ANNUAL REPORT 2022/23

softlogic
BEST IN THE BUSINESS

Softlogic Holdings PLC

CONTENTS

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OUR **VISION**

To be the most preferred and ubiquitous product and service provider.

OUR **CREDO**

To make responsible investment decisions and retain the best talent and become the most admired corporate entity.

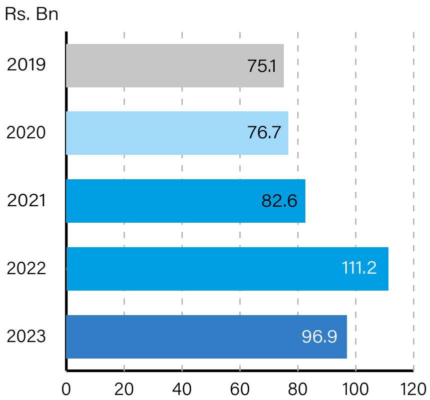
FINANCIAL HIGHLIGHTS

For the year ended 31 March		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Earnings Highlights											
Group Revenue	Rs. Mn	**96,899**	111,229	82,621	76,722	75,143	66,019	58,882	54,600	39,564	29,246
Gross Profit	Rs. Mn	**34,096**	37,370	25,408	27,044	27,636	23,673	19,579	18,559	14,117	11,012
Earnings Before Interest, Tax,Depreciation & Amortisation of Intangibles	Rs. Mn	**12,136**	13,995	8,196	9,807	11,721	11,695	8,451	7,897	6,398	5,025
Group Earnings/ (Loss) Before Interest & Taxation	Rs. Mn	**8,044**	10,167	4,539	6,462	8,859	9,052	6,391	6,082	4,959	3,918
Group Earnings/ (Loss) Before Taxation	Rs. Mn	**(20,908)**	(3,561)	(3,811)	(2,899)	1,743	3,092	1,581	2,836	2,266	1,258
Group Earnings/ (Loss) After Taxation	Rs. Mn	**(23,657)**	(5,278)	(4,008)	(3,181)	2,990	2,278	920	1,870	1,819	1,009
Total Comprehensive Income/ (Loss) Net of Taxation	Rs. Mn	**(22,706)**	(3,090)	(2,739)	(2,272)	3,127	2,827	1,793	2,859	2,160	1,237
Group Earnings/ (Loss) Attributable to Equity Holders	Rs. Mn	**(24,077)**	(8,171)	(5,227)	(4,724)	105	204	120	565	556	156
Group Comprehensive Income/ (Loss) Attributable to Equity Holders	Rs. Mn	**(23,624)**	(7,142)	(4,307)	(4,096)	353	450	783	1,829	761	220
Gross Profit Margin	%	**35**	34	31	35	37	36	33	34	36	38
Net Profit/ (Loss) Margin	%	**(24.41)**	(4.74)	(4.85)	(4.15)	3.98	3.45	1.56	3.43	5	3.5
Earnings/ (Loss) Per Share	Rs.	**(20.19)**	(6.85)	(4.38)	(3.96)	0.09	0.25	0.15	0.73	0.72	0.2
Dividends	Rs. Mn	**-**	-	-	596	596	503	387	194	-	120
Return on Capital Employed*	%	**7.60**	9.73	4.80	6.58	9.78	11.02	9.42	9.81	8.37	8.73
Balance Sheet Highlights											
Total Assets	Rs. Mn	**184,237**	188,705	161,834	149,551	130,670	118,823	100,915	93,152	87,324	65,863
Current Ratio	No. of times	**0.40**	0.57	0.71	0.74	0.83	0.93	0.94	0.84	1.04	0.9
Asset Turnover	No. of times	**0.53**	0.59	0.51	0.51	0.58	0.56	0.61	0.61	0.45	0.4
Total Interest Bearing Borrowings	Rs. Mn	**123,742**	98,946	82,585	79,669	65,788	61,227	52,255	46,480	43,906	31,518
Shareholders' Funds	Rs. Mn	**(32,078)**	(8,434)	(415)	3,911	14,343	11,591	8,547	8,159	7,336	6,802
Net Asset/ (Liability) Value Per Share	Rs.	**(26.90)**	(7.07)	(0.35)	3.28	12.23	14.05	11.04	10.54	9.47	8.7
Total Equity	Rs. Mn	**(17,872)**	5,597	12,006	16,129	24,839	20,917	15,623	15,531	15,356	13,351
Debt : Equity **	No. of times	**-**	17.68	6.88	4.94	2.65	2.93	3.34	2.99	2.86	2.4
Debt : Total Assets	No. of times	**0.7**	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Operating Cash Flow	Rs. Mn	**(7,058)**	9,146	17,126	9,009	1,556	(106)	2,331	3,432	426	1,775
Capital Expenditure	Rs. Mn	**3,987**	3,534	3,153	7,637	5,743	4,524	6,311	5,252	4,438	3,604
Cash Earnings/ (Loss) Per Share	Rs.	**(5.92)**	7.67	14.36	7.55	1.33	(0.13)	3.01	4.43	0.5	2.3
Investor Information											
Market Price as at 31 March	Rs.	**15.90**	37.60	11.8	12.3	16	24.6	11.9	13.3	13.2	10.6
Shares in Issue	Mn	**1,193**	1,193	1,193	1,193	1,193	962	779	779	779	779
Market Capitalisation as at 31 March	Rs. Mn	**18,969**	44,857	14,072	14,668	19,081	23,659	9,270	10,205	10,283	8,257
52-Week Market Share Price High	Rs.	**39.80**	90.00	15.3	17	25.8	26.2	15.5	18	20.4	12.7
52-Week Market Share Price Low	Rs.	**14.50**	10.40	9.8	11	15.9	11.7	11.7	12.3	10.3	8.1
Price to Book Value	No. of times	**-**	-	-	3.7	1.3	1.7	1.01	1.1	1.4	1.5
Enterprise Value	Rs. Mn	**137,451**	134,679	89,076	90,611	81,672	78,733	58,730	53,677	52,263	38,014
Enterprise Value : EBITDA	No. of times	**11.33**	9.62	10.87	9.24	6.97	6.73	7.19	6.6	8.2	7.6
Dividend Per Share	Rs.	**-**	-	-	0.5	0.5	0.65	0.5	0.25	-	0.16
Dividend Payout Ratio	No. of times	**-**	-	-	(0.53)	(0.89)	0.14	0.38	0.19	-	(5.13)

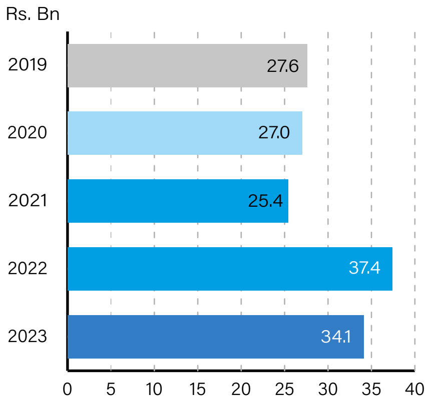
* *Return on Capital Employed calculated as a percentage of EBIT to Total Capital Employed (Equity plus Interest Bearing Borrowings).*
** *Debt to Equity calculated based on Total Equity Capital.*

OPERATIONAL HIGHLIGHTS

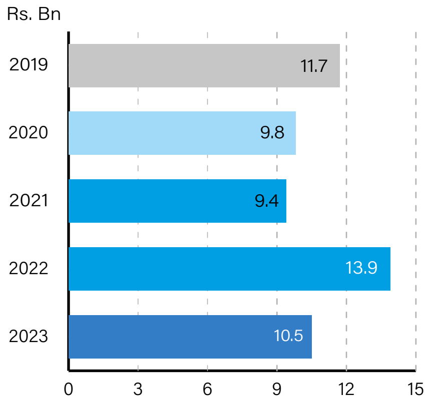
Group Revenue



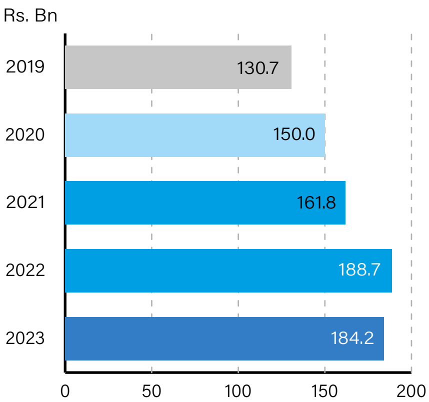
Group Gross Profit



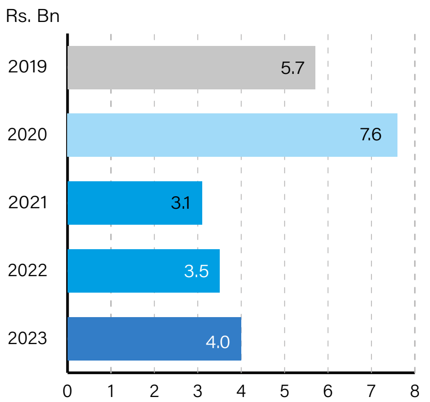
Group EBITDA



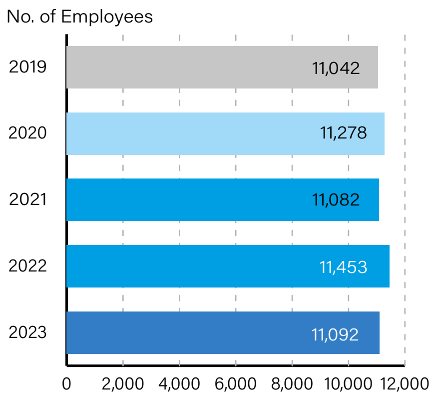
Total Assets



Capital Expenditure



Group Headcount



ABOUT THE GROUP

Softlogic Holdings PLC is a dynamic and diversified conglomerate with a strong presence across various growth-oriented industries in Sri Lanka. The Group's expertise spans across retail & telecommunications, information technology, healthcare services, financial services, automobile, and leisure, where we offer a wide array of internationally-acclaimed products and services to meet diverse consumer demands.

With a strong focus on customer satisfaction and innovation, Softlogic continues to set new standards of excellence across all sectors it operates in.

RETAIL

» Softlogic Retail is one of the largest consumer electronic and durables retailer in the country with 198 stores covering an island-wide retail space of over 200,000 sq.ft.

» A key player in mobile phone distribution, renowned for having the largest distribution network and a portfolio featuring top international brands like Samsung and Nokia.

» ODEL and Softlogic Brands, the dominant force in fashion retailing showcases a portfolio of over 67 international fashion brands alongside its own private labels. Our fashion department stores, ODEL and Cotton Collection, are synonymous with style and quality, offering a premium shopping experience that caters to discerning fashion enthusiasts.

» We also operate the exclusive franchise for a global footwear brand 'Bata' which is a renowned household brand for footwear in Sri Lanka for many decades.

» As a prominent force in Sri Lanka's restaurant industry, we operate six international franchise brands that cater to a wide range of customer segments across a network of 42 restaurants. These brands include Burger King, Popeyes, Baskin Robbins, Délifrance, Crystal Jade and Subway.

» Through Glomark, a leading and growing supermarket chain, the Group complemented its presence in all areas of the retail business.

» ODEL PLC is the listed company of this sector.

» Softlogic Retail Holdings is the sector holding of the retail cluster.

HEALTHCARE SERVICES

» Asiri Health stands as the largest private healthcare provider in Sri Lanka, operating over 800 beds across its seven hospitals spanning three provinces.

» Asiri Laboratories is the country's largest private laboratory service, offering a wide range of tests through its Main Lab, six hospital labs, 17 Satellite Labs, and 80 collection centers.

» Asiri Health engages, consults, and collaborates with a team of highly dedicated, skilled, and experienced healthcare professionals in Sri Lanka.

» Our hospitals adhere to global accreditation standards set by the Joint Commission International (JCI) and the Australian Council of Health Standards International (ACHSI) for quality and patient safety. Additionally, our laboratories have obtained industry-specific and quality management ISO certifications, ensuring the highest standards of service and reliability.

» Asiri Hospital Holdings PLC and Asiri Surgical Hospital PLC are two listed companies in this sector.

FINANCIAL SERVICES

» Softlogic Life Insurance PLC is the second top player in the life insurance sector, offering a range of innovative and comprehensive life and medical insurance solutions to meet the evolving needs of customers.

» Softlogic Finance PLC, a licensed finance company, provides a wide range of financial services including leasing, hire purchase, loans, and savings products, catering to both individual and corporate clients.

» Softlogic Stockbrokers and Softlogic Asset Management are renowned for their expertise in stockbroking and asset management services, offering investment solutions and advisory services to clients.

» Softlogic Capital PLC, the sector holding company, which oversees and manages the strategic direction and growth initiatives of the financial services sector, ensuring synergies and strategic alignment across its various entities.

» Softlogic Capital PLC, Softlogic Life Insurance PLC and Softlogic Finance PLC are the three listed companies of this sector.

INFORMATION TECHNOLOGY & OTHERS

- A leading provider of IT solutions, offering a comprehensive range of services across the IT value chain. From end-user computing to back-end data centers, advanced infrastructure, cloud services, cyber security, imaging, printing, and managed services, we provide a holistic approach to meeting our clients' technological needs.
- We specialise in centralised management and consultancy services, ensuring seamless integration and optimisation of IT resources across organisations.
- Our expertise and commitment to excellence have positioned us as a trusted partner in delivering innovative and reliable IT solutions through our independent dealer network of over 150 distributors.
- We bring cutting-edge technologies and best-in-class products to our clients representing world-class brands such as Dell EMC, Microsoft, Aruba, Meraki, Lenovo, Huawei, VMware, and Epson, among others.

LEISURE & PROPERTY

- Two exceptional hotel properties: the luxurious 5-star Mövenpick Hotel Colombo, with 219 rooms that offer comfort and service, and the serene 4-star Centara Ceysands Resort & Spa in Bentota, featuring 166 rooms set in a picturesque environment ideal for relaxation and rejuvenation.
- Softlogic Destination Management, a specialised division focusing on outbound travel services. With a wealth of experience and expertise, Softlogic Destination Management is dedicated to providing travel experiences to both the Group companies and external clients.
- Sabre, the online ticketing platform used by the travel industry, offers convenient and efficient booking solutions for travel enthusiasts, ensuring seamless travel planning and management.
- Softlogic Properties, our sector holding company and a leading property developer, successfully completed the Everest apartment project in Colombo 5.

AUTOMOBILES

- Future Automobiles is the authorised dealer for Ford vehicles. Softlogic Automobiles is the authorised dealer for King Long buses. Suzuki Motors Lanka holds the exclusive Agency Agreement with Suzuki Motor Corporation of Japan for motorbikes. Vehicle imports are currently suspended due to foreign exchange control restrictions in the country.
- Softlogic Automobiles also operates a state-of-the-art collision repair center, equipped to handle repairs for all vehicle brands in the country.

OUR BUSINESSES

CORE VERTICALS

RETAIL

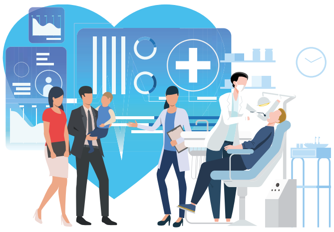
100%

Softlogic Retail Holdings (Pvt) Ltd

- Softlogic Retail (Pvt) Ltd
  - Suzuki Motors Lanka Ltd
  - SML Holdings (Pvt) Ltd
  - Dai-Nishi Securities (Pvt) Ltd
- Odel PLC
  - Softlogic Brands (Pvt) Ltd
  - Odel Lanka (Pvt) Ltd
  - Odel Apparels (Pvt) Ltd
  - Odel Properties (Pvt) Ltd
  - Odel Information Technology Services (Pvt) Ltd
  - Odel Properties One (Pvt) Ltd
  - Odel Restaurants (Pvt) Ltd
  - Cotton Collection (Pvt) Ltd
  - Odel Apparel Holdings (Pvt) Ltd
  - Odel Apparel Lanka (Pvt) Ltd
- Softlogic Mobile Distribution (Pvt) Ltd
  - Softlogic Communications (Pvt) Ltd
- Softlogic Communication Services (Pvt) Ltd
- Softlogic International (Pvt) Ltd
- Softlogic Restaurants (Pvt) Ltd
  - Softlogic JSM Entertainment (Pvt) Ltd
  - Silk Route Foods (Pvt) Ltd
  - Softlogic Healthy Concepts (Pvt) Ltd
- Softlogic Retail One (Pvt) Ltd
- Softlogic Supermarkets (Pvt) Ltd
- Softlogic Rewards (Pvt) Ltd
- Softlogic Pharmaceuticals (Pvt) Ltd
- Softlogic Manufacturing (Pvt) Ltd
- Footwear Retailer (Pvt) Ltd
- Softlogic Venture (Pvt) Ltd

HEALTHCARE SERVICES

55%



Asiri Hospital Holdings PLC

- Asiri Surgical Hospital PLC
  - Asiri AOI Cancer Centre (Pvt) Ltd
- Central Hospital Ltd
- Asiri Central Hospitals Ltd
- Asiri Diagnostics Services (Pvt) Ltd
- Asiri Hospital Matara (Pvt) Ltd
- Digital Health (Pvt) Ltd
- Asiri Laboratories (Pvt) Ltd
- Asiri Hospital Galle (Pvt) Ltd
- Asiri Diagnostic Services (Asia) Pte Ltd
- Asiri Port City Hospital (Pvt) Ltd
- Asiri Academy of Health Sciences (Pvt) Ltd
- Asiri Myanmar Ltd

FINANCIAL SERVICES

77%

Softlogic Capital PLC

- Softlogic Life Insurance PLC
- Softlogic Finance PLC
- Softlogic Stockbrokers (Pvt) Ltd
- Softlogic Asset Management (Pvt) Ltd

LEISURE & PROPERTY

100%

AUTOMOBILES

100%

INFORMATION TECHNOLOGY & OTHERS

100%

NON-CORE VERTICALS

Softlogic Properties (Pvt) Ltd

- Softlogic City Hotels (Pvt) Ltd
- Ceysand Resorts Ltd
- Softlogic Destination Management (Pvt) Ltd
- Sabre Travel Network Lanka (Pvt) Ltd (Associate Company)

- Future Automobiles (Pvt) Ltd
- Softlogic Automobiles (Pvt) Ltd

- Softlogic IT Holdings (Pvt) Ltd
  - Softlogic Information Technologies (Pvt) Ltd
  - Softlogic Computers (Pvt) Ltd
- Softlogic Australia (Pty) Ltd
- Softlogic BPO Services (Pvt) Ltd
- Nextage (Pvt) Ltd (Associate Company)
- Softlogic Corporate Services (Pvt) Ltd
- Jendo Innovations (Pvt) Ltd (Associate Company)
- Softlogic Healthcare Holdings Ltd
- Softlogic Solar (Pvt) Ltd

MESSAGE FROM THE CHAIRMAN

Under more favourable conditions, the Group's strategic plans would have achieved unprecedented transformation and growth, especially in the Retail sector with its strong distribution network, large customer base and over 320 retail stores with a first-in-class supermarket and unrivalled collection of international brands and products.

Dear Stakeholders,

This year was a challenging one for the Softlogic Group, although a Consolidated Revenue of Rs. 96.9 Bn was achieved with the resultant EBITDA of Rs. 10.5 Bn. In the face of unparalleled turbulence, uncertainty, and volatility, the Softlogic Group has shown resilience and adaptability, drawing upon decisive leadership to ensure sustained value creation for our stakeholders despite some setbacks.

OPERATING ENVIRONMENT AND CHALLENGES

During the year, the global economy witnessed inflation, supply chain disruptions, and geopolitical tensions amid the persistent impact of the pandemic and the economy which was beset by internal challenges.

Within the domestic realm, Sri Lanka confronted exceptional macroeconomic challenges throughout the year, affecting consumers, companies, and the government causing significant distress. Systemic disparities consisting of fiscal and current account deficits were accentuated by external shocks, precipitating sovereign and balance-of-payments pressures. This precarious condition compelled Sri Lanka to suspend servicing of external debt in April 2022. The economic outcome resulted in a substantial 7.8% contraction in the nation's Gross Domestic Product (GDP) in 2022, inciting public protests, ultimately leading to political instability and a change of leadership at the top.

The business landscape suffered immensely owing to supply chain disturbances, import limitations, currency scarcity, and difficulties securing letters of credit, thus obstructing imports. Additionally, operational hurdles resulted in transportation issues due to fuel shortages and inconsistent electricity supply which negatively influenced consumer and business confidence. To counteract the deteriorating scenario, concerted policy actions spearheaded by GoSL and the Central Bank of Sri Lanka (CBSL) were implemented. Monetary policy was significantly tightened, with the weekly AWPLR trending as high as 29.67% during the year.

TOTAL ASSETS

Rs. 184 Bn

TOTAL REVENUE

Rs. 97 Bn

EMPLOYEES ACROSS 6 SECTORS

11,092

Inflation soared during the year, peaking at 69.8% in September 2022 according to the Colombo Consumer Price Index (CCPI). This caused a lot of strain in operating costs and profit margins while impacting purchasing power, food security, and living standards of the people. The CBSL responded to declining foreign reserves and exchange rate pressures by introducing greater flexibility in exchange rate determination before transitioning to a free float in March 2022. This shift led to a sharp depreciation of the Rupee in the formal market to rise as much as Rs. 363.39 per USD in November 2022 while in the informal market the Rupee traded at much higher levels. The Rupee settled at Rs. 329.47 per USD to close the financial year. Fiscal consolidation efforts included revenue mobilisation measures such as raising corporate income tax rates, eliminating concessions, increasing personal income tax rates, and increasing Value-Added Tax (VAT) further dampened consumer demand.

Currency devaluation compounded these challenges, resulting in higher prices for imported items, placing additional strain on our working capital cycle. The phenomenon of brain-drain, where skilled individuals sought opportunities abroad, posed a significant talent drain across all sectors. Import bans and margin requirements added complexity to import reliant businesses which further disrupted supply chains and increased operational costs during the year. Hyperinflation further squeezed profit margins and reduced consumer purchasing power.

In this dynamic and challenging landscape, we were compelled to adapt swiftly, explore alternative strategies, and enhance resilience to mitigate disruptions and sustain operations amidst rapidly changing market conditions. To mitigate this, we also explored avenues for local sourcing and local production.

