



# MULTI FINANCE PLC

## Financial Statements for the Year Ended 31st March 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
For the Year Ended 31st March (Audited)	2022 Rs.	2021 Rs.
Income	120,357,181	134,104,126
Interest Income	111,453,969	126,590,478
Interest Expenses	(25,200,657)	(42,830,661)
Net Interest Income	86,253,312	83,759,817
Fee and Commission Income	720,468	735,079
Other Operating Income	8,182,744	6,778,569
Total Operating Income	95,156,524	91,273,465
Impairment Charges for Loans and Other Losses	(155,667,981)	(3,872,222)
Net Operating Income	(60,511,457)	87,401,243
Operating Expenses		
Personnel Expenses	(75,797,743)	(81,745,361)
Depreciation of Property Plant & Equipments	(23,863,969)	(24,761,207)
Amortisation of Intangible Assets	(615,074)	(976,921)
Other Operating Expenses	(38,707,890)	(39,908,955)
Total Operating Expenses	(138,984,676)	(147,392,444)
Operating Loss before Tax on Financial Services	(199,496,133)	(59,991,201)
Tax on Financial Services	(7,214)	(2,902,110)
Loss before taxation	(199,503,347)	(62,893,311)
Income Tax Expense	-	(19,706,223)
Loss for the period	(199,503,347)	(82,599,534)
Other Comprehensive Income that will be Reclassified to Income Statement		
Reclassification of Fair Value Through Other comprehensive income to Profit or Loss	(50,308)	(207,437)
Net change/(Loss) in fair value of financial assets measured at Fair Value Through Other Comprehensive Income	-	10,546
Less: Deferred Tax Charge/(Reversal) on above Items		
Net Other Comprehensive Income that will be Reclassified to Income Statement	(50,308)	(196,891)
Other Comprehensive Income that will never be Reclassified to Income Statement		
Actuarial Gains/(Losses) on Defined Benefit Plans	4,512,590	(660,791)
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	-	158,590
Net Actuarial Gains/(Losses) on Defined Benefit Plans	4,512,590	(502,201)
Net Other Comprehensive Income that will never be Reclassified to Income Statement	4,512,590	(502,201)
Other Comprehensive Income for the Year, Net of Tax	4,462,282	(699,092)
Total Comprehensive Income for the Year, Net of Tax	(195,041,065)	(83,298,626)
Earnings/(Loss) per Share: Basic/Diluted (Rs.)	(3.14)	(1.30)

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION		
As at 31st March (Audited)	2022 Rs.	2021 Rs.
ASSETS		
Cash and cash equivalents	13,693,690	23,195,923
Financial Assets at Amortised Cost - Loans and Receivables	254,667,027	411,421,218
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	82,196,194	158,110,929
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,500	535,489
Other Financial Assets	135,469,843	119,229,696
Other Non Financial Assets	37,534,569	40,072,409
Reposessed Stock	-	4,090,270
Income Tax Receivable	5,227,631	5,227,631
Investment Property	71,150,000	68,333,000
Deferred Tax Asset	-	-
Property, Plant and Equipment and Right-of-Use Assets	16,576,715	39,401,866
Intangible assets	1,007,511	524,860
TOTAL ASSETS	617,525,680	870,143,291
LIABILITIES		
Due to banks	3,208,335	3,128,745
Financial Liabilities at Amortised Cost - Due to Depositors	253,824,754	294,272,187
Other Financial Liabilities	37,025,793	53,490,242
Other Non Financial Liabilities	17,796,298	16,897,718
Post Employment Benefit Liability	6,859,576	8,502,410
TOTAL LIABILITIES	318,714,756	376,291,302
EQUITY		
Stated capital	898,375,289	898,375,289
Reserves	16,655,272	16,705,580
Retained Earnings / (Accumulated Losses)	(616,219,637)	(421,228,880)
TOTAL EQUITY	298,810,924	493,851,989
TOTAL LIABILITIES AND EQUITY	617,525,680	870,143,291
Net Assets Value Per Share (Rs.)	4.70	7.76

Figures in brackets indicate deductions.

SELECTED KEY PERFORMANCE INDICATORS				
Item	As at 31st March 2022		As at 31st March 2021	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	67.61	7.00	53.18	6.50
Total Capital Adequacy Ratio	67.61	11.00	53.18	10.50
Capital Funds to Deposit Liabilities Ratio	116.68	10.00	163.74	10.00
Quality of Loan Portfolio (%)				
Gross Non-Performing Loans Ratio	53.03		45.29	
Net-Non-Performing Loans Ratio	3.41		15.58	
Net-Non-Performing Loans to Core Capital Ratio	7.86		24.22	
Provision Coverage Ratio	77.10		48.74	
Profitability (%)				
Net Interest Margin	10.13		8.26	
Return on Assets	-32.31		-7.23	
Return on Equity	-66.77		-16.73	
Cost to Income Ratio	146.06		161.48	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	451.38		586.57	
Liquid Assets to External Funds	44.99		35.23	
Memorandum information				
Number of Branches	7		7	
External Credit Rating	[SL] C+(Negative) (ICRA)		[SL] C+ (ICRA)	
Regulatory penalties imposed last 6 months				
Amount (Rs. Mn)	-		-	
Regulatory Deposit Restrictions				
Cap on total Deposits (Rs. mn)	600		600	
Downsizing of Deposits - per month (Rs. mn)	25		25	
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)	1300		1300	
Downsizing of Lending portfolio - per month (Rs. mn)	50		50	
Restrictions on granting new credit facilities and/or extending the term of existing credit facilities	-		-	
Any Other Regulatory Restrctions	N/A		N/A	

