%	
Return on Assets	-10.6%		-12.6%	
Return on Equity	-70.7%		-90.8%	
Cost to Income Ratio	-1303.7%		508.0%	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	97.7%		132.2%	
Liquid Assets to External Funds	10.1%		12.8%	
Memorandum information				
Number of Branches	18		30	
External Credit Rating	*		*	
Regulatory Penalties imposed last 6 months				
Amount (Rs. Mn)	-		-	
Regulatory Deposit Restrictions				
Cap on Total Deposits (Rs. Mn)	5,000		12,500	
Downsizing of Deposits (Rs. Mn)	300***		3,500**	
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)	9,000		15,500	
Downsizing of Lending Portfolio (Rs. Mn)	4,000***		2,000**	
Freezing of Lending Portfolio	-		-	
Any Other Regulatory Restrictions				
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 has downsized the caps on Total Deposits & Total Lending portfolio to Rs.4,700Mn & Rs.5,000Mn respectively by 30 September 2024

**** CBSL instructed to discontinue borrowings through Commercial papers (with Accrued Interest) as at 05 July 2024

Certification:

We, the undersigned, being the Chief Executive Officer, Head of Finance and the Acting 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.

Ms. Ivon Brohier
(Sgd.) Chief Executive Officer
Date: 19/09/2024

Deshantha de Alwis
(Sgd.) Head of Finance
Date: 19/09/2024

Ms. Dinesha Perera
(Sgd.) Acting Compliance Officer
Date: 19/09/2024

Board of Directors: A.K.Pathirage - (Chairman)

H.S. Samantha Dabare, H.K. Kaimal, R.J. Perera, C. Kalupahana, Viresh Binomal Nanayakkara

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 AUDITORS' 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 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, 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 (SLAuS). 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 for Professional Accountants 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 note 44.2 to the financial statements which indicates that the Company has entered into participation agreements with S R One (Private) Limited, a fully owned subsidiary of Softlogic Capital PLC (the parent Company), for the transfer of beneficial ownership of a segment of the Company's loan portfolio with the expectation of complying with the capital adequacy ratio as per the Central Bank Direction 03 of 2018. 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
Allowance for expected credit losses Allowance for expected credit losses amounting to LKR 4.5 Bn arising from loans and advances of LKR 12.3 Bn (Note 21 to 24) is determined by the management based on the accounting policies described in Note 3.1.9. This was a key audit matter due to: <ul style="list-style-type: none"> The involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and The materiality of the reported amount of Allowance for expected credit losses and use of complex calculations in its determination. Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.	In addressing the adequacy of the Allowance for expected credit losses, our audit procedures included the following key procedures: <ul style="list-style-type: none"> Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report. Evaluated the design, implementation, and operating effectiveness of controls over estimation of allowance for expected credit losses, which included assessing the level of oversight, review and approval of allowance for expected credit losses, policies and procedures by the Board and the management. Checked the completeness, accuracy and reasonableness of the underlying data used in the allowance for expected credit losses computations by cross checking to relevant source documents and accounting records of the Company. Evaluated the reasonableness of credit quality assessments and related stage classifications. Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages. Assessed the adequacy of the related financial statement disclosures set out in notes 21 to 24 and note 3.1.9.
Information Technology (IT) systems related internal controls over financial reporting Company's financial reporting process is significantly reliant on multiple IT systems and related 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 related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: <ul style="list-style-type: none"> Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures. Involved our internal specialized resources and; Obtained and understanding IT Governance Structure of the Company Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management. Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks. Tested source data of the reports used to generate disclosures for accuracy and completeness.

Other information included in the 2024 Annual Report

Other information consists of the information included in the Company's 2024 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2024 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 appears 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 SLAuS 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 SLAuS, 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 that 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.

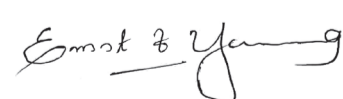
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 2965.



20 September 2024

Colombo

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

Principals: T P M Ruberu FCA FCA MBA (USJ-SL), G B Goudan ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sg)

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