PERFORMANCE

These economic challenges impacted the Group performance, primarily attributed to the significant interest costs coupled with forex losses. Finance cost was further compounded by the escalation of market interest rates due to deficit liquidity prevailing in the banking system.

It is noteworthy that our core sectors, particularly Healthcare Services, Insurance and Information Technology, have performed strongly despite the broader challenges. The Healthcare Services and Insurance businesses have shown resilience and growth, offsetting the Group's underperforming businesses. Similarly, our IT sector has continued to demonstrate strength, leveraging technological advancements to drive innovation and value creation in both private and government sectors.

The Retail sector bore the brunt of the economic fallout, experiencing significant systemic challenges such as import restrictions, costly margin requirements, prohibitive currency devaluation, lack of tourist income, high interest rates, hyperinflation, and increased taxation, all of which resulted in depressing consumer spending.

Our substantial investments in expanding this sector through malls and other branded outlets were heavily impacted as the adverse economic conditions delayed the return on those investments.

Despite pursuing ambitious expansions and investments during the period under review, especially in the Retail sector, the realisation of returns was delayed by the systemic shocks. Suffice to say, under more favourable conditions, the Group's strategic plans would have achieved unprecedented transformation and growth, especially in the Retail sector with its strong distribution network, large customer base and over 300 retail stores with a first-in-class supermarket and unrivalled collection of reputed brands and products.

FINANCIAL REENGINEERING

We are actively implementing a series of measures to revive the Group's financial position. One key strategy is the disposal of identified assets, phasing out certain sectors of the Group, and infusing equity. We have announced raising Rs. 10 Bn through a Rights Issue and Warrants attached to the Rights, with major shareholders indicating full subscription. These funds will be used to settle Group debt.

We are also exploring alternative financing sources, including sector-specific equity in Retail and Healthcare Services. Recent revival in the country's economy have reinvigorated talks with crucial investors, whose decisions are pending until the country concludes its foreign debt restructuring programme.

These initiatives are aimed at strengthening the Group's financial position and to support its long-term sustainability and value creation.

Furthermore, as an immediate measure to ease the Group's liquidity, we are renegotiating debt repayment plans with lending institutions and restructuring them pending our fundraising activities.

I am also pleased to inform you that we have secured the bid to construct and manage a state-of-the-art 500-bed hospital in the Port City Development, in partnership with an international healthcare franchisor – Mayo Clinic. This endeavour is primarily focused on catering to the burgeoning regional medical tourism markets within a tax-free enclave, marking a significant advancement for the Group's healthcare sector.

Softlogic stands poised to reap immediate benefits from the country's positive macro-economic developments such as inflation targeting and falling interest rates, having strategically aligned our business model with Sri Lanka's ambitious plans of establishing itself as a regional retail hub and a leading destination for tourism and medical tourism.

ACKNOWLEDGMENTS

I extend my heartfelt gratitude to all our stakeholders - shareholders, employees, customers, bankers, suppliers and other business partners - for their unwavering support and dedication throughout the year. Your commitment and collaboration have been important to us. Together, we have navigated uncertainties and embraced opportunities, and will position the Group to realise a promising future.

Ashok Pathirage

Chairman/ Managing Director

16 April 2024
Colombo

BOARD OF DIRECTORS

ASHOK PATHIRAGE
Chairman/Managing Director

HEMANTHA GUNAWARDENA
Executive Director

HARESH KAIMAL
Executive Director

RANJAN PERERA
Executive Director

ROSHAN RASSOOL
Executive Director

PROF. AJANTHA DHARMASIRI
Non-Executive Independent Director

AARON RUSSELL - DAVISON
Non-Executive Non-Independent Director

NIHAL KEKULAWALA
Non-Executive Independent Director

SHIRISH SARAF
Non-Executive Director

CHETAN GUPTA
Alternate Director to Mr. Shirish Saraf

BOARD OF DIRECTORS

ASHOK PATHIRAGE
Chairman/ Managing Director

Mr. Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member and Chairman/Managing Director of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 11,000 employees. Mr. Pathirage manages and gives strategic direction to the Group which has a leading market presence in six three core verticals, namely Retail, Healthcare Services and Financial Services and in three non-core verticals namely IT, Leisure & Automobiles.

Asiri Hospital chain is the country's leading private healthcare provider which has achieved technological milestones in medical innovation and reliability in Sri Lanka's private healthcare services.

Softlogic Holdings PLC, Softlogic Capital PLC, Softlogic Life Insurance PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC where he serves as Chairman/Managing Director are listed companies in the Colombo Stock Exchange.

Mr. Pathirage is the Chairman of NDB Capital Holdings Ltd. and he serves as the Chairman of Sri Lankan Airlines Limited an airline where the Government of Sri Lanka is the principle shareholder. He is also the Chairman of Sri Lankan Catering Limited.

HEMANTHA GUNAWARDENA
Executive Director

Mr. Hemantha Gunawardena is one of the Co-Founders of Softlogic Group and has served as a Board Director since inception. He has extensive experience in the field of IT and counts over 30 years in the business field. He was heading the software team at a leading Sri Lankan Blue Chip prior to joining Softlogic. He presently overlooks the software operations in Softlogic Australia (Pvt) Ltd. and the Automobiles sector, while serving as an Executive Director of Softlogic BPO Services (Pvt) Ltd.

HARESH KAIMAL
Executive Director

Mr. Haresh Kaimal is a co-founder of Softlogic Group and a Director since its inception. With over 3 decades of experience in IT and Operations, he heads the Group IT division which oversees the entire Group requirements in information technology covering all sectors. He is also an Executive Director of Softlogic BPO Services (Pvt) Ltd, Director of Odel PLC, Softlogic Finance PLC, Softlogic Life Insurance PLC and many other Group Companies.

RANJAN PERERA
Executive Director

Mr. Ranjan Perera is a co-founder and shareholder of Softlogic Group of Companies. Executive Director since inception and having three decades of experience, Mr. Perera holds many Directorships in subsidiaries of the Softlogic Group. He is the CEO of the Group's. Mobile Phone Operations, CEO of Retail Sector, Managing Director of Softlogic Pharmaceuticals (Pvt) Ltd, Managing Director – FMCG Channel and Heading the Higher Purchase Division of the Retail Sector.

He is heading the Service Centre Operations, Supply Chain Management & Logistics, CEO of Softlogic Stockbrokers (Pvt) Ltd and Softlogic Manufacturing (Pvt) Ltd. He is the Non-Executive Director of Softlogic Capital PLC and Softlogic Finance PLC. Currently, he is a member of the Board of Study, Sri Lanka Foundation Institute.

ROSHAN RASSOOL
Executive Director

Mr. Roshan Rassool joined Softlogic in 1995 and was appointed to the Board in 2009. He is the Director/CEO of the Computing Systems & Systems Integration Solutions Division of Softlogic Information Technologies (Pvt) Ltd., which has business partnerships with Dell Corporation, Apple Computers, Lenovo, CISCO, EMC storage systems, Microsoft, HP imaging products and VMware. He was appointed as a member of Dell South Asia Partner Advisory Council in 2011. He served as Chairman of Infotel Lanka in 2006/2007 and was President of the Sri Lanka Computer Vendors Association at the same time. He was also Chairman of the Federation of Information Technology Industries, Sri Lanka in 2007. He holds an MBA from the University of East London and is a doctoral student at the University of Kelaniya. He is also an Associate Member of the Association of Business Executives and a Member of the Cyprus Institute of Marketing. He has over 30 years of experience behind him in the ICT industry having worked in senior managerial positions in reputed companies.

PROF. AJANTHA DHARMASIRI
Non-Executive Independent Director

Prof. Ajantha Dharmasiri was appointed to the Board in 2016 as a Non-Executive Independent Director. He has a rare combination of being a Chartered Manager, Chartered HR Professional and a Chartered Electrical Engineer. He is acclaimed as a conference speaker, corporate trainer, strategy consultant, author and an academic. He is the first home-grown Senior Professor in Management of the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka and was a Director/Chairman of the Board of Management of it. He became the first Sri Lankan to lead both the Chartered Management Institute (CMI) – Sri Lanka Chapter and Chartered Institute of Personnel Management (CIPM). He is an Adjunct Professor at Price College of Business, University of Oklahoma.

He was the editor of the pioneering Sri Lankan Journal of Management (SLJM). Being a Commonwealth AMDISA Doctoral Fellow, Fulbright Postdoctoral Fellow, and a Commonwealth Postdoctoral Fellow, he is also an independent director of several boards. Prof. Dharmasiri likes to identify himself as one who transitioned from being an "Engineer of Electrical" to an "Engineer of Hearts and Minds".

AARON RUSSELL - DAVISON

Non-Executive Non-Independent Director

Mr. Aaron Russell-Davison joined the Board of Softlogic in 2016. With over twenty years of banking experience, he was most recently the Global Head of Debt Capital Markets for Standard Chartered Bank, Singapore. Mr. Russell-Davison has held a series of other senior investment banking positions in Hong Kong, Singapore and London during his career. He graduated from the University of Western Australia in 1991 with a Bachelor of Arts in Asian History and Politics. Mr. Russell - Davison has served as a Non-Executive Chairman at Softlogic Finance PLC. He was also a Non-Executive Independent Director at Amana Bank PLC.

NIHAL KEKULAWALA

Non-Executive Independent Director

Mr. Nihal Kekulawala counts over thirty years in the banking profession and was appointed as a Director in January 2019. He has held senior positions at Hatton National Bank PLC and played a strategic role in the diversification of HNB from Commercial Banking to Investment Banking, venture capital, stock brokering and life/ general insurance. Mr. Kekulawala served as the lead consultant and was responsible for setting up a Commercial Banking Operation in the Solomon Islands. He functioned as the inaugural CEO of the bank. He presently serves on the Board of several public companies. Mr. Kekulawala is a Fellow Member of the Institute of Chartered Accountants England and Wales, and Sri Lanka, Fellow Member of the Chartered Institute of Bankers, England and has an MBA from the University of Manchester.

SHIRISH SARAF

Non-Executive Non-Independent Director

Mr. Shirish Saraf joined the Board of Softlogic in April 2018 as the nominee Director of Samena Ceylon Holdings Ltd. Mr. Saraf has more than 28 years of private equity experience and is the Founder and Vice Chairman of Samena Capital. He is recognised as one of Asia's 25 most influential people in Private Equity (Asian Investor magazine) and is currently the Investment Manager and Head of the Investment Committee of the Samena Special Situations Funds.
Mr. Saraf has held numerous directorships and leadership positions across Samena's portfolio companies including Dynamatic Technologies, Tejas Networks and RAK Ceramics PJSC, among others. He has previously held board directorships including Aramex Holdings, Commercial Bank of Oman SAOG, EFG, Hermes, and Amwal Capital. Mr. Saraf was educated at Charterhouse (England) and the London School of Economics.

CHETAN GUPTA

Alternate Director to Mr. Shirish Saraf

Mr. Chetan Gupta is the Senior Executive Officer of Samena Capital Investments Ltd Dubai. Mr. Gupta is a member of the Board of Directors of Samena Capital, and of multiple portfolio companies including U-Gro Capital Ltd (India), Imperial Hotels (Pvt) Ltd (India) and RAK Logistics (Singapore). He is also a member of the Investment Committee for the Fund. Mr. Gupta has over 20 years of professional investment experience and is a qualified Chartered Financial Analyst (AIMR), Chartered Alternative Investment Analyst and holds a Masters in Management (Finance) from the University of Mumbai.

CORPORATE GOVERNANCE

As a respected conglomerate, we are committed to create an entity that is insightful, impactful and accountable for success and efficiency to generate a significant amount of growth and performance.

The fundamental relationship between the Board, Management, Shareholders and other Stakeholders are established by our governance structure.

Corporate Governance (CG) is a framework of rules and practices by which an organisation is directed, controlled and managed. The CG framework provides an overview of the Corporate Governance structures, principles, policies and practices of the Board of Directors of Softlogic Holdings PLC (SHL). At Softlogic, the approach to CG is guided by ethical culture, stewardship, accountability, independence, continuous improvement, oversight of strategy and risk. The fundamental relationship between the Board, Management, Shareholders and other Stakeholders are established by our governance structure, through which the ethical values and corporate objectives are set and plans for achieving those objectives and monitoring performances are determined. To serve the interests of shareholders and other stakeholders, the Company's Corporate Governance system is subject to ongoing review, assessment and improvement. The Board of Directors proactively adopts good governance policies and practices designed to align the interests of the Board and Management with those of shareholders and other stakeholders and to promote the highest standards of ethical behaviour and risk management at every level of the organisation.

BOARD OF DIRECTORS

The Board of Directors are responsible for setting the strategic direction of the Group, safeguarding assets, managing risks and setting the tone at the top. They have set in place governance frameworks to facilitate achievement of strategic goals and compliance with regulatory frameworks while balancing stakeholder interests. Composition of the Board is set out graphically on the previous page while profiles of the Directors as at date are given on pages 12 and 13 Directors provide annual declarations of their independence in accordance with the stipulations of the Listing Rules of the CSE and the guidelines of the Code of Best Practice. Board balance is facilitated with five Non-Executive Directors as at 31st March 2023 and as at date represented Non-Executive Directors who are reputed leaders in their fields of expertise out of whom three are Independent as at 31st March 2023 and as at date two Directors continues to serve as an Independent Directors.

A sufficiency of financial acumen within the Board is assured with the presence of three Directors who are experienced accounting and finance professionals. The skills, experience and standing of the individual Board members ensures sufficient deliberation on matters set before the Board and exercise of independent judgement. Directors can also seek independent professional advice when deemed necessary, for which the expenses are borne by the Group.

The role of the Board is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls facilitating effective risk management. They are collectively responsible for the following:

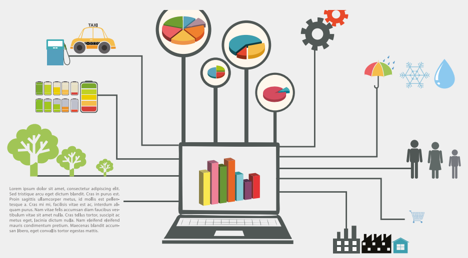
» Providing strategic direction and establishing performance objectives to monitor the achievement of strategic goals

» Establishing an effective management team

» Establishing appropriate systems of corporate governance in the Group

» Ensuring the adequacy and effectiveness of internal controls, Code of Business Conduct and other policies to facilitate regulatory compliance and risk management.

SKILLS OF THE BOARD



» **Entrepreneurship**

» **Marketing**

» **Legal & HR**

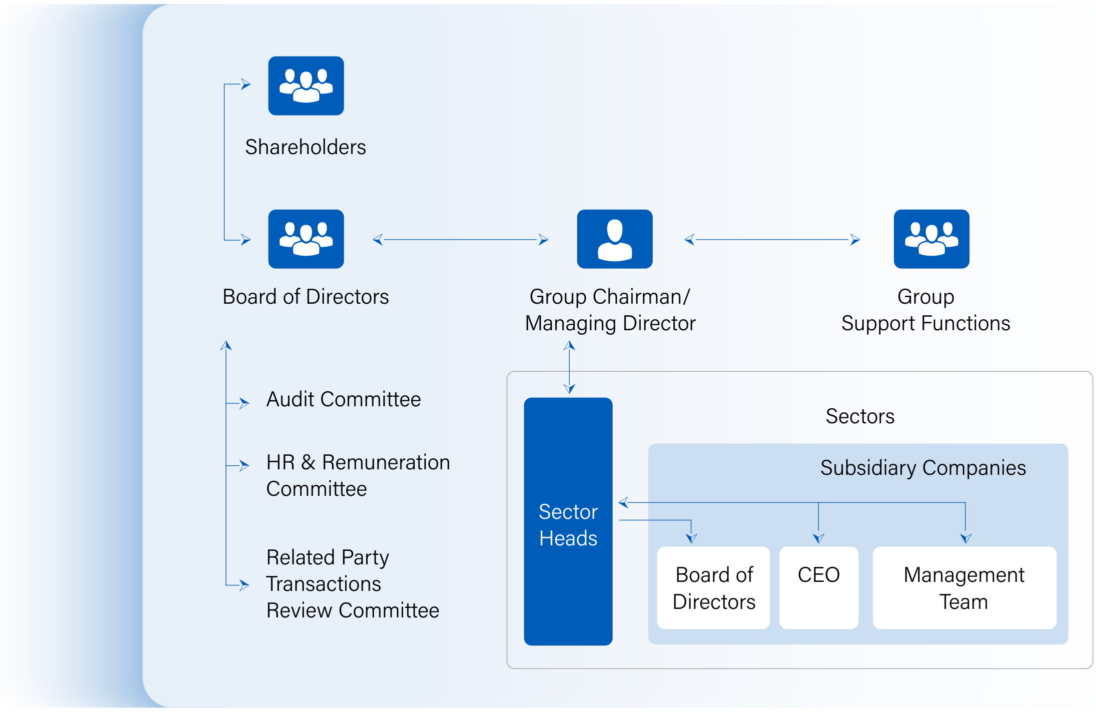
» **Accounting & Finance**

» **Banking**

COMPOSITION OF THE BOARD

**Dr. S. Selliah (Resigned w.e.f 24/10/2022) & Mr. Prashantha Lal De Alwis (Resigned w.e.f 15/06/2023)*

SOFTLOGIC HOLDINGS PLC



CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

External	Internal	Governance Systems
» Companies Act No. 07 of 2007 » Listing Rules of the Colombo Stock Exchange » Code of Best Practice on Corporate Governance issued by the SEC and ICASL	» Articles of Association » Terms of References for Board Sub Committees » Comprehensive framework of policies, systems and procedures	» Stakeholder engagement and management » Strategic planning » Risk management » Regulatory compliance » People management » Internal controls » Internal and external audit

COMMITTEES OF THE BOARD

The Board is supported by the following committees which facilitate effective discharge of its responsibilities. Minutes of the sub-committee meetings are circulated to the Board ensuring awareness of the activities of the sub-committees by all Board members.

GOVERNANCE OF THE BOARD SUB COMMITTEES

Sub-Committee	Composition	Mandate
Audit Committee	» Mr. J.D.N. Kekulawala - Chairman » Dr. S. Selliah *(Resigned w.e.f. 24/10/2022)* » Prof. A.S. Dharmasiri » Mr. W.M.P.L. De Alwis, PC *(Resigned w.e.f. 15/06/2023)*	Responsible for ensuring the integrity of the Company's and Group's financial statements, appropriateness of accounting policies and effectiveness of internal control over financial reporting.
HR & Remuneration Committee	» Prof. A.S. Dharmasiri – Chairman » Mr. W.M.P.L. De Alwis, PC *(Resigned w.e.f.15/06/2023)* » Mr. J.D.N. Kekulawala	Responsible for determining remuneration policy and the terms of engagement and remuneration of the Chairman, the Board of Directors and the Executive Committees.
Related Party Transactions Review Committee	» Mr. W.M.P.L. De Alwis, PC – Chairman *(Resigned w.e.f. 15/06/2023)* » Prof. A.S. Dharmasiri » Mr. H.K. Kaimal	To assist the Board in reviewing all related party transactions carried out by the Company and its listed companies in the Group in terms of the CSE Listing Rule 9
Related Party Transactions Committee re-constituted on 19th June 2023 as follows:		
	» Prof. A.S. Dharmasiri – Chairman » Mr. Haresh Kaimal	

MEETINGS

The Board meets on a frequent basis and dates for Board meetings are determined and communicated in advance at the beginning of the year with additional meetings being scheduled whenever deemed necessary. Meeting agenda and relevant papers are circulated to all Directors within 7 days prior to the meeting providing sufficient time for review facilitating the conduct of an effective meeting. Attendance at Board meetings and Sub Committee meetings during the year under review is given below;.

Director	Mandate	Board Sub Committees		
		Audit Committee	HR & Remuneration Committee	Related Party Transactions Review Committee
Mr. A.K. Pathirage	2/2			
Mr. G.W.D.H.U. Gunawardena	2/2			
Mr. R.J. Perera	2/2			
Mr. H.K. Kaimal	2/2		1/1	
Mr. M.P.R. Rassool	2/2			
Dr. S. Selliah *(Resigned w.e.f 24/10/2022)*	2/2	3/6		
Mr. W.M.P.L. De Alwis *(Resigned w.e.f 15/06/2023)*	2/2	6/6	1/1	1/1
Prof. A.S. Dharmasiri	2/2	6/6	1/1	1/1
Mr. A. Russell-Davison	2/2			
Mr. J.D.N. Kekulawela	2/2	6/6	1/1	
Mr. S. Saraf *(Alternate Director - Mr. C.K. Gupta)*	2/2			

COMPANY SECRETARY

Messrs. Softlogic Corporate Services (Pvt) Ltd., function as Company Secretaries to the Group. The Company Secretaries provide guidance to the Board as a whole and to individual Directors with regard to discharging of responsibilities. The Company Secretaries facilitate and guide to ensure that the Board complies with the applicable rules, regulations and procedures and activities relating to the Board.

APPOINTMENT AND RE-ELECTION TO THE BOARD

» Directors are appointed by the Board in a structured and transparent manner.

» Appointments are made with due consideration given to the diversity of skills and experience within the Board.

» As per the Company's Articles of Association, three of the Directors shall retire from office at each Annual General Meeting and offer themselves for re-election.

» All Directors appointed during the year seek re-election at the subsequent AGM.

» The Managing Director is not subject to retirement by rotation.

» The following Directors thus retire and offer themselves for re-election:

Mr. M.P.R. Rassool
Mr. R.J. Perera
Mr. S. Saraf

CHAIRMAN & MANAGING DIRECTOR

The roles of the Chairman and the Managing Director are combined in one person due to the diversity of the Group's business operations in line with a number of large diversified holding companies.

INVESTMENT APPRAISAL

The Group's diverse business portfolio is reviewed periodically to determine their appropriateness to the Group's long term business goals, risks and opportunities for growth. Consequently, investment and divestment decisions, acquisitions are key areas of focus for the Board with proposals reviewed for commercial viability, strategic alignment, operational, funding and risk implications. Systematic processes are in place to ensure the involvement of relevant persons when capital investment decisions are taken and numerous views are sought to ensure high quality decision making.

» Board Composition & Appointment

» Risk Management

» Funding Structure of Group

» Business Expansion

» Financial Reporting

» Performance Management

DIRECTORS' REMUNERATION

The Remuneration Committee makes recommendations to the Board on remuneration policy and remuneration of the Chairman and Managing Director, Executive Directors, Non-Executive Directors and Key Management Personnel in line with the business goals of the

CORPORATE GOVERNANCE

Company. Terms of Reference of this key sub-committee complies with the guidelines prescribed by the Code of Best Practice and other investor guidelines.