**CERTIFICATION:**  
We, the undersigned, being the Directors and the Manager - Finance of Multi 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 (CBSL);

b) the information contained in these statements have been extracted from the audited financial statements of the Licensed Finance Company unless indicated as unaudited.

Sgd. <b>Niroshan Udag</b> Director 30th June 2022	Sgd. <b>Ravindra Yatawara</b> Manager - Finance 30th June 2022	Sgd. <b>Nuwan Ediriweera</b> Manager - Finance 30th June 2022
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Licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

**KPMG**  
(Chartered Accountants)  
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### INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Multi Finance PLC**  
**Report on the Audit of the Financial Statements**

**Opinion**  
We have audited the financial statements of Multi Finance PLC ("the Company"), which comprise the statement of financial position as at March 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2022, and of its financial performance and 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.

**Material uncertainty in relation to going concern**  
We draw attention to Note 45 of the financial statements which indicates that the Company has not complied with the Minimum Core Capital Direction No 02 of 2017. Further the Company has incurred continuous losses over the years accumulated as at 31 March 2022 amounting to Rs.616,219,637.

Additionally, the Central Bank of Sri Lanka has imposed restrictions on the Company's lending and deposit operations until the regulatory requirements pertaining to the minimum core capital requirements are complied with. The Company has been in discussion with the Central Bank of Sri Lanka on the above matters.

In order to apply the going concern basis of accounting the Company has to satisfy the regulatory requirements with the concurrence of the Central Bank of Sri Lanka.

Therefore, the material uncertainty impacting the Company's ability to continue as a going concern depends on addressing the conditions set out by the regulatory requirements. 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 our audit of the financial statements of the current period. These matters were addressed in the context of our 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. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**1. Allowance for impairment losses for leases, hire purchase receivables, advances and other loans**  
As described in Note 4.2.10 (Accounting policies) and Note 20.1, the Company has estimated impairment provision for Financial Assets at Amortised Cost – Loans and Receivables, Financial Assets at Amortised Cost – Lease Rental Receivable and Stock out on Hire of Rs. 351,884,581 as at 31st March 2022.

**Risk Description**  
The Company uses the Expected Credit Loss (ECL) model to calculate the allowance for impairment loss in accordance with SLFRS 9- Financial Instruments (SLFRS 9)

High degree of complexity and judgment are involved in estimating ECL. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the ECL model including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required.

The prevailing uncertain and volatile macro-economic environment and implications of COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk.

We have identified the allowance for expected credit losses as a key audit matter due to the significance of the loans and receivables, lease rental receivables and stock out on hire balances to these financial statements, the inherent complexity of the Company's ECL models used to measure ECL allowances and level of required disclosures set out by the requirements of SLFRS 7 financial instruments: Disclosures.

Our audit procedures included:

- Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain and volatile macro-economic environment;
- Challenging the key assumptions in the ECL models, including staging, PD, and LGD and evaluating the reasonableness of Management's key judgments and estimates;
- Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios;
- Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD;
- Assessing the reasonableness of the Company's considerations of the prevailing uncertain and volatile macro-economic environment and implications of COVID-19 pandemic;
- Working with our internal consulting specialists in order to assess the management computation of ECL model including staging, PD, LGD, and appropriateness of incorporating the forward-looking factors, assumptions, and management overlays to the ECL model.
- Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

**Other Information**  
Management is responsible for the other information. These financial statements do not include the other information.

Our opinion on the financial statements does not cover the other information and we do 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 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 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. However, the Company does not fulfill the requirements of the Minimum Core Capital Direction No 02 of 2017 as at 31 March 2022 issued by the Central Bank of Sri Lanka.

The engagement partner on the audit resulting in this independent auditor's report's Membership number is 2599.

Chartered Accountants  
Colombo, Sri Lanka  
30 June 2022

<b>P.Y.S. Perera FCA</b> W.J.C. Perera FCA W.K.D.C. Abeyaratne FCA R.M.D.B. Rajapakse FCA M.N.M. Shameel FCA Ms. P.M.K.Sumanasekara FCA	<b>C.P. Jayatilake FCA</b> Ms. S. Joseph FCA S.T.D.L. Perera FCA Ms. B.K.D.T.N. Rodrigo FCA Ms. C.T.K.N. Perera FCA	<b>T.J.S. Rajakarier FCA</b> Ms. S.M.B. Jayasekara FCA G.A.U. Karunaratne FCA R.H. Rajan FCA A.M.R.P. Alahakoon ACA
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