



MULTI FINANCE PLC

Audited Financial Statements for the Year Ended 31st March 2018

COMPREHENSIVE INCOME STATEMENT

For the Year Ended 31st March	2018 Rs. (Audited)	2017 Rs. (Audited)
Income	235,416,652	158,164,595
Interest income	204,173,082	131,092,044
Interest expenses	(64,892,696)	(53,608,993)
Net interest income	139,280,386	77,483,051
Fee and commission income	22,270,734	24,178,108
Other income	8,972,836	2,894,443
Net income from operations	170,523,956	104,555,602
Operating expenses		
Personnel cost	(67,598,026)	(49,158,444)
Net impairment of available-for-sale financial assets	(165,794)	(2,802,983)
Depreciation and amortization charge	(3,984,668)	(4,271,292)
Other operating expenses	(80,875,276)	(67,422,939)
Total operating expenses	(152,623,764)	(123,655,658)
Profit/(Loss) before impairment and taxation	17,900,192	(19,100,056)
Impairment (charge)/reversal for loan and other advances		
Individual Impairment	(45,477,566)	(17,550,692)
Collective Impairment	(480,489)	(6,869,819)
Others	-	(909,201)
Profit/(Loss) before taxation and VAT on Financial Services	(28,057,863)	(44,429,766)
Value Added Tax on financial services	(5,880,379)	(1,617,131)
Profit/(Loss) before taxation	(33,938,242)	(46,046,897)
Income Tax (Expenses)/Reversal	16,987,657	5,858,360
Profit/(Loss) for the period	(16,950,585)	(40,188,537)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefit obligation	97,172	498,417
Tax on actuarial gain	(27,208)	(139,557)
	69,964	358,860
Items that are or may be reclassified subsequently to profit or loss		
Reclassification of Available for sale reserve to profit / loss	(1,807,499)	-
Net change in fair value of available-for-sale financial assets	73,501	49,026
	(1,733,998)	49,026
	(1,664,034)	407,886
	(18,614,619)	(39,780,651)
Other comprehensive income for the period, net of tax		
Total comprehensive income / (expense) for the period		
	(0.27)	(1.51)
Earnings/(Loss) per share (Rs.)		

STATEMENT OF FINANCIAL POSITION

As at 31st March	2018 Rs. (Audited)	2017 Rs. (Audited)
ASSETS		
Cash and cash equivalents	94,163,856	639,038,484
Placements with Banks and other financial institutions	233,069,642	-
Fair value through profit or loss financial assets	-	766,878
Rental receivable on lease	333,913,312	108,185,846
Rental receivable on hire purchase	12,643,028	43,260,175
Advance and other loans	850,737,233	443,491,180
Trade and other receivables	50,523,101	31,939,499
Inventories	668,000	-
Income tax receivables	4,452,003	2,157,186
Available for sale financial assets	8,071,749	10,733,062
Intangible assets	1,417,849	669,584
Property, plant & equipment	12,426,351	7,900,371
Deferred Tax Asset	31,748,786	13,391,037
TOTAL ASSETS	1,633,834,910	1,301,533,302
LIABILITIES AND EQUITY		
Due to banks and financial institutions	75,126,583	43,175,437
Deposits due to customers	649,996,600	368,412,116
Other borrowings	-	17,455,656
Trade and other payables	97,768,754	43,794,412
Retirement benefit obligation	5,137,175	4,275,264
TOTAL LIABILITIES	828,029,112	477,112,885
EQUITY		
Stated capital	898,375,289	898,375,289
Statutory Reserve Fund	5,389,222	5,389,222
General Reserve	11,266,050	11,266,050
Available For Sale Reserve	280,939	2,014,937
Retained earnings	(109,505,702)	(92,625,081)
TOTAL EQUITY	805,805,798	824,420,417
TOTAL LIABILITIES AND EQUITY	1,633,834,910	1,301,533,302
Net Assets Per Share (Rs.)	12.67	12.96

Figures in brackets indicate deductions.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

Item	As at 31/03/ 2018	As at 31/03/ 2017
Regulatory capital adequacy		
Core capital (Tire 1 capital), Rs.	805,524,860	822,405,480
Total Capital Base, Rs.	805,524,860	822,405,480
Core capital adequacy ratio, as % of risk weighted assets (minimum requirement, 5%)	66.37	148.88
Total capital adequacy ratio, as % of risk weighted assets (minimum requirement, 10%)	66.37	148.88
Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%)	123.93	223.23
Assets quality (quality of loan portfolio)		
Gross non-performing accommodations, Rs.	125,941,332	66,517,300
Gross non-performing accommodations ratio, %	9.92%	11.18%
Net non-performing accommodations ratio, %	5.56%	6.92%
Profitability (%)		
Net Interest margin	12.65%	12.81%
Return on assets (before tax)	-0.46%	-3.54%
Return on equity (after tax)	-0.11%	-4.83%
Regulatory liquidity (Rs.)		
Required minimum amount of liquid assets	65,238,735	37,104,716
Available amount of liquid assets	98,454,636	639,038,485
Required minimum amount of Government Securities	31,841,438	35,927,250
Available amount of Government Securities	65,500,000	74,900,000
Memorandum information		
Number of employees	107	80
Number of branches	7	7
Number of service centers	-	-
Number of pawning centres	1	1
Contingent liabilities and commitments, Rs.	5,010,927	-

It is certified that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.

We the undersigned, being the Chairman, Non Executive Director, Chief Executive Officer and Senior Finance Manager of Multi 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 Licensed Finance Company unless indicated as audited.

Sgd.
A. M. Galbadaarachchi
Senior Finance Manager

Sgd.
M. Shelton Peiris
Independent Non Executive Director

Sgd.
P. Jayasundara
Director / Chief Executive Officer

Sgd.
Kuvera De Zoysa
Chairman / Independent Non Executive Director



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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, 2018, and the statement of 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 accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, 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 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.

Provision for Impairment of Loans and Advances

As described in Note 3.1.1.7 (Accounting policies) and Notes 14, 15 and 16 (Loans and advances) Company has estimated Rs. 73,083,552 as impairment provision for Loans and Advances as at 31st March 2018.

Risk Description

We have identified the assessment of the impairment of loans and advances to customers as a key audit matter since there is a high degree of complexity and judgment involved on the Company's part in estimating individual and collective credit impairment provisions against these loans. These features have resulted in significant audit effort to address the risks around loan recoverability and the determination of related provisions. Changes to these assumptions may considerably impact the required level of impairment provision.

Our Response:

Our audit Procedures included;

- Testing of design, implementation and operating effectiveness of key controls over acceptance, monitoring and reporting of credit risk.
- Testing application controls, with the involvement of our own IT Specialist, over aging computation over loans and receivables and over the completeness and accuracy of data extraction.
- Validating of the accuracy of the collective and individual impairment models by re-performing the calculations.

- assessing the methodologies used against our interpretation of the requirements of the relevant accounting standards and our wider industry experience.

- Challenging the appropriateness of key assumptions, including collateral valuations and forecast cash flows, based on our knowledge of the business and industry practice and the actual past experience of the Company's loan portfolios.

- 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. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Therefore, our opinion on the financial statements does not cover the other information and we do 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 identified above when it becomes available 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.

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.

The engagement partner on the audit resulting in this independent auditors' report's Membership number is 1798.

(Sgn.)
Chartered Accountants
Colombo, Sri Lanka
29 June 2018

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakariyer FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA	M.N.M. Shameel ACA	
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law,	H.S. Goonewardene ACA	
Ms. C.T.K.N. Perera ACA		

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