The Group's Remuneration policy is designed to attract and retain talent which comprises of fixed income and a variable income which is linked to their performance. Non-Executive Directors' remuneration comprises only a fixed fee and does not have any variable component. No Director is able to determine his/her own remuneration as Directors' Remuneration is a matter reserved for the Board as a whole with due consideration given to the recommendations of the Remuneration Committee of the Board.

The Report of Board Remuneration Committee is on page 53 provides further information. The aggregate remuneration paid to the Directors is disclosed in the Notes to the financial statements on page 107 of this Report.

SHAREHOLDER RELATIONS

Shareholder relations are managed through a structured process with multiple platforms facilitating shareholder engagement and timely dissemination of information. The Annual General Meeting is the key platform for engagement and notice of the AGM and all relevant documents are circulated among shareholders at least 15 working days prior to the AGM. The Chairman/ Managing Director, Board Directors and External Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders. In addition to the AGM, shareholder engagement is also facilitated by the Group's investor relations department which maintains a continuous dialogue with shareholders through the dissemination of announcements on material developments and quarterly performance. They are also a point of clarification for shareholders.

ACCOUNTABILITY AND AUDIT

Board responsibilities include presenting a balanced assessment of the Group's financial performance, position and prospects on a quarterly and annual basis. This Annual Report has been prepared in discharge of this responsibility and includes the following declarations/ further information required by regulatory requirements and voluntary codes:

» Audited financial statements – pages 56 to 187

» Statement of Directors' Responsibilities – page 54

» Annual Report of the Board of Directors on the Affairs of the Company –pages 48 to 50

» Management Discussion & Analysis –pages 23 to 47

The Audit Committee has oversight responsibility for monitoring and supervising financial processes to ensure integrity, accurate and timely financial reporting. It is also responsible for ensuring adequacy and effectiveness of the Internal Control and Risk Management processes and receives reports from Group Internal Audit and Group Risk Management in this regard. The Audit Committee comprises Non-Executive Directors all of whom are Independent for the financial year ended 31st March 2023.

Further, as at date the Audit Committee comprises 2 Non-Executive Directors, all of whom are Independent. The Chairman of the Audit Committee is a finance professional with extensive experience in the relevant areas whose profile is given on page 13 The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Board Audit Committees issued by ICASL and guidelines stipulated by the SEC.

The Audit Committee is responsible for approving the terms of engagement of the external auditors including audit fees. The principal auditor has not provided any services which are stipulated as restricted by the SEC and the audit fees and non-audit fees paid by the Company to its auditors are separately disclosed on page 107 of the Notes to the financial statements.

The Board holds overall responsibility for determining the Group's risk appetite and implementing sound risk management and internal control systems to ensure that risk exposures are maintained within defined parameters. The Group's internal control systems are aimed at safeguarding shareholders investments and effectively managing risks that may impact the achievement of its strategic objectives.

A discussion on the Company's key risk exposures and mitigation mechanisms are given in the Risk Management Report on pages 20 to 22 of this Report. The Audit Committee annually reviews the effectiveness of the Group's risk and internal control systems.

A formalised whistle-blowing policy is in place enabling employees to raise concerns anonymously on unethical behaviour, breach of regulations and/or violations of the Group's Code of Conduct. Such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Board, serving as an overriding control mechanism.

The Board Related Party Transactions Review Committee has been set up in compliance with guidelines stipulated by the CSE. Directors individually declare their relevant transactions with the Company and its subsidiaries on a quarterly basis.

A formalised process is in place for identifying Related Party Transactions and avoiding conflicts of interest. All Related Party Transactions as defined by the applicable accounting standards are disclosed on Note 47 of the financial statements on pages 159 to 162 of this Report.

SHAREHOLDERS

All shareholders are encouraged to attend the Annual General Meeting of the Company and vote on the resolutions which form part of the agenda in accordance with matters reserved for shareholders. Extraordinary General Meetings are also called to inform shareholders on material developments that impact their interests and their consent is obtained for the same in accordance with the provisions of the Companies Act.

SUSTAINABILITY REPORTING

The Group continues its efforts to embed Sustainability into its operations and report on how the Group manages risks stemming from economic, environmental and social factors. The Group's Annual Report is used as a platform to provide comprehensive sustainability communication to all stakeholders and this year we have enhanced the scope and coverage of our sustainability reporting by adopting a stakeholder value creation approach. Holistic sustainability reporting is a journey and we continue to improve the reports each year in discharging of our obligations.

COMPLIANCE WITH CORPORATE GOVERNANCE RULES OF THE CSE AS AT 31ST MARCH 2023

The following disclosures are made in conformity with Section 7 of the Listing Rules of the Colombo Stock Exchange:

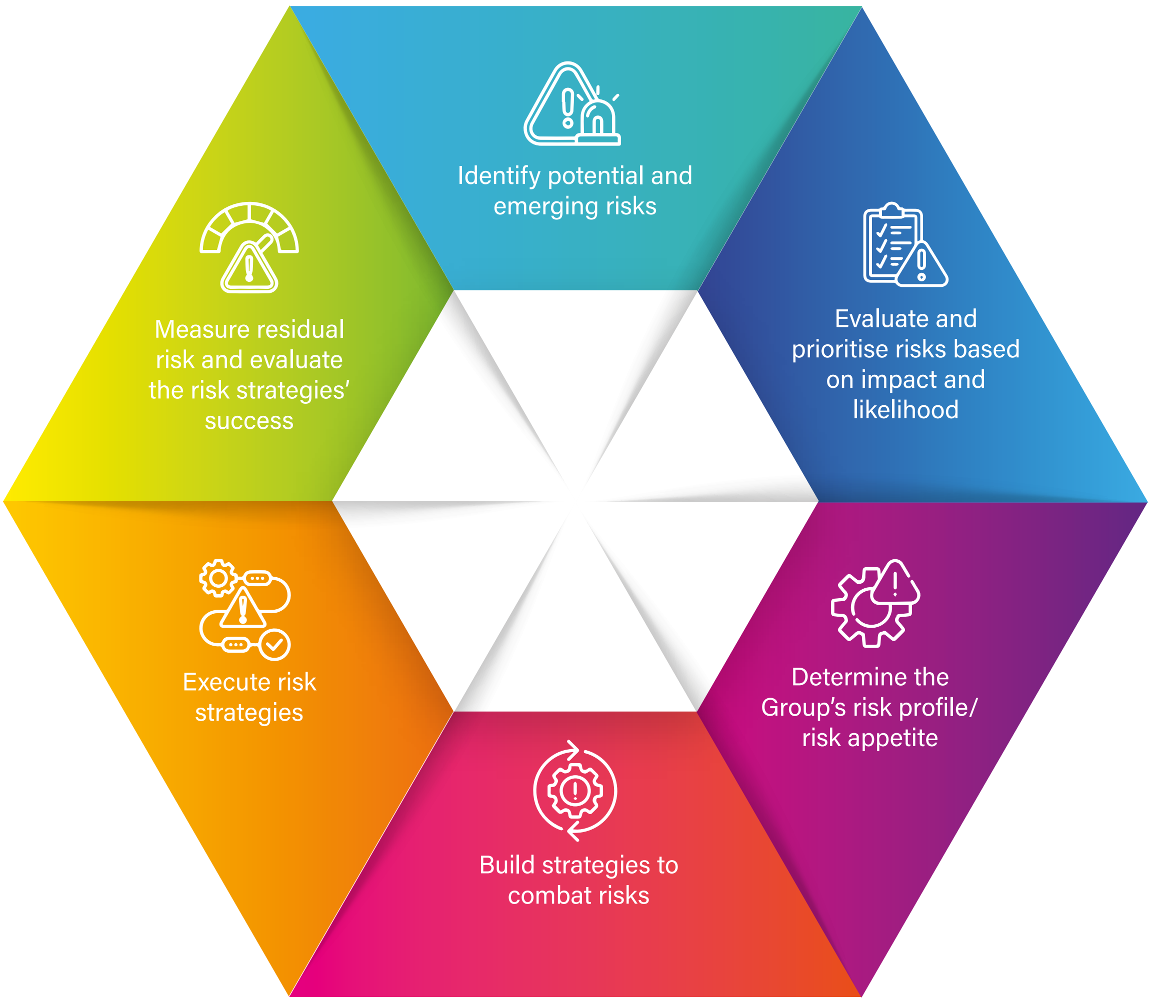
Section	Criteria	Status of Compliance	Disclosure Details
7.10.1 (a)	Non-Executive Directors	Compliant	Out of 10 Directors 5 are Non-Executive Directors
7.10.2 (a)	Independent Directors	Compliant	There are 3 Independent Directors on the Board. All Non-Executive Directors have submitted the declaration with regard to their independence/ non-independence.
7.10.3	Disclosures relating to Directors	Compliant	The names of Independent Directors are disclosed in the Board profile presented on pages 12 and 13
7.10.3 (a)	The names of Non-Executive Directors determined to be 'independent'	Compliant	The Board has made a determination for the financial year as to the independence or non-independence of each Non-Executive Director based on such declaration and other information made available to the Board. The names of Non-Executive Directors determined to be Independent are on page 15.
7.10.3 (b)	In the event a Director does not qualify as 'independent' against any criteria set out in the Rules, however the Board is of the opinion that the Director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination	Compliant	Please refer Annual Report of the Board of Directors on the affairs of the Company on pages 48 to 50
7.10.3 (c)	Disclosures relating to Directors. A brief resumé of each Director should be included in the Annual Report including his/her area of expertise	Compliant	A brief profile of each Director is available in the Board profile presented on pages 12 and 13
7.10.3 (d)	Appointment of new Directors. A brief resumé of any new Director appointed to the Board	-	Not applicable. This requirement is not applicable as there were no appointments to the Board during the year
7.10.5	Remuneration Committee	Compliant	Comprises 3 Independent Non-Executive Directors. The names of the members of the Committee are stated on page 53 of the Annual Report.
7.10.6	Audit Committee	Compliant	Comprises 3 Independent Non-Executive Directors. The names of the members of the Committee are stated on page 51 of the Annual Report. The report of the Committee is stated on page 51 The Group Finance Director attends all meetings.

RISK & OPPORTUNITIES

Against the backdrop of a volatile and changing operating landscape, Softlogic Holdings continued to monitor and mitigate potential risks, while capitalising on emerging opportunities. This strategic approach enabled the Group to remain cognisant of and respond to any threats against business continuity, with the overarching purpose of building resilience and delivering stakeholder value.

MITIGATING RISKS

The Group undertakes a cyclical approach to risk management, captured below:



Utilising the above process, the following key risks were identified:

Identified Risk	Impact and Implications	Mitigation Strategies	Risk Status
Business Cycle	Sri Lanka is currently experiencing a recessionary situation and the first half of the financial year was extremely challenging due to the economic crisis which resulted in socio-political unrest. The forex crisis and the associated energy crisis towards the end of last year continued to affect the bottom-line and business operations. In considering the microeconomic perspective, diminishing purchasing power resulted in reduced demand, particularly in the retail sector. High levels of demand in sectors such as healthcare was open to risks such as capacity limitations and shortfall of essential medical supplies.	The Group continued to remain resilient due to the various measures taken to ensure a sustainable operating model whilst engaging in cost optimisation and rationalisation measures across all sectors. Focusing on new avenues of growth and actively engaging in business continuity planning measures to derive innovative solutions to address any challenges in a cost-effective manner. Remaining responsive to demand dynamics and capitalising on new opportunities and assessing the Group's portfolio to prioritise key growth areas. Relying on quality, trust and product differentiation to drive demand.	▲
Health and Safety Risk	Specific aspects of our operations may present higher levels of health and safety risk to employees. It also posed threats to the health and safety of many key stakeholder groups, in addition to contributing towards the potential disruption of services.	The health and safety of our employees and stakeholders is a priority for the Group. Relying on stringent health and safety measures across the Group to ensure employee health and safety. The Group was able to gain optimal results from digital capabilities by minimising physical connectivity to protect employees and customers.	▼
Political Risk	Import bans and tariff revisions impacted business operations, particularly in the automobile, retail and telecommunication sectors. Political instability can lead to negative connotations in the international market. As a result, the revival in tourist arrivals and FDI inflows may delay, and strained international partnerships can arise.	Consistently monitoring regulations to ensure compliance. Seeking out new opportunities within at-risk sectors to ensure continuity. Relying on a balanced portfolio to insulate against risks to certain sectors. Continuously engaging and communicating with our partners to ensure our relationships are maintained.	▲
Market Risk	Fluctuations in stock prices and interest rates have an impact on the financial services sector, particularly in terms of asset and liability portfolios. Similarly, due to certain sectors and their dependency on imports, volatile exchange rates can have an impact on profitability.	Prudent and proactive management of assets and liability portfolios. Seeking local manufacturing capabilities where pertinent.	▲
Supply Chain Risk	Disruptions in global supply chains were caused by emerging international conflicts/ wars while the domestic supply chain was largely affected by the fuel shortage in the country, thereby causing interminable delays, a shortfall of goods and significant operational constraints.	Exploring alternate sources of supply and relying on long-term partnerships and innovative strategies to enable continuity.	▲

RISK & OPPORTUNITIES

Identified Risk	Impact and Implications	Mitigation Strategies	Risk Status
Liquidity & Funding Risk	Uncertainties and disruptions in the operating environment can impact funding and the entity's ability to meet short-term financial obligations.	Engaging in the careful management of cashflows and liquidity. A number of business sectors are cash businesses supported by healthy cashflows.	—
Human Resource Risk	The high levels of migration/resignation of skilled employees could impact service excellence and business continuity.	Reviewing the Group's reward and recognition schemes regularly to ensure that total remuneration remains attractive to facilitate talent retention.	▲
Reputation Risk	Unforeseen circumstances leading to a negative brand reputation/image.	Enforcing a strong commitment to service excellence and quality across the Group.	—
Cybersecurity Risk	A majority of the Group's business processes are supported by Internet-driven services, in turn presenting a unique set of cybersecurity threats.	Conscious measures have been taken to manage the network perimeter defence and data losses while rigorous monitoring mechanisms are in place to address suspicious cyber activities. Vulnerability assessments for all critical systems are performed periodically and penetration testing is conducted for IT systems where appropriate. Staff awareness campaigns are conducted regarding information security and the handling of sensitive information.	▲

▲ Increased ▼ Decreased — Unchanged

PURSUING OPPORTUNITIES

The willingness to take entrepreneurial risks enables the Group to exploit opportunities as they arise. The below mentioned opportunities were determined following an assessment of emerging trends and dynamics, to which the Group responded accordingly:

Trends	Import substitution products	Technological advancement	Diversification
	The prevailing economic situation of the country is welcoming investments in import substitution products, resulting in countless untapped areas of investment to explore.	Seeking new ventures based on futuristic technology. The rapid adoption of disruptive technologies will increase the efficiency of business operations whilst enhancing customer reach.	The potential for geographical and industry diversification is high, leading to the creation of new customer segments to be explored in the future.

Results

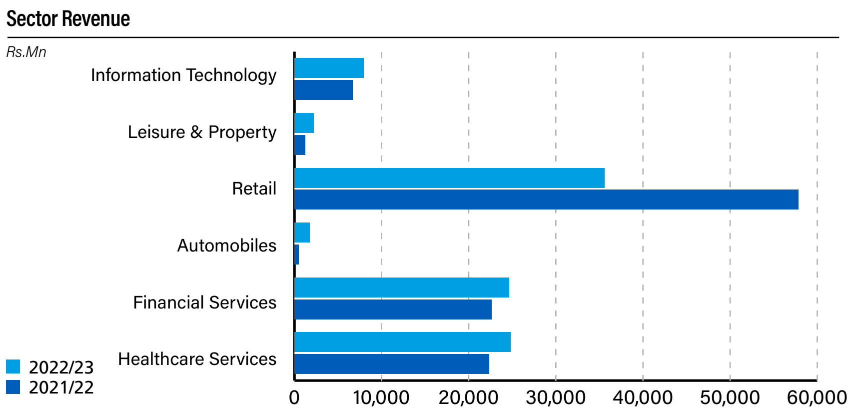
Service Excellence and Customer Care

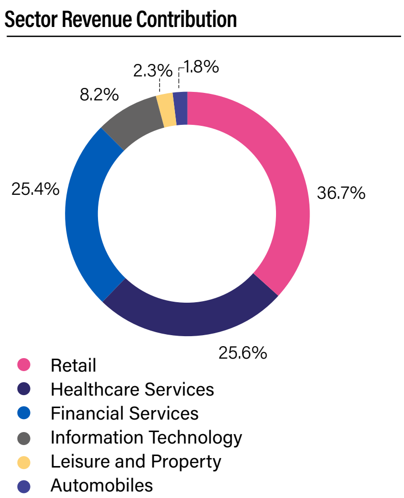
Business Resilience

FINANCIAL REVIEW

REVENUE

Consolidated revenue for the year declined 13% to Rs. 96.9 Bn, compared with Rs. 111.2 Bn in the previous year. The Retail & Telecommunication sector continued to be the largest contributor, accounting for 37% of the Group's total revenue. Both the Healthcare and Financial Services sectors contributed significantly with 26% and 25% respectively. The IT sector's revenue contribution slightly increased to 8%, while the Leisure and Property sectors accounted for 2% of the Group's revenue. Despite the ongoing import ban on vehicles since March 2020, the Automobile sector contributed 2% primarily from the sale of ambulances to the healthcare sector. The Group witnessed a steady revenue growth across all sectors, except for Retail. The retail sector encountered difficulties in both the demand and supply side. The sharp devaluation of the Rupee caused product prices to increase significantly while purchasing power diminished, particularly affecting demand for products which are typically discretionary in nature.





PROFITABILITY

As a consumer-centric conglomerate, we faced significant economic challenges throughout the year. Factors such as tax impositions, high interest rates, social unrest, and shortages of essential commodities, including fuel, had an impact on consumer spending. Revenue from tourism to our hotel sector, retail, and healthcare segments declined drastically. Additionally, import controls, margin impositions, and the devaluation of the Rupee affected our import-oriented sectors. The inflation rate peaked at 69.8% in September 2022, impacting store footfall, operating costs, and profitability margins. Further, one-off provisions/ write-offs/ impairments of Rs. 4.6 Bn originated from the Financial Services sector during the year. As per the requirements of the accounting standards, Softlogic Life Insurance PLC recorded an impairment provision against its funds invested in International Sovereign Bond and Sri Lanka Development Bonds amounting to Rs. 2.9 Bn. Consequently, Group's operating cost margin increased from 26% in the previous year to 35%. Despite these challenges, Group EBITDA reached Rs. 10.5 Bn while operating profit of Rs. 1.9 Bn was recorded during the year.

The GoSL and the Central Bank of Sri Lanka implemented coordinated policy interventions to prevent a deepening of the crisis, including a significant tightening of monetary policy, with policy rates raised by 1,050 basis points between January 2022 and March 2023. This led to a rapid increase in market interest rates, with the weekly average weighted prime lending rate peaking at 29.67% in November 2022. Consequently, net finance cost of the Group increased to Rs. 20.9 Bn, compared with Rs. 9 Bn reported last year. The finance cost also included Rs. 4 Bn as foreign exchange losses during the year. We closed the year with sizeable losses due to exigencies beyond management control.

FINANCIAL POSITION

Assets and Liabilities

The Group's total assets reached Rs. 184.2 Bn compared to the previous year's total assets of Rs. 188.7 Bn. Non-current assets grew by 8% to Rs. 138.1 Bn, while current assets declined by 25% to Rs. 46.1 Bn. The decline in current assets can be attributed to the foreign exchange crisis, import restrictions, and overall reduced trading operations. Due to Just-In-Time imperatives, value of inventories also decreased by 24% to Rs. 10.2 Bn and consequently the working capital cycle was disrupted severely.

The Group's heavy infrastructure investments across the chain of hospitals, retail network and the hotel property resulted in property, plant and equipment to account for 33% of its total assets. We incurred Rs. 4 Bn as capital expenditure on acquisition of property, plant and equipment during the year. Total liabilities increased 10% against the previous year, reaching Rs. 202.1 Bn.

Cashflow

Cash and cash equivalents by the close of the year was Rs. 4.6 Bn in comparison to the Rs. 12.6 Bn recorded at the end of the preceding year. Net cash outflows from operating activities was Rs. 7.1 Bn for the year. Net cash outflows from

FINANCIAL REVIEW

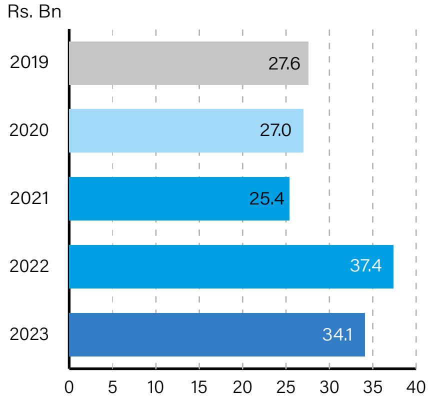
investing activities reached to Rs. 14.4 Bn in comparison to the Rs. 11.7 Bn in the preceding year. A net cash inflow from financing activities of Rs. 13.5 Bn was recorded during the year while Rs. 4.7 Bn was recorded as net cash inflow in the preceding year.

OUTLOOK

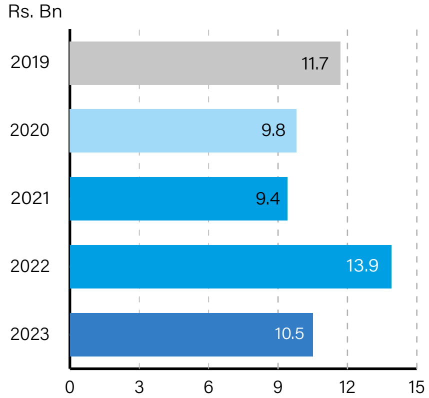
Sri Lanka's macroeconomy exhibits prospects for recovery across the medium-to-long term. inflationary tendencies are forecasted to ease during forthcoming periods due to moderating external influences and normalised supply-side dynamics. Moreover, interest rates have also reduced owing to contraction of inflationary pressures and reduced risk premiums. Concurrently, the Rupee is envisioned to attain relative stability, attributable to the prospective enhancements within the external sector and the restoration of overall macroeconomic equilibrium. However, the realisation of these potential benefits hinges upon the effective execution of the proposed reform initiatives.

Despite these challenges affecting Group performance in the short run, Softlogic aims to create enterprise value in the long run as we optimise operational efficiency, invest in digital transformation, focus in new investments in insurance and healthcare services and prioritise talent development to remain competitive. However, the Group's ability to achieve these goals may be impacted by changes in consumer behaviour, shifts in market preferences, global economic dynamics, and political or regulatory interventions.

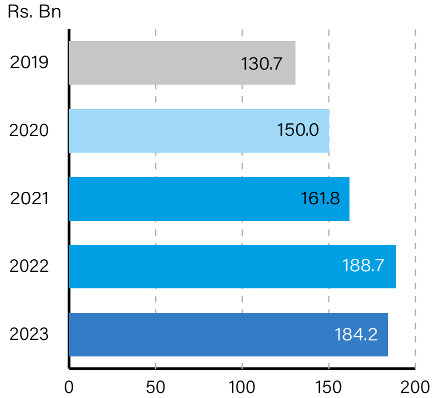
Group Gross Profit



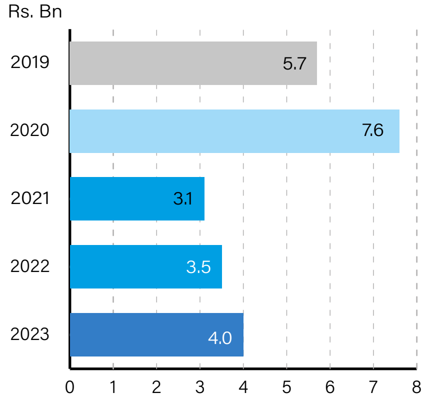
Group EBITDA



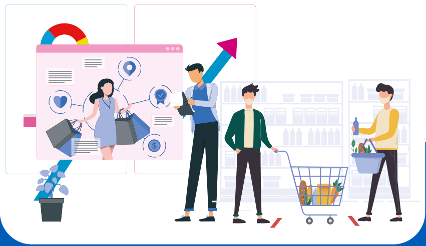
Total Assets



Capital Expenditure



RETAIL & TELECOMMUNICATIONS



Softlogic's diverse portfolio spans a wide spectrum of consumer needs and preferences in the retail sector. From Consumer Electronics to Furniture, Branded Apparel, Restaurants, and a chain of Supermarkets, we are committed to serving all facets of retail with excellence. In our Consumer Electronics segment, we offer an extensive range of international brands through our vast network of over 198 stores island-wide. In the Telecommunications sector, we proudly offer Samsung and Nokia, providing our customers with the latest mobile technology. Our mobile phone products are available across a wide 1,200+ independent dealers and through our 7 own sales and repair centers and also in our Softlogic Max and Softlogic chain of Consumer Electronic stores. We also offer a collection of over 100 esteemed international fashion labels, establishing a monopoly in Sri Lanka's branded apparel segment. We serve as anchor tenants in all major malls across Colombo and Kandy. We stand out as the largest owner of QSR brands with 6 renowned international franchises operating 42 outlets in Sri Lanka. Our supermarket chain of 14 outlets offers a diverse range of products to satisfy the everyday needs of our customers. Our e-commerce platform offers a wide range of products, including fashion, consumer electronics, furniture and supermarket items. Each category is catered to with a dedicated online store, providing customers with a seamless shopping experience tailor-made to their specific needs.

Softlogic's Retail sector encountered significant challenges recently, largely stemming from the economic difficulties in Sri Lanka. Factors such as increased direct and indirect taxes, hyperinflation, and high interest rates have significantly curtailed consumer spending. Moreover, shortages of fuel and essential commodities have resulted in notably reduced foot traffic across our stores. Additionally, import restrictions, Rupee depreciation and margin requirements impacted inventory level and pricing of this import-reliant sector. Downgrading of the country's Sovereign Credit rating impacted securing extended credit from global suppliers. During this critical period, effective supply chain management was crucial to ensuring business continuity. This was achieved through our longstanding relationships with franchisors and suppliers. Rise of global commodity prices and freight costing also created margin pressure. Keeping price increases at moderate levels amid high import costs and low inventory was a conscious yet a challenging strategy adopted to manage price-sensitive customers for selected product categories. Efforts were made to manage electricity outages effectively to avoid any disruption to the daily operations of the stores. Due to the foregoing reasons, operational cost base of the sector increased substantially during the year affecting profit margins.

Softlogic's retail sector encountered a challenging landscape characterised by economic uncertainties and shifting consumer behaviours. Despite these hurdles, the sector displayed resilience and adaptability, focusing on enhancing customer experiences and optimising operations. We implemented several cost-efficiency measures, including

OPERATING ENVIRONMENT

REVENUE

Rs. 35.6 Bn

EBITDA

Rs. 2.8 Bn

SECTOR ASSETS

Rs. 43.1 Bn

EMPLOYEES

3,085

RETAIL & TELECOMMUNICATIONS

optimising headcount, centralising functions, renegotiating rental concessions, and initiating energy efficiency projects. Additionally, the sector focused on optimising cash flow by negotiating moratoriums with banks, leading to easing of liquidity stresses.

Efforts were made to bolster the online retail platform, aligning with the growing trend of e-commerce and digital shopping. With the increase of ad blocking, shift from traditional media to online platforms and especially the rapid growth of social networking sites (Facebook, Instagram, YouTube, Twitter), we continued to align our social media strategies with online and offline behaviour of the customers. We proactively deployed geo targeting and many other digital tools strategically to target potential customer groups with the aim of creating higher demand generation.

Softlogic owns one of the country's largest customer databases, a cornerstone of our marketing strategies and customer engagement. The 'Softlogic One' Group loyalty programme has been meticulously crafted to promote loyalty within the Softlogic Group's network. This initiative enables customers to earn and redeem points across a range of Group businesses, incentivising deeper engagement and fostering loyalty within the Group ecosystem. A centralised Customer Relationship Management (CRM) team mines this data to provide critical insights into customer behaviour, preferences, and trends using analytical tools to help push the right product to the right audience. It plays a crucial role in retaining customers by enabling personalised shopping experiences and targeted incentives, fostering frequent purchases. Consequently, our database not only supports marketing activities but also enhances customer loyalty and drives repeat business.

The economic conditions were particularly challenging for retailers of consumer electronics. The FX crisis and soaring inflation had a significant impact, leading to a sharp decline in demand for capital goods in this segment. The Central Bank of Sri Lanka's (CBSL) restrictions on the importation of certain consumer electronics further compounded the situation, leading to the growth of the grey market and the introduction of competing products outside the governance radar. With extreme pressure on revenue and limited ability to absorb cost increases, the segment faced a difficult operating environment. Amidst these significant headwinds, we remained resilient and sought innovative solutions to navigate through the tough economic conditions.

Branded Apparel experienced the immediate effects of diminished consumer spending as low disposable income dampened demand for non-essential goods. The government's imposition of high duties on key product categories, including fashion accessories, footwear, and handbags, led to a notable increase in costing. This move particularly affected our target market, which consists of high to mid income earners now facing substantial tax hikes. Additionally, the country's unstable situation led to minimal tourism, impacting one of ODEL Group's key customer segments. Increased interest rates also dragged down credit card sales at the stores. Further, with the supply-side constraints, we focused on the top revenue generating brands to maintain sales levels. During the year, we discontinued loss making and non-strategic locations such

PROJECTS UNDERWAY

- The ODEL Mall will debut on an exceptional shopping location with spa facilities, entertainment, fine dining and apartments
- Outlet expansion of Glomark
- We are the mall operator of The ODEL Mall Kandy (Maha-Nuwara Commercial Centre) on Peradeniya Road, Kandy. Expansion of the mall to house in cinema, food court and other entertainment and office space.
- Key tenant at Havelock City Mall

07 Mobile Phone Sales & Service Centres

01 Suzuki Sales & Service Centre

68 Fashion Outlets

42 Quick Service Restaurants

198 Consumer Electronic Stores

14 Supermarkets

Over 1,200 Independent Dealers for mobile phone distribution

as ODEL Battaramulla, ODEL Majestic City, Cotton Collection Majestic City and some Exclusive Branded Outlets (EBOs) in Colombo City Centre, Liberty Plaza and in Colpetty. Love Moschino and Hallmark at One Galle Face Mall, Crocs at Arcade Independence Square and some EBOs in Colpetty were also closed down. Our Nugegoda department store was transformed into a Discount Store to cater to budget-conscious shoppers and clear out ageing inventories. The inauguration of the Mahanuwara Commercial Centre in Kandy marks our mall concept expansion into the Central Province as The ODEL MALL in Peradeniya, allowing us to deepen our presence in the region bringing together many of our brands under one roof, namely ODEL, Softlogic Max, Popeyes, Baskin Robbins and Glomark.

Despite seismic challenges in the economy, the telecommunications sector maintained stable sales volumes. Samsung mobile phones led in sales contribution, while Nokia's feature phone cluster remained strong. However, the sector encountered difficulties in importing due to a scarcity of dollars, despite sustained demand.

The Restaurant business remained resilient, leveraging its strong brand presence and customer loyalty to maintain its market position. We implemented innovative marketing strategies to attract new customers and improve repeat orders with compelling new deals and value for money offers. We saw a significant uptick in online orders through call orders, own delivery and UberEats, showcasing the success of these initiatives in driving sales and expanding the customer base. Pricing was prudently controlled to maintain sales volumes amidst high inflation and reduced consumer spending.

Turnover of Glomark, the supermarket business, remained relatively insulated as essential and regular grocery and household items constitute a large portion of a consumer basket although inflation and the depressed economy led to smaller basket sizes. Glomark's profitability hinges on its ability to increase sales volume due to its low-margin model. Therefore, store expansion is crucial to cover central fixed costs and breakeven and turn a profit for supermarket business.

Our motorbike sales, featuring brands like Suzuki and Haojue, were at a standstill due to the extended import ban on vehicles. However, our Spare parts & Service operations thrived as customers sought maintenance and repairs for their existing bikes, given the unavailability of new ones in the market.

PERFORMANCE

ODEL Group reported a revenue increase of 12% to Rs. 8.3 Bn compared with Rs. 7.4 Bn last year. Finance cost weakened profitability to report a loss of Rs. 2.2 Bn for the year, compared with a loss of Rs. 1.4 Bn reported last year.

Against the backdrop of a depressed economy and a turbulent operating environment, foot traffic in Softlogic's retail sector notably decreased in the first half of the year. This decline contributed to a substantial 38% decrease in sector revenue, which amounted to Rs. 35.6 Bn. These trends underscore the broader economic challenges confronting Sri Lanka during this period. The sector's Operating Profit stood at Rs. 1.4 Bn, a significant increase from the previous year's Rs. 898 Mn. The sector's finance income more than doubled to Rs. 1.9 Bn. However, finance expenses saw a substantial increase, reaching Rs. 14.9 Bn, up 79% from the previous year. As a result, the sector reported a loss after taxation of Rs. 11.1 Bn, compared to the Rs. 6 Bn loss reported in the previous year.

OUTLOOK

The retail sector is committed to delivering value to customers while navigating the challenges and opportunities of the evolving retail landscape in the upcoming periods. We are always exploring emerging trends in retail, both locally and globally, and implement innovative strategies to enhance retail operations and consumer reach. Being a dominant player in the country's retail sector, we will aim at inspiring and invigorating the Sri Lankan retail industry.

HEALTHCARE SERVICES

Asiri Health stands as the largest tertiary care private hospital chain in Sri Lanka, with 6 hospitals across three provinces - Western, Central and Southern – offering a combined capacity of over 800 beds. The Asiri Health Group also operates the country's largest private laboratory network - a main laboratory, 6 hospital laboratories, 17 satellite laboratories, and 80 collection centers across the island – conducting over 14,500 tests daily.

Our hospitals adhere to global accreditation standards set by the Joint Commission International (JCI) and the Australian Council of Health Standards International (ACHSI) for quality and patient safety. Additionally, our laboratories have obtained industry-specific and quality management ISO certifications, ensuring the highest standards of service and reliability.

At Asiri Health, we prioritise the recruitment and collaboration of dedicated, skilled, and experienced healthcare professionals. Our partnerships with renowned global medical experts and institutions ensure that our patients receive world-class care. Additionally, we are committed to enhancing our capabilities through continuous training and development that adheres to global standards. Over 800 consultants practice across our group of hospitals, conducting over 3,500 consultations every day. Equipped with state-of-the-art medical technology, our doctors and staff are proficient in providing a wide range of advanced treatments that result in outstanding outcomes.

We also offer a wide range of free clinics and wellness & awareness-based programmes to support our communities.

With a strong commitment to deliver exceptional healthcare solutions, we have adeptly responded to the volatile landscape of the country. Drawing from our extensive experiences, notably the invaluable insights gained during the pandemic, we have consistently anticipated and overcome challenges, safeguarding our operational resilience and ensuring uninterrupted patient care.

Average footfall at all hospitals increased as COVID concerns subsided and patients started returning for treatments. Despite the fuel crisis lasting several months and significantly impacting in-patient admissions in the first half of the financial year, a marked improvement in the second half propelled Group-wide occupancy to levels seen before the pandemic.

Our strategy included continued investment in expanding capacity across traditional disciplines throughout our network. Additionally, ongoing infrastructure upgrades in many of our hospitals during the year aimed at enhancing existing facilities such as Accident & Emergency (A&E), critical care, specialist consultation, Outpatient Departments (OPD), and wellness care facilities.

Some of the key projects undertaken across Asiri Health during the year included the automation of the discharge workflow system, end-to-end automation of

CONTRIBUTION TO THE GROUP

REVENUE

Rs. 24.8 Bn

EBITDA

Rs. 7.5 Bn

SECTOR ASSETS

Rs. 49.6 Bn

EMPLOYEES

5,312

the theatre booking process, simplification of the OPD backend, and streamlining the pharmacy prescription handling procedure. Further, we implemented the Emojot platform, a robust 360-degree customer experience management tool to capture satisfaction scores at every stage of the hospital ecosystem's patient journey. The average patient satisfaction score at a Group level stands at an impressive 89%. These initiatives focused on enhancing overall patient satisfaction.

Asiri Medical Hospital (AMH) recorded a steady rise in inpatients and outpatients during the year. A notable increase in Gynaecologic surgeries at AMH was evident along with specialist consultancy. OPD patient numbers and Pharmacy revenue also recorded a steady increase. Asiri Nova Infertility Centre at AHM recorded strong growth since its establishment in December 2021. The centre demonstrated a leading success rate of 65% from its own sample fertility procedures, 85% from donor samples, and a 20% success rate from intrauterine inseminations. These achievements contrast with the global success rates of 48% for fertility procedures and 13%-15% for intrauterine inseminations. 104 admissions were recorded at the centre during the year.

Asiri Surgical Hospital (ASH) is the sole private hospital specialising in surgeries in Sri Lanka. Hyperinflation led the price-sensitive patients to postpone elective surgeries. Migration of top surgeons overseas and the scarcity of implants resulting from the country's import restrictions also led to the slowdown of surgeries. Consequently, general admission rate at ASH witnessed a marginal decline during the year. However, the hospital witnessed a rise in admissions related to eye, urology, plastic surgery/procedures, and orthopaedic surgeries during the second half of the year. Additionally, the fully-fledged Heart Centre remains the preferred destination for heartcare in the country. In mid-2022, a specialist vascular surgery clinic and a cosmetic surgery unit were opened at ASH. ASH's infrastructure investments during the year included renovating the A&E unit, expanding the Wellness Center's capacity, and commissioning a Cardiac Premier Centre. The existing parking structure was also extended with a new level to accommodate more vehicles.

Asiri Central Hospital (ACH) launched a Cardiac Rehabilitation Center dedicated to the management of post-operative care for cardiac patients. Additionally, ACH completed the third successive renewal cycle of the Joint Commission International (JCI) accreditation. ACH stands out as one of the few Sri Lankan hospitals to be accredited by the Joint Commission International for the highest standards in Patient Safety and Quality Health Care services.

Asiri Hospital Galle (AHG)'s Emergency Treatment Unit (ETU) facilities were enhanced during the year. To meet the rising demand for specialised surgical services in the Southern Province, AHG expanded its surgical capacity by introducing a new operating theatre suite. This expansion included new disciplines such as neurosurgery and cosmetic surgery. During the year, the hospital also focused on enhancing its critical care services, particularly in the Intensive Care Units (ICUs) and High Dependency Units (HDUs).

BEST MANAGEMENT PRACTICES COMPANY

Hospital & Healthcare 2023

MOST VALUABLE CONSUMER BRAND HEALTHCARE

LMD, 2023

MOST VALUABLE HEALTHCARE BRAND

Brand Finance, 2023

Asiri Hospital Matara (AHM) recorded increased occupancy given the addition of 2 super luxury and 12 luxury suites to enhance bed capacity during the year. The focus on preventive medicine was further supported in the current year with a series of investments being made towards a fully-fledged Well-Woman Centre.

Asiri Hospital Kandy (AHK) has successfully completed its fourth year of operations. AHK continued with its ongoing capacity building programme, wherein a new Sport Medicine Unit and a new Cardiac Rehabilitation Unit were established. Infrastructure upgrades included expanding the ECG room,

800+
Consultants

14,500
Test per day

3,500
Consultations per day

4,250
Tests offered

800+
Beds

HEALTHCARE SERVICES

maternity facility, and adding consultation rooms. Furthermore, the transfusion department was relocated to a more spacious area, and the medical record room underwent an upgrade.

During the year, Asiri Laboratories added 10 new collection centers. This increase brought the total island-wide lab network to 6 fully-fledged laboratory facilities in the main Asiri Group hospitals, 17 satellite laboratories, and 80 collection centers. Additionally, the network enhanced its test menu, now offering over 4,250 types of tests, with a focus on various areas including Immunochemistry and Oncology. The lab operations served a record of 2.1 Mn customers during the year. The mobile care unit of the lab network serviced over 3,000 registered home care patients.

PERFORMANCE

Overall increase in footfall, enhanced range of services and bed occupancy supported by strategic initiatives discussed above, the healthcare sector achieved a revenue of Rs. 24.8 Bn, an increase of 11%. Sector EBITDA for the year was Rs. 7.5 Bn. Sector finance cost was Rs. 5.2 Bn during the year as opposed to Rs. 1.3 Bn reported last year. Finance income was at Rs. 2.5 Bn, compared to Rs. 270 Mn in the previous year. Sector profitability reached Rs. 1.7 Bn during the year.

OUTLOOK

The outlook for the sector is promising, with several key developments and initiatives on the horizon. One of the main focuses will be on further enhancing the quality and scope of healthcare services offered. This includes expanding the range of medical specialties and treatments available, investing in cutting-edge medical technology and equipment, and continuing to improve patient care and outcomes.

We are excited about our upcoming project in the healthcare sector. We are planning to build and operate a 500-bed state-of-the-art hospital in the Port City Development, in collaboration with a leading international healthcare provider - Mayo Clinic. This project is primarily aimed at serving the regional medical tourism markets.

FINANCIAL SERVICES

Softlogic's financial services sector offers a diverse range of expertise and services, including insurance, non-banking financial solutions, asset management, and stockbroking services.

Despite the ongoing global and local economic depression, we made every effort to ensure optimal performance in the face of internal and external financial shocks. These unprecedented challenges tested the resilience of sector's strategic plans, compelling us to respond with agility and innovation.

The fully-blown economic and political turmoil in Sri Lanka had a profound impact on the finance industry, manifesting in increased non-performing loans, restricted credit availability, diminished profitability, employment losses, and heightened regulatory oversight. This crisis precipitated a downturn in business activities, reduced consumer expenditure, and elevated unemployment rates. Consequently, numerous individuals and businesses encountered challenges in meeting their loan obligations, resulting in a surge in non-performing loans. These developments placed considerable strain on the sector affecting its financial performance and stressing key capital ratios.

Operating against the backdrop of a challenging year, Softlogic Life achieved second position in the overall insurance industry, surpassing a longstanding industry giant. The company continued to promptly settle customer claims amid high medical inflation and other pressures. The company settled Rs. 9.8 Bn claims during the year. Softlogic Life also came to the forefront of micro insurance to protect low income earners. The foreign exchange crisis challenged reinsurance arrangements in the industry that were overcome through substantial Reinsurer support that emphasised the value of long-term relationships. The rapid increase in interest rates and steep devaluation of the Rupee significantly affected credit-life-insurance for products like housing loans. This prompted us to shift our product mix, emphasising especially on investment-based products. Additionally, we adjusted our investment strategy to capitalise on high-yielding investments, locking the investment portfolio into high yielding opportunities. Further, the company improved its one-day claim settlement ratio to 95% amid a chaotic operating environment (94% in FY22). Being the market leader in medical insurance, it presently holds 17% of market share. Customer persistency for the first year as a barometer of customer retention was at 84%, one of the highest in the industry.

Softlogic Finance, primarily catering to the SME sector, felt the direct effects of the pandemic and the ensuing economic downturn. This translated into reduced credit expansion, difficulties in debt collection, and a notable decline in company profitability. The company's performance was adversely impacted by a sharp decline and negative Net Interest Income that was further accompanied by a significant rise in credit loss expenses. Credit loss expenses were primarily triggered by individual impairments on term loans and revolving loans. Additionally, the fixed-rate leasing book was significantly affected by a substantial increase in customer deposit rates during the year.

Softlogic Stockbrokers faced a challenging operating environment characterised by volatility and reduced investor confidence.

OPERATING ENVIRONMENT

REVENUE

Rs. 24.6 Bn

SECTOR ASSETS

Rs. 71 Bn

EMPLOYEES

1,468

Softlogic Invest, the asset management company launched three years ago, now has over Rs. 42 Bn Assets Under Management (AUM). This company has licenses to operate Unit Trusts and Fund Management businesses. The Unit Trusts managed by Softlogic Invest include Softlogic Money Market Fund of Rs. 725 Mn and Softlogic Equity Fund of Rs. 82 Mn. During the year, the company surpassed a count of 10,000 unit holders.

PERFORMANCE

Softlogic Life reported a GWP of Rs. 20.5 Bn, which is an increase of 7% compared with Rs. 19.2 Bn achieved in the previous year. The company recorded Rs. 2.9 Bn impairment provision against the funds that were invested in International Sovereign Bond and Sri Lanka Development Bonds as per the required accounting

FINANCIAL SERVICES

standards. Softlogic Life reported a Profit After Tax of Rs. 1.4 Bn for the year, which includes a one-off impairment provision for financial investments. The company's Capital Adequacy Ratio (CAR) stands at 250%, which is well above the regulatory requirement of 120%.

Softlogic Finance faced a de-growth in net interest income during the year. Consequently, Net Interest Income declined to Rs. 34 Mn from Rs. 1.35 Bn reported the previous year. To mitigate this reduction, the branch count was reduced from 33 to 30 during the year. The credit loss expense on financial and other assets rose 50% to Rs. 1.8 Bn during the year, with Rs. 1.2 Bn accounted for in respect of impairments. The company focused on gold loans and grew its gold loan book by 57% to Rs. 4.5 Bn by the end of the year. Total assets declined 13% to Rs. 22.2 Bn during the year and customer deposits reduced to Rs. 12.4 Bn, compared to Rs. 15.6 Bn in the previous year. The Company reported a net loss of Rs. 2.99 Bn during the year.

Sector Revenue increased 9% to Rs. 24.6 Bn during the year. An operating loss of Rs. 4.8 Bn was reported during the year, compared to an operating profit of Rs. 3.4 Bn in the previous year. Primarily led by gain on investments in Softlogic Life, financial services sector's finance income increased 84% to Rs. 7.7 Bn during the year. Finance cost increased primarily due to the high interest rate regime to Rs. 2.7 Bn as opposed to Rs. 900 Mn recorded last year. Sector loss was Rs. 3.5 Bn for the year.

OUTLOOK

The financial services sector in Sri Lanka is facing significant challenges amid economic uncertainties and regulatory changes. The sector's performance has been impacted by the country's economic downturn, policy reforms, global economic challenges, consequent to the Sovereign Risk Default, and the hangover effects of the pandemic.

Despite the challenges, the sector also presents growth opportunities such as the expansion of digital financial services and fintech innovations, growing demand for insurance and investment products, potential for market consolidation and strategic partnerships, and an emphasis on sustainable and responsible finance practices.

INFORMATION TECHNOLOGY & OTHERS

With over three decades of experience, Softlogic's IT sector has established itself as a trusted provider of software and hardware solutions, serving both government and private sectors in Sri Lanka and Australia. The sector offers a wide range of software solutions custom-made to meet the diverse needs of its clients, serving a comprehensive product range from top international brands such as Dell EMC, Lenovo, Vmware, Epson, Aruba, Zebra, Honeywell, PartnerTech, and Riello among others. The sector's commitment to excellence is reflected in its ability to customise solutions to meet industry-specific requirements, ensuring that clients are always equipped with the latest technology to keep pace with global transformations.

The Sri Lankan IT industry experienced a significant downturn during most of 2022, attributed to deep-seated political and socio-economic instability arising from the balance of payments crisis. This downturn stood in stark contrast to the rapid industry growth observed since 2017, driven by Sri Lanka's emerging prominence in the IT sector and its comparatively limited technology adoption.

Softlogic IT sector specialises in providing end-user computing solutions targeting to the needs of the fast-growing corporate, government, and SME segments, both locally and internationally. As one of the leading importers of personal computers and other hardware peripherals in Sri Lanka, they offer a comprehensive range of products, including notebook computers, servers, storage solutions, network infrastructure, and printers. Softlogic's commitment to quality and innovation ensures that their end-user computing solutions meet the highest standards of performance and reliability. With the increasing demand for data connectivity, our smart infrastructure solutions, in collaboration with Cisco, Dell EMC, HPE, Aruba, Meraki, and Huawei, have continued to penetrate further into this growing sphere. We also hold leading positions in data centre solutions, cyber security, digital display solutions, big data analytics and other support services. We also provide point-of-sale solutions for the retail and hospitality sectors, partnering with renowned brands such as Epson, Zebra, Honeywell, and PartnerTech. Our diverse range of printing solutions to corporate clients, including those in the advertising, photography, and apparel industries, performed exceptionally well, surpassing expectations. Additionally, our self-brand OEM product line featuring UPSs, POS systems, printers, and barcode solutions, experienced significant growth during the year.

Softlogic Australia has been a key player in the Australian Health and Food services sector for over two decades, providing comprehensive and highly-integrated software solutions. One of their flagship products, ChefMax, is a state-of-the-art food services management solution that has been designed and developed in-house. ChefMax is currently utilised by over 140 medium-to-large hospitals, highlighting its success and adoption within the sector.

OPERATING ENVIRONMENT

REVENUE

Rs. 7.9 Bn

EBITDA

Rs. 1.3 Bn

SECTOR ASSETS

Rs. 4.9 Bn

EMPLOYEES

622

During challenging economic conditions marked by stringent import controls affecting our procurement of IT equipment and apparatus, Softlogic's IT sector exhibited resilience and adaptability. We effectively managed our inventory and operated on favourable terms through

INFORMATION TECHNOLOGY & OTHERS

our established global partnerships and strategic alliances. The brain-drain in Sri Lanka's IT sector by depleting skilled talent, hindering innovation and competitiveness restricted the sector's ability to retain and attract skilled professionals during the year.

Despite these obstacles, we maintained our commitment to innovation, delivering customised solutions that met our clients' needs within their budgetary constraints amid rapid inflation and depreciation of the Rupee. This customer-centric approach not only sustained our performance but also facilitated expansion into new areas primarily catering to export-oriented customers. During the year, we forayed and made substantial progress in the Digital Identity space, with major banks among our key clients. These institutions trust our innovative technologies to bolster their digital identity verification procedures and enhance overall security.

Through leveraging our global partnerships and strategic alliances, Softlogic's IT sector successfully navigated the economic challenges, ensuring our clients received high-quality, cost-effective solutions.

PERFORMANCE

The sector achieved a revenue growth of 18% to Rs. 7.9 Bn compared with Rs. 6.7 Bn in the previous year. Regardless of the economic hurdles, operating profit recorded a strong 23% growth to Rs. 1.2 Bn during the year. Increased interest rates and foreign exchange losses took the finance cost to Rs. 1 Bn, an increase of 21%. Finance costs included foreign exchange loss of Rs. 408 Mn for the year. Profit After Tax of the sector achieved a near three-fold profit growth to Rs. 524 Mn during the year, compared with Rs. 137 Mn last year.

OUTLOOK

Softlogic's IT sector is positioned for significant growth, driven by the country's ongoing digitisation efforts, the adoption of cloud technology, the advancement of Industry 4.0 initiatives, and the proliferation of IoT solutions. As businesses and industries increasingly rely on IoT devices to collect and exchange data, the demand for IT solutions and services that support IoT will rise.

The sector's strong global partnerships and strategic alliances will play a crucial role in capitalising on these opportunities. By offering innovative and cost-effective solutions that cater to the evolving needs of clients in the IoT landscape, the sector is well-positioned to expand its market presence and drive growth.

Overall, Softlogic's IT sector is poised to benefit from the country's digitisation, cloud adoption, Industry 4.0, and IoT trends, making it an exciting time for the sector as it continues to innovate and grow as the country's economic landscape gains clarity and direction.

LEISURE AND PROPERTY

This sector operates a resort and a city hotel while the sector holding company is also a real-estate developer. Mövenpick Hotel Colombo is a 24-storey establishment with 219 rooms situated in the heart of Colombo and is managed by Mövenpick Hotels and Resorts which is now a part of AccorHotels, a world-leading travel and lifestyle group. Centara Ceysands Resort & Spa is a 165-room, 4-star resort nestled along Sri Lanka's Southern coastal belt in Bentota and enjoys a strategic location between the Indian Ocean and the Bentota river. The resort is managed by the renowned international operator, Centara Hotels & Resorts of Thailand. Both the hotel properties are in the hands of experienced international operators and adhere to global hospitality standards, ensuring a world-class experience for its guests.

OPERATING ENVIRONMENT

REVENUE

Rs. 2.2 Bn

SECTOR ASSETS

Rs. 24.7 Bn

EMPLOYEES

551

Sri Lanka's tourism industry was disrupted by the social unrest and political instability during the first half of the year. This turmoil, compounded by depleting foreign exchange reserves, resulted in shortages of essentials, energy, and fuel, significantly impacted the economy. The tourism sector, including domestic travel, faced significant challenges due to these factors, leading to protests and changes in government leadership. Despite these setbacks, the industry demonstrated signs of recovery during the latter part of the financial year recording tourist arrivals of 770,323 with March 2023 recording the highest since economic downturn. However, persistently high levels of inflation, interest rates, and taxation continued to pose operational challenges. Operational challenges were further exacerbated by difficulties in retaining talent, as skilled worker migration surged in response to the crisis. Collaborative efforts with supply chain partners resulted in the development of innovative offerings customised to specific target markets, thereby contributing to topline growth. Additionally, effective marketing campaigns in the local market increased occupancy rates from domestic tourism in the latter part of the year. Simultaneously, there was a significant rebound in international tourism, attributed to improved political stability which in turn saw the beginning of economic rebound.

Having completed Ceysands' extensive restructuring in 2014 and the construction of Mövenpick Hotel Colombo in 2017, this sector has remained highly capital-intensive. The steep rise in interest rates coupled with devaluation of the Rupee had double-whammy impact on the already slow performance of the hotel sector. Both the hotel projects were funded by US dollar loans from local banks where foreign exchange collections were to be routed to settle these USD denominated loans. Given the sharp decline in country's tourist arrivals and slow local tourism amid the political and socio-economic unrest that prevailed during most of the year, the hotels suffered poor room occupancies.

PERFORMANCE

The sector recorded a 82% revenue growth with Mövenpick Hotel leading the contribution. Revenue was Rs. 2.2 Bn for the year compared with Rs. 1.2 Bn last year. Owing to soaring interest rate and steep devaluation of the Rupee, finance costs increased 88% to Rs. 2.6 Bn for the year. Finance costs also includes foreign exchange loss of Rs. 915 Mn. Loss after tax for the year was Rs. 3.3 Bn.

OUTLOOK

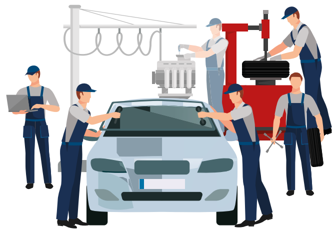
The recovery observed during the last part of the financial year, notwithstanding the ongoing finalisation of the country's debt restructuring, has been encouraging as normal day-to-day activities were gradually restored. The approval of the IMF Extended Fund Facility, alongside

LEISURE AND PROPERTY

the initial disbursement, has alleviated foreign exchange pressures. Additionally, the narrowing of the external account deficit, attributed to import restrictions, has contributed to this easing. Despite concerns regarding declining exports, the rise in worker remittances and the resilience of the tourism industry have provided support for foreign exchange liquidity.

The resort is attracting occupancy, including local tourists, with aggressive online and offline promotions. The city hotel is actively engaged in attracting city travellers and is increasing its focus on MICE operations. Effective policy measures to curb interest and exchange rates have been encouraging. The economic challenges presented an opportunity for the country to position itself as an affordable destination, with the devaluation of the rupee, where budget holiday-makers saw to an influx in tourist numbers. We believe stronger efforts to aggressively market Sri Lanka as an attractive and a safe tourist destination in the global eye would increase this sector's contribution to the foreign exchange reserves.

AUTOMOBILES



Softlogic holds the exclusive dealership rights for all Ford vehicles in Sri Lanka and is the authorised dealer for King Long buses nationwide. The state-of-the-art collision repair center significantly enhances its overall value proposition.

The automotive sector in Sri Lanka has faced significant challenges due to an extended ban on vehicle imports, which has been in effect for three years. This, along with adverse economic conditions and Sri Lanka's depleted foreign exchange reserves, has severely constrained opportunities within the industry. Importing spare parts has also become increasingly difficult, further complicating the operating environment for industry participants. This year was particularly challenging, marked by unprecedented financial, economic, and social pressures. Navigating these circumstances has been exceptionally tough, given the array of other economic and logistical challenges confronting the sector.

Despite the extended ban on vehicle imports, the automobile sector strategically capitalised on the sale of ambulances, which were deemed essential and thus allowed to be imported. This focus resulted in robust sales volumes as we cater to both private and public healthcare sectors. However, the sector's state-of-the-art Collision and Repair Centre, servicing all vehicle brands, experienced a slump due to the fuel crisis that curtailed vehicle movements. Fortunately, strong recovery was evident during the latter part of the year when the country's fuel shortage was rectified. This recovery was bolstered by vehicle owners being compelled to maintain their existing vehicles due to the ban on new vehicle imports.

PERFORMANCE

The sector recorded over two-fold revenue growth to Rs. 1.7 Bn during the year. This growth was primarily led by sale of ambulances to the healthcare sector throughout the year. Operating profit achieved a turnaround recording Rs. 260 Mn during the year as opposed to an operating loss of Rs. 182 Mn last year. Owing to the high interest rates, sector finance cost reached Rs. 504 Mn during the year compared with Rs. 93 Mn recorded last year. Loss after taxation reduced 15% to Rs. 239 Mn for the year.

OUTLOOK

The prolonged import ban on vehicles in Sri Lanka has indeed had a profound impact on the automobile industry. With new vehicle sales at a standstill, customers are increasingly turning to the maintenance and repair of their existing vehicles. This shift has led to a significant increase in demand for services at our Collision & Repair Centre. However, the heightened demand has also attracted new players, particularly smaller businesses, to enter the market, intensifying competition.

In response to these challenges, we are focusing our efforts into enhancing our maintenance and repair services. We are committed to innovation and customisation, aiming to introduce new service packages that will elevate the customer experience. By offering genuine, highly experienced, and skilled services, we aim to differentiate ourselves in the market and maintain our competitive edge.

We will continue to undertake ambulance projects for the healthcare sector while carefully addressing the retention of skilled technicians, especially in light of increased skilled migration.

OPERATING ENVIRONMENT

REVENUE

Rs. 1.7 Bn

SECTOR ASSETS

Rs. 445 Mn

EMPLOYEES

54

HUMAN CAPITAL

Amid the significant disruptions and challenges that prevailed during the year, the Softlogic Group continued to prioritise the holistic well-being and development of its workforce, while fostering an environment conducive for growth and development.

OPERATING CONTEXT

The economic crisis placed considerable pressures on the organisation's human capital during the year and accordingly, the Softlogic Group took several steps to mitigate the same. In order to address the rapidly escalating cost of living owing to hyperinflation, the Group re-evaluated its remuneration structures and implemented a minimum increment across the board.

Furthermore, in response to the growing increase in employee migration, the Group focused on retaining its core staff, particularly with respect to highly-skilled and experienced staff within the Group.

Due to the previous measures undertaken in response to the COVID-19 pandemic, the Group was perfectly positioned to address the mobility restrictions arising from fuel shortages during the year. The organisation relied on a hybrid work arrangement with only essential personnel reporting to physical sites, thereby offering flexibility to the staff amid the fuel crisis. Carpooling arrangements were initiated to provide transportation for key personnel to report to work.

Against the aforementioned backdrop, the Group continued to prioritise employee mental health and well-being, and accordingly employed the services of an independent counsellor. Employees were able to avail themselves of counselling sessions on a weekly basis at a different location for confidentiality purposes. Furthermore, the Group invited many acclaimed psychologists to conduct a number of sessions on mental health and well-being via an online platform.

The counselling and mentoring sessions with the Group Director Human Capital continued to be in effect during the year. Titled 'Coffee with HR,' the sessions happened on a weekly basis, and employees were offered the opportunity to participate in one-on-one discussions, or contact the Group Director via email or telephone to voice their concerns.

OUR HUMAN CAPITAL STRATEGY

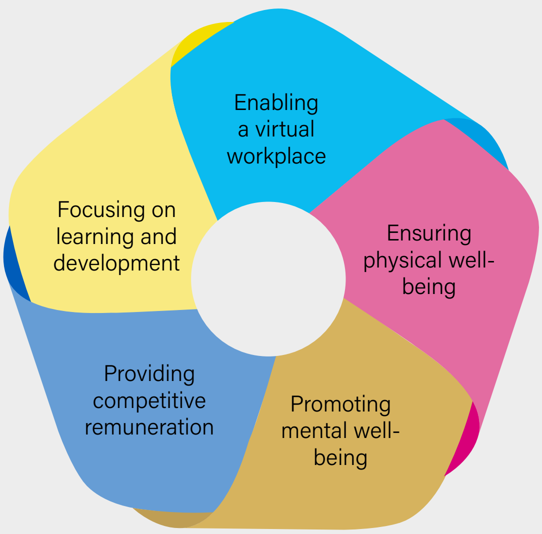
We perform. We are committed to a result-oriented and customer-centric culture where success is shared and celebrated across the Group. We place customers at the centre of our activities and we hold ourselves responsible to deliver what we promise in keeping with customer needs with a determination to excel and a commitment to action. A "can do" attitude has proven to be the key performance driver across Softlogic.

We are the value drivers. It is the clear unwavering guidance which defines the cultural context in which we work and interact with our business partners, our community and with each other. At Softlogic, this is a two-way process where employees are the backbone of Softlogic values and the community is our corpus.

Through our High-Performance Culture spanning principles of Innovation, Integrity, Human Capital, Success, Accountability, Corporate Responsibility and Simplicity, we have created a transparent organisational culture where ideas flourish, people thrive and success prospers.

We benefit from the diversity of our employees by working together to achieve success. We treat all our employees with equal benefits across our island-wide locations.

As a Group of companies with diversified business, we focus highly on the retention of key performers and attraction of competent professionals by maintaining a healthy organisational culture where the Company has implemented a friendly work culture that creates a strong bond among employees. The management encourages an open-door concept to build strong relationships with employees.



CORPORATE CULTURE

Softlogic operates on a performance-based culture, thereby ensuring that career advancement is determined solely by the results of an employee's performance reviews. The organisations within the Group use an evaluation and appraisal mechanism that includes quarterly and half-yearly evaluations with a focus on "quality conversation" between the appraiser and the appraisee. This process is in turn connected to the final year-end appraisal.

Softlogic's employees are afforded equal opportunities to advance both laterally and vertically within the Group, owing to its nature as a conglomerate operating across diverse sectors. Additionally, the Group offers each employee a superior work-life balance, which raises employee satisfaction levels.

EMPLOYEE DIVERSITY

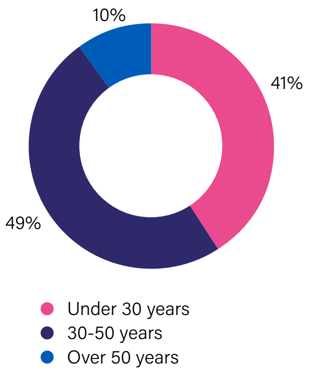
The Softlogic Group promotes equal opportunity at all stages encompassing recruitment to recognition, and values diversity in the workplace. The following is an overview of the Group's employees.

HUMAN CAPITAL CADRE PLANNING PROCESS

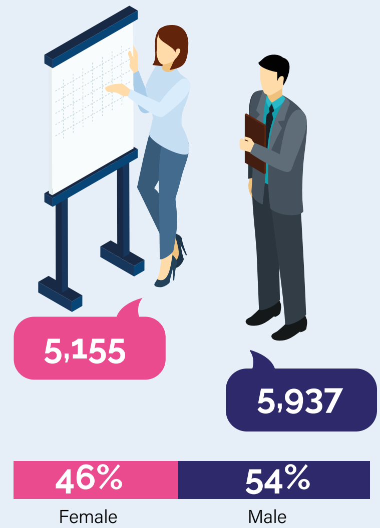
Prior to the commencement of each year, the organisation determines any expected rise or decrease in the need for human resources within each employee category through a procedure that involves the collective participation of various department heads, the CEOs and Directors of the Group.

The following describes the Group's methodical approach to recruiting new employees.

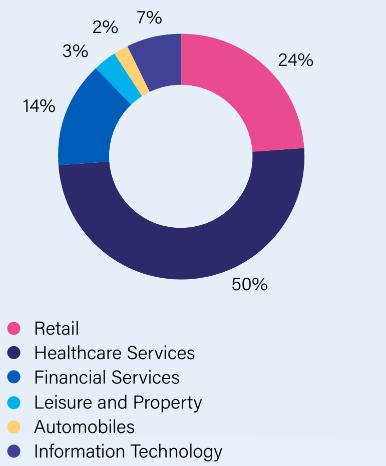
Employees by Age



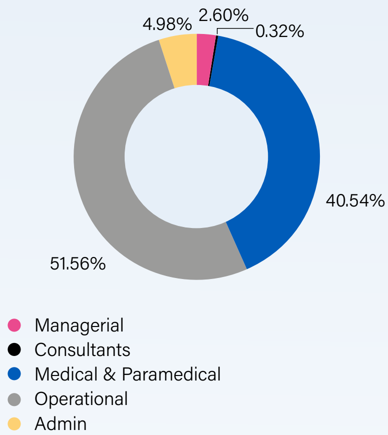
Number of Employees



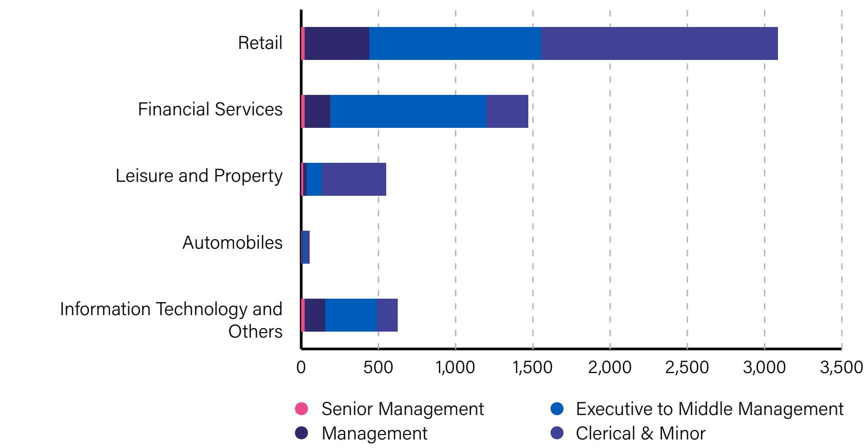
Number of Employees



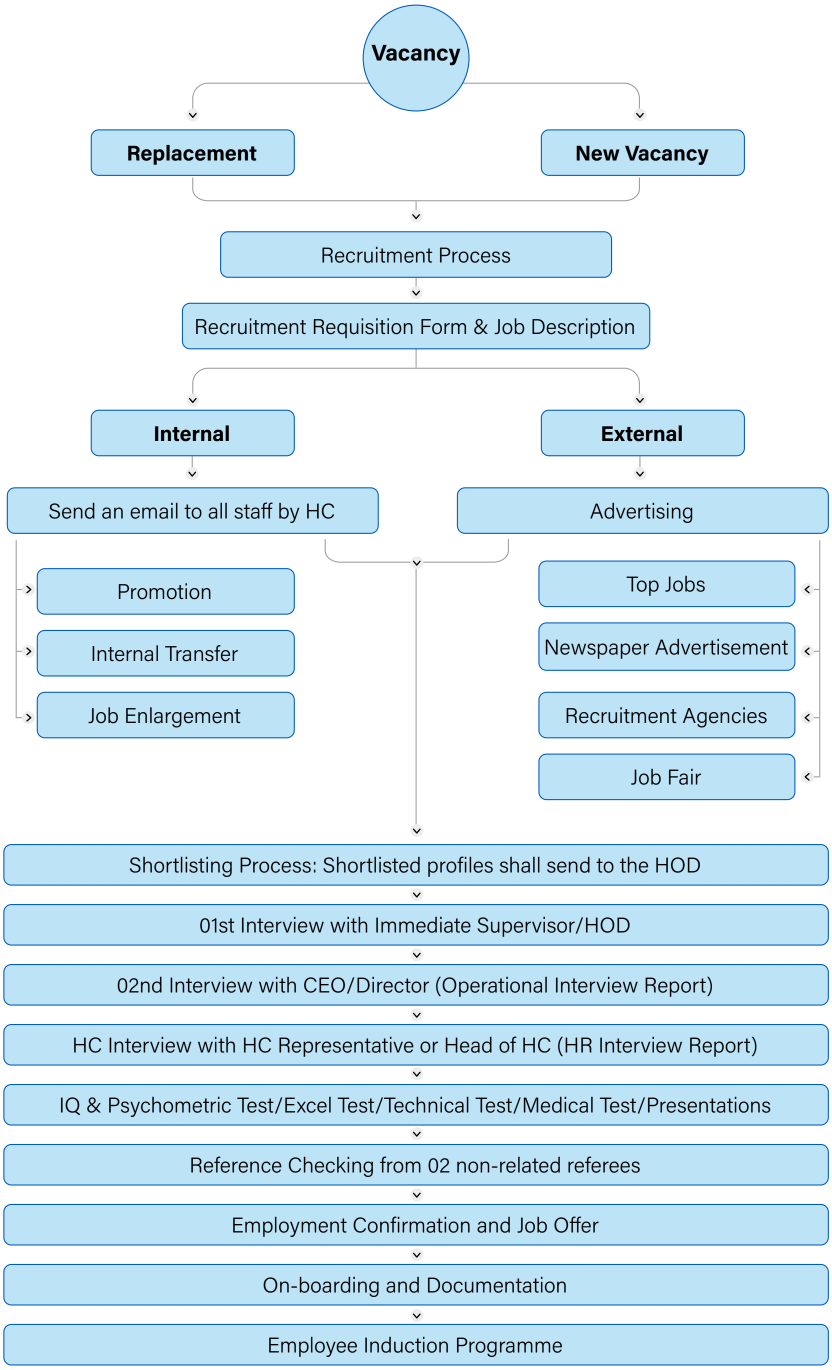
Healthcare Sector - Employees by Category



Employees by Category (Excluding Healthcare)



HUMAN CAPITAL



KEY CHALLENGES:

The delays in General Certificate Exams such as O/Ls and A/Ls caused difficulties for the organisation due to the unavailability of the targeted pool of candidates.

The Group faced further challenges in recruiting for its expansion needs amid the economic crisis. However, the recruitment team successfully circumvented these obstacles by tapping into diverse labour market groups to meet organisational requirements.

Softlogic's ability to foster passion for responsible shopping is primarily dependent on its talent. All staff members share this enthusiasm, and their work is distinguished by their drive, dedication, creativity, and customer-centricity.

Talent management from the standpoint of a responsible employer forms the foundation of the Group's people philosophy. As such, the organisation prospers by providing high-quality employment in an inspiring atmosphere that fosters professional development for our staff members.

Employee sourcing occurs in two methods (detailed below) and is aligned with the human resource planning conducted at a strategic level at the beginning of a new business project or assignment.

The imperative to identify, evaluate and recruit the right talent is evidenced by the Group's recruitment activities and its different contact points with candidates.

When recruiting for each position depending on the function, the Group embraces two primary sources:

Buy

Recruiting or head hunting veterans in the industry for each function while providing competitive monetary and non-monetary benefits.

Make

Enabling internal employees to grow according to the career development plans that have been established within the organisation for each function while providing adequate training and development programs.

Internal Sources

EMPLOYEE REFERRAL PROGRAMME

Employees can introduce new candidates with suitable competencies for available positions. The introducer will be rewarded with a substantial cash reward if the referred candidate is selected for the particular position.

PROMOTIONS

If there are any successors identified for a particular position, a particular individual possesses the privilege of being promoted to the available position, armed with the right mix of technical and behavioural competencies (this method is used mainly in fulfilling top level positions).

JOB ROTATIONS

if an employee wishes to engage in career advancement, change their role within the same function or transition into a different function, and if the individual meets the necessary criteria, the management will approve the rotation with the support of the HC Division. This takes place following a comprehensive assessment of the skills and competencies that the individual possesses to perform the relevant role.

External Sources

Paper advertisements - Relevant vacancies will be published in employment newspapers, with a larger reach (i.e., Lankadeepa, Daily Mirror, Sunday Observer and employment magazines).

Social media and online platform advertising - Vacancy advertisements are promoted on social media channels, such as Facebook and Linkedin, which are more prominent in the current context. Additionally, vacancies are posted on popular online employment platforms, such as Top Jobs, ikman.lk and Express Jobs.

Job agencies and headhunters - These agencies and headhunters are geared with databases which comprise talented professionals for each function. They provide the additional service of sourcing, shortlisting and scheduling interviews for the candidates at a substantial cost.

Educational institutes and bodies - Employees are mainly recruited for skilled jobs from educational institutes and bodies as they have batches graduating on a monthly basis. In some cases in order to complete their diplomas or degrees, students are required to undergo industrial training at least for a 6-month period.

Job campaigns and fairs - Conducted with the support of the AG's office and the Department of Manpower and Employment. These campaigns and job fairs take place primarily in rural areas in order to provide equal opportunities for employment. This activity takes place on a quarterly basis, and serves as a lucrative means of sourcing employees for brown collar jobs.

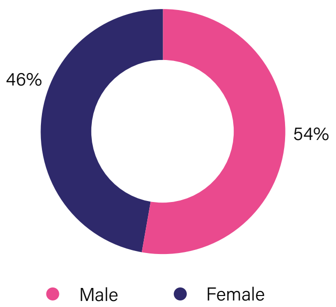
HUMAN CAPITAL

4,092
Employees Recruited

2,203
Males Recruited

1,889
Females Recruited

Recruitments by Gender



PERFORMANCE MANAGEMENT

The Group remains confident that the effectiveness of its performance management system will propel the growth of the organisation.

Every year, a comprehensive process that involves all permanent staff is initiated in order to determine Key Performance Indicators (KPIs). This process ensures the development of a driven, motivated workforce that delivers consistent performance throughout the year. To foster a transparent, supportive environment for staff, frequent one-on-one meetings, quarterly appraisals, mid-year check-ins, and end-of-year reviews are held. A collaborative discussion between supervisors and employees results in a performance grade that is mutually agreed upon at the end of the year evaluation. This strategy does not merely boost employee morale but additionally provides the required guidance and direction they need to meet their performance targets. The thorough evaluation undertaken by the organisation assists in the identification and bridging of any skill gaps, ensuring the workforce is well-prepared for the future.

The organisation's efforts to recognise and value its workforce transcends widely-acknowledged forms of compensation. The Group's rewards programme is designed to align with strategic objectives and guiding principles. Recognising individual accomplishments is vital, however, the Group places value on the teamwork that drives organisational success and growth. The Group prioritises integrating a culture of appreciation within the organisation, thereby inspiring and encouraging its team members and instilling a sense of satisfaction and fulfilment in their respective roles.

Softlogic aims to emphasise the importance of every individual's contribution to the Group's success through recognition ceremonies, employee appreciation activities and performance bonuses. Prioritising rewards and recognition enables the organisation to achieve continuous growth and excellence by boosting employee morale and strengthening the overall unity and resilience of the workforce. During the year, the Group honoured its sales employees who delivered an exceptional performance at the annual sales convention.

REWARDS AND RECOGNITION

The Management of Softlogic are committed towards recognising outstanding performance and the effort of all employees by appropriate reward and incentives in order to create a culture with "Passion to deliver Excellence".

- Motivate staff to excel in their roles.
- Identification of top talent and tools for retention.
- Improve employee engagement level.
- To be a well-recognised "Employer Brand".
- To foster a sense of pride in the organisation.

The Group's key Rewards and Recognition programmes include:

- Employee of the Month Programme
- Best Retail Manager of the Quarter
- Best Customer Mania of the Month
- Value "SPOT" Awards Programme
- GLOMARK Service Hero
- Best Service Model Outlet of the Year
- Support Functional Awards
- Employee of the Year
- Best Retail Manager of the Year
- Best Performing Outlet of the Year
- Best Retail Store of the Year
- Chairman's Award

RS. 14.2 BN

DISBURSED TO EMPLOYEES DURING THE YEAR

TRAINING AND DEVELOPMENT

The Group relies on a future-focused learning culture to ensure its employees remain apprised of the changing dynamics in the operating environment and are equipped to face the future.

Softlogic utilises the combined strength of e-learning ecosystems with practical, physical training and knowledge building to provide a well-rounded training experience for its employees.

Rs. 384,297,525
Training Investments 2022/2023

261,189
Total Training Hrs 2022/2023

HUMAN CAPITAL

LEARNING TO IMPROVE PERFORMANCE	LEARNING FOR CAREER DEVELOPMENT	LEARNING TO IMPROVE SOFT SKILLS
Objective : To improve service deliverables and outcomes **Key focus areas:** Quality related training, customer service and on-the-job training	**Objective:** To prepare employees for the next stage in line with career progression policies **Key focus areas:** To enhance employee knowledge, skills and competencies	**Objective:** To continuously improve the gaps in various soft skill areas **Key focus areas:** Organisation skills, negotiation skills, telephone etiquette, email etiquette, health and well-being etc.

Both technical and soft skills are used in training; the former includes the knowledge of MS Office platforms, corporate communication, email etiquette, leadership and managerial abilities and job organisation and prioritising.

The Group analyses and determines training needs via a comprehensive procedure summarised below.

Identify > Classify > Prioritise > Plan

The structure of Softlogic's learning and development process is based on performance discussions and an analysis of training needs. Individual, organisational, and unit-level needs are then divided to meet operational objectives.

The Group then sets the training areas' priorities and completes the budgets and annual training plan. Trainings and ad hoc requirements are reviewed consistently within the Group, including the training essential to achieve Quality Accreditations, such as JCI, ACHSI, OHSAS, and ISO standards, etc.

The Group offers educational grants and special allowances for nursing degree holders, and has partnered with reputable educational institutions to award degrees and diplomas related to healthcare, as well as engage in the reimbursement for professional subscriptions and exam fees, all with the aim of promoting a learning culture.

Owing to budget restrictions and constraints, the Group relied on internal resources such as operational staff who had the requisite knowledge, skills and talent to conduct training. This initiative enabled the Group to realise cost efficiencies while adding value and a sense of enrichment to the employees conducting the training sessions. This new model of training initiatives introduced during the year served as a win-win situation to the Group and the employees who trained others, as well as those who underwent training.

SUCCESSION PLANNING

In order to accommodate the inevitable changes in the composition of human capital in the workplace and to address any new skill requirements as the operating landscape continues to evolve, succession planning is used as a strategy to identify and develop future leaders within the Group. This system provides opportunities for advancement to personnel within the Company and guarantees business continuity.

The Management Trainee Programme of the Group ensures that high potential employees can be identified and trained for promotion into key roles within the organisation. After a thorough screening procedure, each person's performance is tracked for a full year. Based on performance, abilities, and attitude, their suitability for absorption into any of the Group businesses is determined.

The Group is taking steps to establish processes to enhance succession planning by broadening the talent pools to encompass a substantial percentage of the workforce. Over time, the Group aims to include all vital functions in succession planning, ensuring seamless operations during rapid changes in leadership roles or critical functions.

POLICY AGAINST CORRUPTION AND DISCRIMINATION

With respect to its operations and staff, Softlogic Holdings PLC maintains a zero-tolerance policy against corruption in any form. The Group is dedicated to appreciating diversity and strives to offer every employee equal opportunity for professional and personal growth. These opportunities are given based on each employee's skill, credentials and suitability for the position in addition to giving adequate consideration towards their potential for advancement within the Group. With regard to recruitment, terms and conditions of employment, career progression, training, transfer or dismissal, the Group does not tolerate any form of discrimination or harassment against any person on any grounds, including age, disability, gender, marriage/civil partnership, pregnancy/maternity, race, religion or belief, sex or sexual orientation.

FAIR DEALING

The organisation's policies clearly state that all workers, including the Board of Directors and Senior Management of Softlogic Holdings PLC, should endeavour to treat all parties fairly, including shareholders, competitors, suppliers, customers, and other Group stakeholders. Since it is the Group's objective to conduct all of our business in an ethical manner, no individual or entity is permitted to take unfair advantage of another party through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice. The Group is dedicated to conducting itself professionally, fairly, honestly, and with integrity in all of its commercial dealings. Softlogic maintains a zero-tolerance stance against any instances of bribery and corruption. Additionally, the Group does not sanction the abuse of authority and power over the lives and welfare of any individual, particularly by virtue of position or degree of influence.

Under no circumstances may an employee of Softlogic Holdings solicit a person of concern for a service or favour in exchange for personal financial gain, nor may they enter into any kind of sexual, emotional, financial, or employment-related relationship that would be considered exploitative.

DATA PRIVACY AND CONFIDENTIALITY

Every employee at Softlogic Holdings PLC, including the Board of Directors and Senior Management, have a responsibility to protect the privacy of any information entrusted to them by the organisation and its clients, with the sole exception being those who are authorised by law to disclose such information.

The Group categorises non-public information as confidential on the basis of its usefulness to rival businesses, and/or the ability to endanger the business or its clients if made public. In order to guarantee that these guidelines are observed, each employee has signed a comprehensive non-disclosure agreement.

CHILD LABOUR

Softlogic Holdings PLC continues to be committed to upholding the legal labour rights in Sri Lanka, which include right to freedom of association, the prohibition of child labour and forced labour, and the absence of discrimination. In compliance with Sri Lankan labour laws, the Group has established and continues to enforce clear policies and procedures to guarantee that it never hires or recruits minors, engages in forced labour or collaborates with third parties that have been found to pose a serious risk of using child or forced labour.

GRIEVANCE HANDLING

The Softlogic Group is steadfastly devoted towards becoming a "employer of choice." Therefore, the Group has established a comprehensive Grievance Handling Procedure, which outlines the steps any employee could follow in the event that he or she is faced with a complaint or concern, in order to facilitate employee satisfaction and address any concerns. Every employee is facilitated with easy access to the procedure which has been widely disseminated and detailed in the employee handbook.

Employees who have made attempts to address issues with their managers or supervisors but have failed to arrive at a satisfactory conclusion are given the opportunity to file a grievance. It is recommended that any concerns or complaints of this nature be directed in writing or orally, to the HC Division's Manager Employee Well-Being and the Group Director of Human Capital. Such submissions are guaranteed the utmost confidentiality and prompt remedial action.

The Group keeps an eye out for incidents of reprisal and responds appropriately. The organisation uses an HR Exit Interview format to determine the underlying reasons for personnel to seek employment elsewhere. Should similar trends be associated with a certain department or manager/supervisor, the Human Capital Division will address the issue with the relevant business leaders to identify potential remedies and guarantee staff retention going forward. The person in question would also receive coaching and mentorship sessions in addition to further discussions.

HUMAN CAPITAL

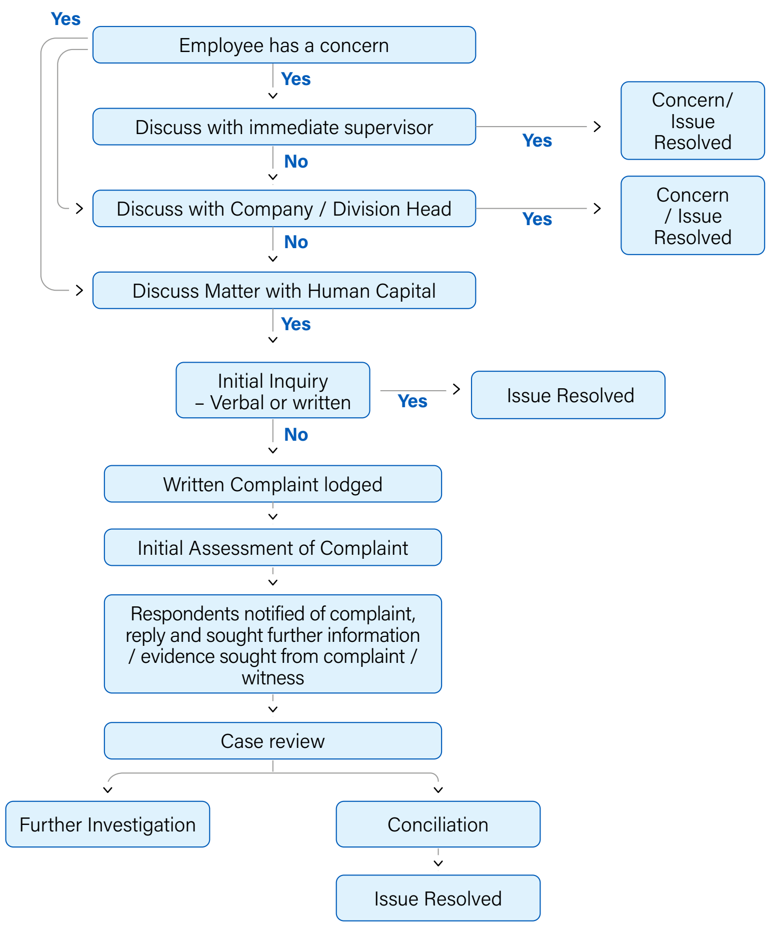
WHISTLEBLOWER POLICY

Every Softlogic employee, regardless of their position in the hierarchy, is responsible for encouraging ethical conduct within their respective organisation. Employees are urged to bring ethical circumstances or information regarding potential unethical behaviour to the attention of their respective CEO, the Group Director of Human Capital or the Chairman of Softlogic Holdings PLC. This will make room for the necessary steps to be taken to ensure that confidential investigations are carried out and appropriate action can be taken based on the findings.

Every employee who witnesses violations to any laws, rules, regulations, or the Code of Business Conduct and Ethics should report the same to the Directors or the Senior Management team. The Chairman or the Group Director of Human Capital must be approached with any concerns if the outcome is not acceptable. Employees are always encouraged to file a complaint with the Group Director of Human Capital or the Chairman if they believe that they are being retaliated against after reporting such incidents. These individuals will ensure that the rights of "whistle-blowers" are upheld with respect to any complaints made in good faith.

GRIEVANCE HANDLING PROCEDURE

The Company's Grievance Procedure is set out below. All employees should bring their grievance to the notice of the Management as per the process laid down below.



EMPLOYEE ENGAGEMENT

Employees that embody passion for their work and are dedicated to their employers provide significant competitive advantages, such as increased productivity and reduced employee turnover. Therefore, the Group encourages employees to partake in activities that keep them motivated and engaged.

In addition to Company-wide efforts, the Softlogic Group conducted the following programmes to maintain an engaged workforce, even amid the disruptions that characterised the year under review.

- The Retail sector initiated an online Food for Thought program where the employees are empowered to share their own food for thought to communicate across the sectors.
- The Retail Sector also hosted annual activities such as Odel Idol to uncover employees' hidden talents.
- Conducted programmes to honour key events such as World Aids Day, International Women's Day, and Independence Day across the Group Companies
- Quiz Competition for Employees
- Softlogic Holdings PLC conducted a Sinhala & Tamil New Year celebration and an Aluth Avurudu Kumara & Kumariya event which included the employees participating in Jana Gee Competition in order to foster and appreciate the nation's culture.
- Blood donation camp 2022/2023
- A Children's Essay Competition was organised on the Topic "Lets Spread Love and Light to the World" to commemorate Children's Day.
- Almsgiving and Pirith ceremony
- New Year celebration 2023
- Employee induction programme
- Wesak card competition held among the employees' children to ensure their involvement in the activities of the Group companies.
- Annual Staff Party
- Employees' birthday celebrations - Employees' birthday celebrations are being celebrated in the department by fellow staff by arranging a small treat with decorations and a birthday cake.

- Staff Outings
- Team building activities
- Inter Company/ Department Cricket Tournaments
- Christmas Carols
- Softlogic Star
- Battle of the Brains
- Heartiest Gratitude Week

EMPLOYEE WELFARE

The companies in the Group provide its employees with a range of benefits including staff discounts for all retail outlets, hospitals etc. In addition, workers are provided with flexible work schedules and a corporate mobile phone voucher that permits them to purchase a phone within a specified limit. At the conclusion of each year, gift cards for shoes and books are distributed among the children of all non-executive category employees.

One of the other unique benefits that the Company offers is a half-day leave of absence on birthdays. The organisation understands that birthdays are important events. In order to allow a team member to take a half-day off on their birthday, the Group encourages other peers and supervisors to work together and manage the additional workload. This initiative maintains employee motivation and aids in employee retention. The half day is extended to offer employees the opportunity to spend time with their families, thereby encouraging a healthy work-life balance.

EMPLOYEE HEALTH, SAFETY AND WELL-BEING

No workplace accidents took place during the year.

A comprehensive Insurance scheme was introduced which consists of indoor covers, OPD, Spectacles, Critical Illness, Life Cover as well as a personal accident cover for the staff and their immediate family members.

The following activities were conducted to support employee health and well-being during the year:

1. Disseminating email flyers to raise awareness on World Aids Day
2. Providing necessary training with regards to health and safety such as First Aid Training, HIV Prevention Training and Fire & Safety Training
3. Providing healthy meal options for Employees.
4. Conducting Mental Health programmes and fun activities to reduce stress.
5. Supporting employees to maintain work life balance through flexibility and leave allocation.
6. Providing necessary accommodation facilities as and when required.

CSR ACTIVITIES

The Group believes it owes a fiduciary responsibility to its clients and business associates. Accordingly, the organisation is dedicated to extending the greatest possible benefits of ethical, responsible business practices while simultaneously accepting responsibility for the protection of the environment and the community.

The following CSR activities were conducted during the year:

1. Donation of funds to the Sarvodaya Suwasetha Sewa Society
2. Donation of wheelchairs to City Home Battaramulla
3. Donating medical equipment to Aluthgama Government Hospital
4. Almsgiving on every full moon poya day
5. Beach cleaning campaign
6. Blood donation campaigns
7. Renovation of Boat Pier at the (Aranya) Temple

The Company further conducted a CSR project to provide hygiene packs for approximately 250 children at SAMATA SARANA. This donation campaign was carried out with the support of staff participation during the Christmas season and was a resounding success.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Softlogic Holdings PLC have pleasure in presenting to the members of their report together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2023

GENERAL

Softlogic Holdings PLC is a Public Limited Company which was incorporated under the Companies Act No. 17 of 1982 as a Private Limited Company on 25th February 1998, re-registered under the Companies Act No. 7 of 2007 on 17th December 2007, converted to a Public Limited Liability Company on 10th December 2008, and listed on the Colombo Stock Exchange on 20th June 2011. The name of the Company was changed to Softlogic Holdings PLC on 25th August 2011. The Company is listed on the Diri Savi Board of the Colombo Stock Exchange.

PRINCIPAL ACTIVITIES AND NATURE

The principal activities of the Company are holding investments and providing management services and financial assistance to its subsidiaries. The business activities of other companies within the Group are information & communication technology, automobile sales and after sales, consumer electronic retailing, garment manufacturing & fashion retailing, hoteliering, quick service restaurant operations, development of apartments, provision of financial services, life insurance services, stock brokering services, management of Unit Trusts, healthcare services, management consultancy and financial advisory services.

FUTURE DEVELOPMENTS

An indication of likely future developments is set out in the Chairman's Review on pages 8 to 9 and Sector Reviews on pages 25 to 37 of this report.

PERFORMANCE REVIEW

The Financial Statements reflect the state of affairs of the Company and the Group. This report forms an integral part of the Annual Report of the Board of Directors.

FINANCIAL STATEMENTS

Section 168 (b) of the Companies Act require that the Annual Report of the Directors include financial statements of the Company, in accordance with Section 151 of the Companies Act and Group financial statements for the accounting period, in accordance with Section 152 of the Companies Act. The requisite financial statements of the Company are given on pages 56 to 187 of the Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. A statement in this regard is given on page 70.

STATUS OF SUSPENSION OF TRADING

As at 31st March 2023, trading of Securities of the Company was suspended due to non-submission of Annual Report. However, the suspension was lifted on 05th December 2023 but remained in the watch list due to non-submission of the Annual Report for the year ended 31st March 2023.

Subsequently, due to the continued delays in the submission of the said Annual Report, the trading of the Securities was suspended with effect from 08th December 2023.

AUDITOR'S REPORT

The Auditor's Report on the financial statements is given on pages 56 to 61 of the Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are given on pages 70 to 187 of the Annual Report. There was no change in the accounting policies adopted from the previous year except for the standards listed in Note 6.

PROPERTY, PLANT & EQUIPMENT

The details and movement of property, plant and equipment during the year under review is set out in Note 21 to the Financial Statements on pages 114 to 119.

CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of property, plant and equipment for the Company and the Group amounted to Rs. 26 Mn (2022 Rs. 21 Mn) and Rs. 3,987 Mn (2022 Rs. 3,534 Mn) respectively. Details of capital expenditure and their movements are given in Note 21 to the Financial Statements on pages 114 to 119 of the Annual Report.

In addition to the above, a sum of Rs. 2,307 Mn (2022 Rs. 2,161 Mn) has been incurred by the Group in respect of the Odel Mall project.

RESERVES

The accumulated losses for the Company amounted to Rs. 4,810 Mn (In the year 2022, retained earnings of the Company were positive and amounted to Rs. 2,272 Mn) and accumulated losses for the Group Rs. 51,548 Mn (2022 Rs. 26,397). The movement and composition of the Capital and accumulated losses are disclosed in the Statement of Changes in Equity.

DONATIONS

During the year, donations made by the Group amounted to Rs. 1 Mn (2022 Rs. 12 Mn).

STATED CAPITAL

The stated capital of the Company as at 31 March 2023 was Rs. 12,119,234,553 represented by 1,192,543,209 shares. There was no change in the stated capital of the Company during the year under review.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

No circumstances have arisen, and no material events have occurred after the date of the Statement of Financial Position, which would require adjustments to, or disclose in the accounts other than those disclosed in Note 51 to the Financial Statements.

TAXATION

The information relating to income tax and deferred taxation is given in Note 19 to the Financial Statements.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the date of the Statement of Financial Position have been paid or, where relevant provided for, except as specified in Note 49 to the Financial Statements, covering contingent liabilities.

RELATED PARTY TRANSACTIONS

The Company's transactions with Related Parties are given in Note 47 to the Financial Statements.

DIRECTORATE

The following Directors held Office during the year under review. The biographical details of the Board members are set out on pages 12 to 13.

Mr. A.K. Pathirage
(Chairman/ Managing Director)

Mr. G.W.D.H.U. Gunawardena

Mr. R.J. Perera

Mr. H.K. Kaimal

Mr. M.P.R. Rassool

Dr. S. Selliah
(Resigned w.e.f. 24th October 2022)

Mr. W.M.P.L. De Alwis, PC
(Resigned w.e.f. 15th June 2023)

Prof. A.S. Dharmasiri

Mr. A. Russell Davison

Mr. S. Saraf

Mr. C.K. Gupta
(Alternate Director to Mr. S. Saraf)

Mr. J.D.N. Kekulawala

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Company for the financial year ended 31 March 2023 was Rs. 62.95 Mn (2022 - Rs. 55.86 Mn). The remuneration of the Directors is determined by the Board.

DIRECTORS' INTERESTS IN CONTRACTS AND PROPOSED CONTRACTS WITH THE COMPANY

Directors' interests in contracts, both direct and indirect, are referred to in Note 47 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

INTERESTS REGISTER

The Interests Register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have disclosed their interests pursuant to Section 192(2) of the said Act.

SHAREHOLDERS' INFORMATION

The distribution of shareholders is indicated on page 188 of the Annual Report. There were 10,076 registered shareholders as at 31 March 2023 (31 March 2022 – 9,779).

SHARE INFORMATION

Information on share trading is given on page 189 of the Annual Report.

INTERNAL CONTROL

The Directors are responsible for the governance of the Company including the establishment and maintenance of the Company's system of internal control.

Internal control systems are designed to meet the particular needs of the organisation concerned and the risk to which it is exposed and by their nature can provide reasonable, but not absolute assurance against material misstatement or loss. The Directors are satisfied that a strong control environment is prevalent within the Company and that the internal control systems referred to above are effective.

RISK MANAGEMENT

The Group's risk management objectives and policies and the exposure to risks, are set out in pages 20 to 22 of the Annual Report.

CORPORATE GOVERNANCE

Mr. Prasantha Lal De Alwis, Prof. Ajantha Dharmasiri and Mr. Nihal Kelulawela function as Independent Non-Executive Directors of the Company as at 31st March 2023. As per the rules issued by the Colombo Stock Exchange, Mr. Prasantha Lal De Alwis meets all the criteria of independence except one. Mr. Prasantha Lal De Alwis had served on the Board of the Company continuously for a period exceeding nine (9) years from the date of his first appointment.

The report on Corporate Governance is given on pages 14 to 19 of the Annual Report.

THE AUDITORS

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors.

The Auditors of the Company, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 3.6 Mn as audit fees for the

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

financial year ended 31 March 2023 (2022 Rs. 2.9 Mn) by the Company. Details of which are given in Note 18 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company that would have an impact on their independence. The Auditors also do not have any interest in the Company.

Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has recommended to the Board that the existing auditors, Messrs. Ernst & Young, Chartered Accountants be reappointed. Ernst & Young have expressed their willingness to continue in office and ordinary resolution reappointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the forthcoming AGM.

RELATED PARTY TRANSACTIONS

During the year 2022/2023 there were / were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange As required by Section 9.3.2 (d) of the Listing Rules, the Board confirms that the Company has complied with all requirements as per Section 9 of the Listing Rules. The Directors have disclosed the transactions with Related Parties in terms of Sri Lanka Accounting Standard (LKAS 24), Related Party Disclosures in Note 47 on pages 159 to 162 which is adopted in the preparation of these Financial Statements.

GOING CONCERN

The Directors, having assessed the environment within which it operates, the Board is satisfied that the Company and the Group have adequate resources to continue its operations in the foreseeable future. Therefore, the Directors have adopted the going-concern basis in preparing the financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday the 17th May 2024 at 10 am. The Notice of the Annual General Meeting is on page 194 of the Annual Report.

A.K. Pathirage
Chairman/Managing Director

H.K. Kaimal
Director

Softlogic Corporate Services (Pvt) Ltd
Secretaries

16 April 2024
Colombo

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company are as follows:

Name of Director	No. of Shares as at 31/03/2023	No. of Shares as at 31/03/2022
Mr. A.K. Pathirage	493,125,865	492,372,620
Mr. G.W.D.H.U. Gunawardena	71,333,852	71,333,852
Mr. R.J. Perera	75,437,508	75,437,508
Mr. H.K. Kaimal	80,439,792	80,439,792
Mr. M.P.R. Rassool	-	-
Dr. S. Selliah *(Resigned w.e.f. 24th October 2022)*	2,053,232	2,053,232
Mr. W.M.P.L. De Alwis, PC *(Resigned w.e.f. 15th June 2023)*	-	-
Prof. A.S. Dharmasiri	-	-
Mr. A. Russell-Davison	-	-
Mr. J.D.N. Kekulawala	-	-
Mr. S. Saraf	-	-
Mr. C.K. Gupta *(Alternate Director to Mr. S. Saraf)*	-	-

BOARD AUDIT COMMITTEE REPORT

SCOPE OF THE COMMITTEE

The Board Audit Committee supports the Board of Directors in fulfilling in discharging its oversight responsibilities in relation to financial reporting, Internal Audit function, compliance with laws & regulations, internal controls and risk management and External Auditors' performance and their independence. The scope, functions and responsibilities are adequately set out in the terms of reference of the Committee which has been approved by the Board and is reviewed annually. The Committee places reliance on other Audit Committees in the Group without prejudicing the independence of those Committees. However, the Committee reviews the minutes of those committees' meetings and receives appropriate briefings on matters arising from those. The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

COMPOSITION

The Audit Committee is appointed by the Board of Directors and comprises four independent Non-Executive Directors. The current members of the Audit Committee profiles appear in the Board of Directors section of this Annual Report.

» Mr. J.D.N. Kekulawala (Chairman)

» Dr. S. Selliah
(Resigned w.e.f. 24th October 2022)

» Mr. W.M.P.L. De Alwis, PC
(Resigned w.e.f. 15th June 2023)

» Prof. A. Dharmasiri

Mr. D. Vitharanage, Group Head-Chief Internal Auditor/Chief Risk Officer served as the Committee's Secretary.

The composition of the Committee enables a blend of financial and audit expertise and wide business and regulatory experience to fulfil its responsibilities.

MEETINGS

The Audit Committee met on six occasions during the year under review including quarterly meetings to review and make recommendations on the quarterly and annual financial statements before they were considered and approved by the Board of Directors.

The attendance at Audit Committee meetings was as follows:

Name	Meeting Attended
Mr. J.D.N. Kekulawala	6/6
Dr. S. Selliah (Resigned w.e.f. 24th October 2022)	3/4
Prof. A.S. Dharmasiri	6/6
Mr. W.M.P.L. De Alwis (Resigned w.e.f. 15th June 2023)	6/6

The Group Finance Director attended the Committee's meetings by invitation and other members of the Senior Management attended meetings by invitation when necessary. The Committee meets with the External Auditors, with no members of Management present, to cover matters they wish to discuss confidentially.

ACTIVITY & FOCUS, AND REPORTING

The Committee has continued to focus its attention mainly on the following during the year:

1. The integrity of the Company's and Group's financial statements, including the reasonableness of assertions made, the appropriateness of accounting policies used, the adequacy of presentation and disclosures made and the effectiveness of internal control over financial reporting. This has continued to be a major thrust of the Committee;
    a. Interactions with the External Auditors of the Holding Company, and the Group companies not covered by separate Board Audit Committees, on their audit plans, observations and key findings;
    b. Review and follow-up of observations in Management Letters presented by external auditors, with relevant Group companies and;
    c. Discussion with property valuers and actuaries entrusted with valuation of retirement gratuities.
2. Procedures in place to examine Company's ability to continue as a going concern.
3. The work and performance of the Internal Auditors.
4. The Group's implementation of ERP software, so far as it impacted on financial accounting and reporting.
5. Review of procedures in place to monitor compliance with applicable Laws and Regulations.
6. Review of steps focused on IT Security.
7. Greater formalisation of processes enabling whistle-blowing.

Following each quarterly meeting at which financial statements are reviewed, the Committee briefs the Group Chairman/ Managing Director from time to time. These meetings draw attention to matters requiring consideration and action and also on matters of importance. Generally, these meetings are scheduled at the request of the Committee.

REAPPOINTMENT OF EXTERNAL AUDITORS

As far as the Members are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company that would have an impact on their independence. The Auditors also do not have any interest in the Company.

The Audit Committee has proposed to the Board of Directors, having considered their independence and performance, that the incumbent auditors M/S Ernst & Young, Chartered Accountants be reappointed for the year ending 31 March 2024 at the Annual General Meeting.

J.D.N. Kekulawala
Chairman – Board Audit Committee

16 April 2024
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

PURPOSE

The purpose of the Related Party Transactions Review Committee is to conduct an appropriate review of Softlogic Group's related party transactions and to ensure that interests of shareholders and other stakeholders are considered when engaging in related party dealings, hence preventing Directors, Key Management Personnel or substantial shareholders taking advantage of their positions. The Committee ensures adherence to the Rule 9 of the Listing Rules and guided by the Code of Best Practices on related party transactions issued by the Securities & Exchange Commission of Sri Lanka (SEC) and CA Sri Lanka. The Committee states opinions in accordance with the charter of the Related Party Transaction Review Committee. It reviews the charter and policies while making recommendations to the Board as and when deemed necessary.

COMPOSITION

The Related Party Transactions Review Committee comprises two Non-Executive Independent Directors, including the Chairman, and one Executive Director as at 31st March 2023 as follows;

» Mr. W.M.P.L. De Alwis, PC- Independent Non-Executive Director – (Chairman)

» Prof. A.S. Dharmasiri - Independent Non-Executive Director (Member)

» Mr. H.K. Kaimal - Executive Director – (Member)

The Composition of the Related Party Transactions Committee was re-constituted on 19th June 2023 as follows;

» Prof. A.S. Dharmasiri - Independent Non-Executive Director (Chairman)

» Mr. H.K. Kaimal - Executive Director – (Member)

The Group Finance Director attends the meeting by invitation. Softlogic Corporate Services (Pvt) Ltd, serves as Secretaries to the Committee.

ATTENDANCE AT MEETINGS

Name	Meeting Attended
Mr. W.M.P.L. De Alwis, PC	1/1
Prof. A.S. Dharmasiri	1/1
Mr. H.K. Kaimal	1/1

ROLES AND RESPONSIBILITIES

1. Reviewing in advance all proposed related party transactions of the Company in compliance with the Code.
2. Adopting policies and procedures to review related party transactions and reviewing and overseeing existing policies and procedures.
3. Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the respective Companies.
4. If related party transactions are ongoing (recurrent related party transactions) the Committee establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party.
5. Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
6. If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee to review and approved the proposed related party transaction.
7. Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

REVIEW OF THE RELATED PARTY TRANSACTIONS DURING THE YEAR

The Committee reviewed all proposed Related Party Transactions of Softlogic Holdings PLC and scrutinised such transactions to ensure that they are no less favourable to the Group than those generally available to an unaffiliated third party in a similar circumstance. The activities of the Committee have been communicated to the Board quarterly through tabling minutes of the meeting of the Committee at Board Meetings.

Relevant disclosures have been made to the Colombo Stock Exchange in compliance with regulations. Details of Related Party Transactions entered by the Group during the above period are disclosed in Note 47 to the Financial Statements.

During the year 2022/2023 there were / were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Prof. A.S. Dharmasiri

Chairman - Related Party Transactions Review Committee

16 April 2024
Colombo

HR & REMUNERATION COMMITTEE REPORT

PURPOSE

The primary objective of the Committee is to ensure that the organisation's remuneration policy and practices are fair, competitive, and are consistent with the Group's strategic objectives, risk appetite, values and overall interests of stakeholders. This includes reviewing and recommending compensation packages for senior executives, overseeing performance evaluation and incentive programmes. Additionally, the committee plays a crucial role in promoting a positive organisational culture, enhancing employee engagement, and attracting and retaining top talent.

The Committee's duties and obligations are outlined in its formal Terms of Reference (TOR).

COMMITTEE COMPOSITION AND MEETING

The Human Resources and Remuneration Committee comprises only of Non-Executive Independent Directors. The members of the Human Resources and Remuneration Committee as of 31 March 2023 and their attendance at the meetings held are as follows:

ATTENDANCE AT MEETINGS

Name of Director	Category	Attended/ Eligible to attend
Prof. A.S. Dharmasiri *Non-Executive Independent Director*	Chairman	1/1
Mr. W.M.P.L. De Alwis, PC *Non-Executive Independent Director* *(Resigned w.e.f. 15th June 2023)*	Member	1/1
Mr. J.D.N. Kekulawala *Non-Executive Independent Director*	Member	1/1

The Chairman of the Group, who also serves as the Managing Director, and Ms. Natasha Fonseka, Group Director of Human Capital, attend Committee Meetings by invitation. During these meetings, the Committee delved into the intricate relationship between remuneration and the organisation's culture, as well as how our remuneration structures impact our strategic behaviours. A thorough review of our executive remuneration offerings was undertaken with the aim of optimising the structure of our packages to enhance competitiveness.

ACTIVITIES OF THE YEAR

During the year, the HR & Remuneration Committee undertook strategic initiatives to align remuneration practices with the Group's long-term goals. Key efforts focused on addressing high attrition rates due to mass emigration and skill loss within an economically challenged context. Competitive salary adjustments were made to maintain critical workforce retention during periods of hyperinflation. New incentivisation programmes were established to recognise exceptional employee performances against KPIs, fostering a positive corporate culture and enhancing overall engagement levels. These measures collectively sought to bolster the organisation's ability to recruit and retain top talent amidst difficult market circumstances.

OUR REWARD FRAMEWORK

Our Reward Framework serves as a cornerstone in our commitment to aligning remuneration practices with our organisational objectives. Through a meticulous review process, we have customised our policies to address the challenges posed by high labour turnover and economic instability, ensuring that our compensation strategies remain competitive and sustainable. By implementing targeted increments to retain key talent amidst hyperinflation and introducing innovative incentive schemes to recognise exceptional performance, we aim to foster a culture of excellence and engagement within our workforce. This framework not only reinforces our dedication to attracting and retaining top talent but also underscores our ongoing efforts to promote a positive organisational culture that values and rewards achievement.

SUMMARY

The Remuneration Committee remains committed to overseeing the alignment of the remuneration policy with the Group's strategic direction. The Committee's objective is to appropriately incentivise performance in accordance with the Company's business goals, ultimately enhancing shareholder value through sustainable growth.

Prof. A.S. Dharmasiri

Chairman - HR & Remuneration Committee

16 April 2024
Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on pages 56 to 61

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the Statement of Comprehensive Income of the Company and the Group for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing financial statements set out on pages 56 to 194 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure the financial statements comply with the Companies Act No. 07 of 2007 and are prepared in accordance with Sri Lanka Accounting Standard (SLFRS/ LKAS).

They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare financial statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and other known statutory dues as were due and payable by the Company as at the date of the Statement of Financial Position have been paid or, where relevant provided for, in arriving at the financial results for the year under review except as specified in Note 49 to the Financial Statements covering contingent liabilities.

Softlogic Corporate Services (Pvt) Ltd
Secretaries

16 April 2024
Colombo

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SOFTLOGIC HOLDINGS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the financial statements of Softlogic Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the income statement, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Qualified Opinion

Sufficient and appropriate audit evidence was not available regarding the completeness and accuracy of the suspense account balance of Rs. 125 Mn disclosed in Note 46 to the financial statements. We were unable to determine whether further adjustments/disclosures, if any, would be necessary to the amounts reported in the financial statements.

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 Group 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 qualified opinion.

Material uncertainty relating to going concern

We draw attention to Note 5 to the financial statements, which indicate that the Group incurred a loss after tax of Rs. 23,657 Mn for the year ended 31 March 2023 and as of that date, Group's current liabilities exceeded Its current assets by Rs. 70,597 Mn, reported retained losses of Rs. 51,548 Mn and a negative net assets position of Rs. 17,871 Mn. As stated in Note 5, these events and conditions indicate that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern without continued financial support from the financial institutions and realisation of capital raising plans and other measures as disclosed in detail in Note 5 (i) to (v) to the financial statements. 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 Basis for Qualified Opinion section and material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

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Key audit matter	How our audit addressed the key audit matter
Revenue The Group derived its revenue of Rs. 96,899 Mn from several operating segments as disclosed in Note 13 to the financial statements. Revenue was a key audit matter due to: » Materiality of the reported revenues by the Group during the year; » Reliance on Information Technology (IT); » Complexity of revenue recognition due to involvement of multiple divisions to provide medical services in relation to the healthcare operating segment which contributes 26% to the Group revenues; and » Complexities resulting from contractual arrangements with customers including hire purchase arrangements relating to the retail operating segment.	Our audit procedures, with the involvement of the component auditors, included the following: » We identified the operating segments that generated significant revenues and performed the following key procedures, where relevant: – Obtained an understanding of the nature of revenue contracts entered into by operating segments of the Group and performed inquiries of management and appropriate analytical procedures to understand and assess the reasonableness of reported revenues. – Where appropriate, evaluated the design of internal controls and tested the operating effectiveness of relevant key controls relating to sale of goods and service arrangements. – Due to the reliance on information technology in revenue recognition, we tested the general IT controls relating to the most significant IT systems relevant to revenue recognition and tested relevant key IT application controls. – Tested the appropriateness of revenue recognised by reviewing relevant sales contracts and other relevant supporting documents. – Tested transactions recorded at year-end, assessing whether revenue was recognised in the correct accounting period, particularly testing how terms of sales arrangements were considered within the revenue recognition process. » We assessed whether revenue recognised over the period from hire purchase contracts and other contractual arrangements, is in line with the Group's accounting policies. » We also assessed the adequacy of related disclosures in Note 13 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Interest Bearing Borrowings	
As of the reporting date, the Group reported total interest bearing borrowings of Rs. 123,742 Mn, of which Rs. 80,841 Mn was reported as current liabilities and the balance Rs. 42,901 Mn as non-current liabilities, as disclosed in Notes 9.3.3,35,39 and 45 to the financial statements. Interest bearing borrowings was a key audit matter due to: » The materiality of the interest-bearing borrowings and its significance to the overall financial statements (61% of total liabilities); and » Existence of numerous financial and non-financial covenants and disclosures relating to the current and non-current classification of such borrowings in the financial statements.	Our audit procedures, with the involvement of the component auditors, included the following; » Assessed the design of controls implemented for recording of borrowings, monitoring, evaluating and timely reporting on covenant compliances in relation to interest bearing borrowings. » Obtained an understanding of the terms and conditions attached to borrowings, by perusing the loan agreements. We also reviewed the terms and conditions relevant to renegotiation of debt repayment plans with the lending institutions and restructuring of debt and any other concessions granted. » Obtained direct confirmations from financial institutions for outstanding amounts as of the reporting date. » Obtained management's assessment of future cash flows and its plans to meet debt service obligations as per existing contractual arrangements related to bank borrowings and evaluated the appropriateness of significant judgments and reasonableness of assumptions used by management. » Assessed the maturity profile of the Group's bank borrowings focusing on the management's plans to meet the debt obligations maturing within the next twelve months and working capital requirements. » Assessed the adequacy and appropriateness of the disclosures made in Notes 9.3.3,35,39 and 45 relating to interest bearing borrowings.
Insurance contract liabilities	
Insurance Contract Liabilities amounting to Rs. 24,462 Mn, represent 12% of total liabilities of the Group as at 31 March 2023, and are determined based on an actuarial valuation as described in Note 38 to the financial statements. This was a key audit matter due to: » Materiality of the reported life insurance contract liabilities. » The degree of assumptions, judgements and estimation uncertainty associated with the actuarial valuation of life insurance contract liabilities and liability adequacy test carried out to determine the adequacy of the carrying value of life insurance contract liabilities. Key areas of significant judgments, estimates and assumptions used in the valuation of the life insurance contract liabilities included the following: » Determination of assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus, interest rates, discount rates and related claim handling expenses.	Our audit procedures, with the involvement of the component auditors, included the following: » Assessed the competence, capabilities and objectivity of management's actuarial expert involved in the liability valuation process. » Performed the audit procedures to test the controls over the process of estimating the insurance contract liabilities. » Involved an internal expert to assess the reasonableness of the assumptions used in the valuation of the insurance contract liabilities. » Reconciled the movements in insurance contract liabilities during the year with the movements in the financial results. » Assessed the adequacy of the disclosures in Note 38 to the financial statements.

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Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on financial assets carried at amortized cost As at 31 March 2023, loan, lease and hire purchase receivable balance of Rs. 21,027 Mn net of impairment allowance of Rs. 4,095 Mn accounted for in line with its accounting policy, amounted to Rs 16,932 Mn as disclosed in Note 28 and 32 to the financial statements. These collectively contributed 9% to the Group's total assets. Allowance for expected credit losses on financial assets carried at amortized cost is a key audit matter due to: » Materiality of the reported allowance for expected credit losses which involved complex calculations: and » 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; » Management overlays to incorporate the current economic conditions. » 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.	Our audit procedures, with the involvement of the component auditors, included the following: » Assessed the alignment of the Group'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. » 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 the management. » 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. In addition to the above, the following procedures were performed. **For loan, lease and hire purchase receivables assessed on an individual basis for Impairment:** » Evaluated the reasonableness of credit quality assessment. » Checked the arithmetical accuracy of the underlying individual impairment calculations. » Evaluated the reasonableness of key inputs used in provision for credit impairment made with particular focus on current economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts relating to elevated risk industries, debt moratoriums and status of recovery actions of collaterals in forecasting the value and timing of cashflows. **For loan, lease and hire purchase receivables assessed on a collective basis for impairment:** » Tested key inputs as disclosed in Notes 28 and 32 and the calculations used in the allowance for expected credit losses. » Assessed whether judgements, assumptions and estimates used by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used based on available market data, economic scenarios considered, and probability weighting assigned to each scenario. » Assessed the adequacy of the related financial statement disclosures set out in Notes 28 and 32 of the financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Carrying value of ODEL mall project	
Other non-current assets (Rs. 14,942 Mn) and Other current asset apartments work-in-progress (Rs. 1,979 Mn) relating to the ODEL mall project collectively amounts to Rs. 16,921 Mn as of 31 March 2023 and represents 9% of the total assets of the Group as described in Notes 29 and 30 to the financial statements. This was a key audit matter due to: » The materiality of the reported balances and the possible impairment indicators that may exist due to the heightened costs to complete the project and the prevailing economic conditions in the country. » The degree of significant management assumptions, judgements and estimates associated with deriving the estimated future cash flows used to ascertain the recoverable amount.	Our audit procedures, among others, included the following: » Reviewed the project status reports and the certificates issued by the project manager to identify the status of the project and the estimated and actual costs incurred as of reporting date. » Performed appropriate tests to establish whether capitalized cost met the recognition criteria set forth in the accounting policies and applicable accounting standards. » Assessed the competence, capability and objectivity of the external valuer engaged by the Group to ascertain the carrying value of the ODEL mall project. » Assessed the reasonableness of the significant judgements and estimates made by the valuer such as per perch price and cost per square foot used in the valuation of Odel mall project. Performed stress testing on such key estimates and compared with the carrying value of the project. » Checked the calculation of the discounted future cash flows and cross checked the data to relevant underlying accounting records and assessed the reasonableness of the significant assumptions and estimates such as cost to complete the project, forecast occupancy levels, expected profitability and margins, cost, discount rate, revised project timeline and the forecast funding of the project in cashflow projections to determine the future recoverable amount of the project. » Tested Net Realizable Value of the Inventories work-in-progress to the selling prices contracted in the project. We also assessed the adequacy of the Group's disclosures of its capitalization policy and other related disclosures in Notes 29 and 30 to the financial statements.

Other Information included in the 2023 Annual Report

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

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 the 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

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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 internal controls of the Company and the Group.

» 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 Group'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 Group 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.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* Section of our report, 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.

16 April 2024

Colombo

INCOME STATEMENT

In Rs. '000 For the year ended 31 March	Note	GROUP 2023	2022	COMPANY 2023	2022
Continuing operations					
Revenue from contract with customers		**72,515,676**	89,125,133	**750,593**	978,493
Revenue from insurance contracts		**20,458,558**	19,165,724	**-**	-
Interest income		**3,925,136**	2,937,818	**-**	-
Total revenue	13	**96,899,370**	111,228,675	**750,593**	978,493
Cost of sales		**(62,803,630)**	(73,858,671)	**(402,373)**	(387,452)
Gross profit		**34,095,740**	37,370,004	**348,220**	591,041
Dividend income	14	**-**	-	**17,767**	1,712,285
Other operating income	15	**1,592,436**	1,386,996	**25,618**	36,109
Distribution expenses		**(4,438,786)**	(3,709,614)	**-**	-
Administrative expenses		**(29,398,481)**	(25,019,645)	**(1,494,914)**	(1,441,080)
Operating profit/ (loss)		**1,850,909**	10,027,741	**(1,103,309)**	898,355
Finance income	16	**8,024,438**	4,707,864	**3,750,675**	1,723,751
Finance costs	17	**(28,951,205)**	(13,728,388)	**(9,802,087)**	(3,309,939)
Net finance cost		**(20,926,767)**	(9,020,524)	**(6,051,412)**	(1,586,188)
Change in insurance contract liabilities	38.2	**(1,948,266)**	(4,713,850)	**-**	-
Change in fair value of investment properties	23	**77,486**	157,920	**117,445**	117,005
Share of profit/ (loss) of equity accounted investees	26.2	**38,960**	(12,574)	**-**	-
Loss before tax	18	**(20,907,678)**	(3,561,287)	**(7,037,276)**	(570,828)
Tax expense	19.1.1	**(2,749,618)**	(1,716,499)	**(74,827)**	(45,991)
Loss for the year		**(23,657,296)**	(5,277,786)	**(7,112,103)**	(616,819)
Attributable to:					
Equity holders of the parent		**(24,076,881)**	(8,170,817)		
Non-controlling interests		**419,585**	2,893,031		
		(23,657,296)	(5,277,786)		
Loss per share					
Basic	20	**20.19**	6.85		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 70 to 187 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In Rs. '000 For the year ended 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Loss for the year		**(23,657,296)**	(5,277,786)	**(7,112,103)**	(616,819)
Other comprehensive income					
Continuing operations					
Other comprehensive income to be reclassified to income statement in subsequent periods					
Currency translation of foreign operations		**5,740**	(65,404)	**-**	-
Net change in fair value on derivative financial instruments	39.5	**(256,113)**	(3,161,777)	**-**	-
Net loss on financial instruments at fair value through other comprehensive income		**(418,344)**	(592,267)	**-**	-
Net other comprehensive loss to be reclassified to income statement in subsequent periods		**(668,717)**	(3,819,448)	**-**	-
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Revaluation of land and buildings	21.1	**5,197,040**	7,734,185	**-**	-
Re-measurement gain/ (loss) on employee benefit liabilities	41	**387,312**	(826)	**42,934**	(10,004)
Share of other comprehensive income/ (loss) of equity accounted investments (net of tax)	26.2	**849**	(32)	**-**	-
Net gain/ (loss) on equity instruments at fair value through other comprehensive income		**(282,073)**	(647,981)	**4,300**	(4,400)
Tax on other comprehensive income not to be reclassified to income statement in subsequent periods	19.2.1	**(3,682,992)**	(1,078,311)	**(12,880)**	2,401
Net other comprehensive income/ (loss) not to be reclassified to income statement in subsequent periods		**1,620,136**	6,007,035	**34,354**	(12,003)
Other comprehensive income/ (loss) for the year, net of tax		**951,419**	2,187,587	**34,354**	(12,003)
Total comprehensive loss for the year, net of tax		**(22,705,877)**	(3,090,199)	**(7,077,749)**	(628,822)
Attributable to:					
Equity holders of the parent		**(23,624,016)**	(7,141,549)		
Non-controlling interests		**918,139**	4,051,350		
		(22,705,877)	(3,090,199)		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 70 to 187 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

In Rs. '000 As at 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Assets					
Non-current assets					
Property, plant and equipment	21	**60,811,514**	61,135,972	**83,444**	83,922
Right of use assets	22.1	**7,792,774**	8,457,434	**215,967**	243,576
Investment properties	23	**2,252,523**	2,175,037	**1,057,150**	939,705
Intangible assets	24	**8,180,461**	8,461,213	**1,365**	1,833
Investments in subsidiaries	25	**-**	-	**28,234,289**	28,201,517
Investments in equity accounted investees	26	**64,083**	44,274	**41,000**	41,000
Non-current financial assets	27	**33,421,420**	26,147,879	**1,562,784**	1,658,170
Rental receivable on lease assets and hire purchase	28.1	**7,094,383**	10,218,694	**-**	-
Other non-current assets	29	**15,757,032**	7,660,414	**-**	-
Deferred tax assets	19.2.2	**2,737,200**	3,027,670	**-**	-
		138,111,390	127,328,587	**31,195,999**	31,169,723
Current assets					
Inventories	30	**10,186,740**	13,471,197	**281**	-
Trade and other receivables	31	**8,273,753**	9,505,878	**713,091**	2,307,010
Loans and advances	32	**7,756,234**	7,266,487	**-**	-
Rental receivable on lease assets and hire purchase	28.2	**726,455**	1,044,190	**-**	-
Amounts due from related parties	47.1	**109,933**	1,902,457	**16,539,914**	15,235,917
Other current assets	33	**3,597,282**	3,997,872	**87,163**	98,113
Short term investments	34	**10,214,957**	15,064,502	**119,368**	784,846
Cash in hand and at bank	35	**5,260,169**	9,123,612	**1,564,616**	1,485,572
		46,125,523	61,376,195	**19,024,433**	19,911,458
Total assets		**184,236,913**	188,704,782	**50,220,432**	51,081,181
Equity and Liabilities					
Equity attributable to equity holders of the parent					
Stated capital	36	**12,119,235**	12,119,235	**12,119,235**	12,119,235
Retained earnings/ (accumulated losses)		**(51,548,609)**	(26,397,403)	**(4,810,333)**	2,271,716
Other components of equity	37	**7,351,222**	5,844,134	**(20,400)**	(24,700)
		(32,078,152)	(8,434,034)	**7,288,502**	14,366,251
Non-controlling interests		**14,206,292**	14,031,498	**-**	-
Total equity		**(17,871,860)**	5,597,464	**7,288,502**	14,366,251

In Rs. '000 As at 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Non-current liabilities					
Insurance contract liabilities	38	**24,462,094**	22,559,124	**-**	-
Interest bearing borrowings	39	**42,901,064**	38,969,574	**4,832,557**	5,590,856
Lease liabilities	22.2	**5,595,958**	6,112,687	**184,975**	203,879
Public deposits	40	**3,094,921**	2,516,825	**-**	-
Deferred tax liabilities	19.2.2	**6,997,084**	3,266,142	**255,777**	178,071
Employee benefit liabilities	41	**1,556,994**	1,710,208	**127,678**	140,555
Other deferred liabilities	42.2	**146**	226	**-**	-
Other non-current financial liabilities	43	**777,906**	738,829	**-**	-
		85,386,167	75,873,615	**5,400,987**	6,113,361
Current liabilities					
Trade and other payables	44	**20,411,053**	29,157,350	**2,000,252**	188,140
Amounts due to related parties	47.2	**28,919**	28,919	**55,229**	49,171
Income tax liabilities	19.1.4	**1,871,190**	798,778	**-**	-
Other current financial liabilities	45	**53,328,649**	37,678,829	**26,148,729**	22,674,666
Current portion of interest bearing borrowings	39	**18,129,698**	15,608,025	**8,856,901**	7,438,756
Current portion of lease liabilities	22.2	**1,896,051**	1,824,452	**38,356**	37,495
Other current liabilities	46	**2,338,659**	2,382,595	**195,270**	63,012
Public deposits	40	**9,335,694**	13,065,182	**-**	-
Bank overdrafts	35	**9,382,693**	6,689,573	**236,206**	150,329
		116,722,606	107,233,703	**37,530,943**	30,601,569
Total liabilities		**202,108,773**	183,107,318	**42,931,930**	36,714,930
Total equity and liabilities		**184,236,913**	188,704,782	**50,220,432**	51,081,181

I certify that the Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

C K Amarasekara
Head of Finance

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board.

A K Pathirage
Chairman

H K Kaimal
Director

16 April 2024
Colombo

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 70 to 187 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP

In Rs. '000	Attributable to equity holders of parent				
	Stated capital	Restricted regulatory reserve	Non-distributable regulatory loss allowance reserve	Revaluation reserve	Foreign currency translation reserves
As at 01 April 2021	12,119,235	309,613	-	7,662,068	(77,382)
Profit/ (loss) for the year	-	-	-	-	-
Other comprehensive income/ (loss)	-	-	-	4,786,880	(64,367)
Equity investments at FVOCI reclassified to retained earnings	-	-	-	-	-
Total comprehensive income/ (loss)	-	-	-	4,786,880	(64,367)
Changes in ownership interest in subsidiaries	-	-	-	-	-
Subsidiary dividend to non-controlling interest	-	-	-	-	-
As at 31 March 2022	12,119,235	309,613	-	12,448,948	(141,749)
Profit/ (loss) for the year	-	-	-	-	-
Other comprehensive income/ (loss)	-	-	-	878,712	5,035
Revaluation reserve reclassified to retained earnings	-	-	-	(16,277)	-
Equity investments at FVOCI reclassified to retained earnings	-	-	-	-	-
Total comprehensive income/ (loss)	-	-		862,435	5,035
Transfer to non-distributable regulatory loss allowance reserve	-	-	1,289,904	-	-
Share issue expenses	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	-	-
Subsidiary dividend to non-controlling interest	-	-	-	-	-
As at 31 March 2023	12,119,235	309,613	1,289,904	13,311,383	(136,714)

COMPANY

In Rs. '000	Stated capital	Fair value reserve of financial assets at FVOCI	Retained earnings/ (accumulated losses)	Total equity
As at 01 April 2021	12,119,235	(20,300)	2,896,138	14,995,073
Loss for the year	-	-	(616,819)	(616,819)
Other comprehensive loss	-	(4,400)	(7,603)	(12,003)
Total comprehensive loss	-	(4,400)	(624,422)	(628,822)
As at 31 March 2022	12,119,235	(24,700)	2,271,716	14,366,251
Loss for the year	-	-	(7,112,103)	(7,112,103)
Other comprehensive income	-	4,300	30,054	34,354
Total comprehensive income/ (loss)	-	4,300	(7,082,049)	(7,077,749)
As at 31 March 2023	12,119,235	(20,400)	(4,810,333)	7,288,502

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 70 to 187 form an integral part of these financial statements.

Attributable to equity holders of parent					Total	Non-controlling interests	Total equity
Fair value reserve of financial assets at FVOCI	Statutory reserve fund	Other reserves	Cash flow hedge reserve	Accumulated losses			
(816,260)	263,436	(793,132)	(866,581)	(18,215,716)	(414,719)	12,421,171	12,006,452
-	-	-	-	(8,170,817)	(8,170,817)	2,893,031	(5,277,786)
(530,252)	-	-	(3,159,073)	(3,920)	1,029,268	1,158,319	2,187,587
6,950	-	-	-	(6,950)	-	-	-
(523,302)	-	-	(3,159,073)	(8,181,687)	(7,141,549)	4,051,350	(3,090,199)
-	-	(877,766)	-	-	(877,766)	(440,999)	(1,318,765)
-	-	-	-	-	-	(2,000,024)	(2,000,024)
(1,339,562)	263,436	(1,670,898)	(4,025,654)	(26,397,403)	(8,434,034)	14,031,498	5,597,464
-	-	-	-	(24,076,881)	(24,076,881)	419,585	(23,657,296)
(220,355)	-	-	(417,977)	207,450	452,865	498,554	951,419
-	-	-	-	16,277	-	-	-
6,934	-	-	-	(6,934)	-	-	-
(213,421)	-	-	(417,977)	(23,860,088)	(23,624,016)	918,139	(22,705,877)
-	-	-	-	(1,289,904)	-	-	-
-	-	-	-	(1,214)	(1,214)	(432)	(1,646)
-	-	(18,888)	-	-	(18,888)	(2,037)	(20,925)
-	-	-	-	-	-	(740,876)	(740,876)
(1,552,983)	263,436	(1,689,786)	(4,443,631)	(51,548,609)	(32,078,152)	14,206,292	(17,871,860)

STATEMENT OF CASH FLOW

In Rs. '000 For the year ended 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Cash flows from/ (used in) operating activities					
Loss before tax from continuing operations		**(20,907,678)**	(3,561,287)	**(7,037,276)**	(570,828)
Adjustments for:					
Finance income	16	**(8,024,438)**	(4,707,864)	**(3,750,675)**	(1,723,751)
Dividend income	14	**-**	-	**(17,767)**	(1,712,285)
Finance cost	17	**28,951,205**	13,728,388	**9,802,087**	3,309,939
Change in fair value of investment properties	23	**(77,486)**	(157,920)	**(117,445)**	(117,005)
Share of (profit)/ loss of equity accounted investees	26.2	**(38,960)**	12,574	**-**	-
Gratuity provision and related cost	41	**439,528**	302,647	**32,180**	22,180
Provisions for/ write-off of impaired receivables		**92,420**	2,902,544	**997,600**	820,311
Provisions for/ write-off of inventories	30.1	**58,612**	128,888	**-**	-
Provisions for/ write-off of loans and advances	9.1.8.2	**1,351,242**	1,049,489	**-**	-
Provisions for/ write-off of investments in lease and hire purchase	9.1.14.2	**289,151**	148,957	**-**	-
Depreciation of property, plant and equipment	21	**3,783,680**	3,508,460	**26,171**	27,429
Profit on sale of property, plant and equipment and right of use assets	15	**(41,187)**	(16,893)	**-**	(6,157)
Profit on sale of investments	15	**-**	(107)	**-**	-
Impairment of investments		**2,940,895**	709,291	**-**	-
Change in fair value of put option liability		**-**	(154,609)	**-**	-
Amortisation/ impairment of intangible assets	24	**308,693**	319,553	**4,694**	2,269
Amortisation of right of use assets	22.1	**1,820,188**	1,828,595	**50,718**	34,684
Impairment and derecognition of property, plant & equipment and right of use assets		**23,520**	25,996	**-**	-
Operating profit/ (loss) before working capital changes		**10,969,385**	16,066,702	**(9,713)**	86,786
(Increase)/ decrease in inventories		**3,224,867**	(1,157,055)	**(281)**	-
(Increase)/ decrease in trade and other receivables		**1,139,696**	(379,427)	**1,593,922**	(1,076,161)
(Increase)/ decrease in loans and advances		**(916,511)**	637,487	**-**	-
(Increase)/ decrease in investments in lease and hire purchase		**3,152,896**	(6,149,137)	**-**	-
(Increase)/ decrease in other current assets		**357,834**	(266,519)	**10,950**	(22,433)
(Increase)/ decrease in amounts due from related parties		**1,792,525**	(1,900,184)	**(2,206,302)**	404,377
Increase/ (decrease) in trade and other payables		**(8,076,980)**	610,704	**1,812,113**	112,488
Increase/ (decrease) in amounts due to related parties		**-**	(3,073)	**6,058**	(31)
Increase/ (decrease) in other current liabilities		**(60,413)**	1,383,649	**132,257**	(5,545)
Increase/ (decrease) in deferred income		**16,402**	19,524	**-**	(3,604)
Increase/ (decrease) in public deposits		**(3,151,391)**	1,001,189	**-**	-
Increase in insurance contract liabilities		**1,902,970**	4,713,850	**-**	-
Cash generated from/ (used in) operations		**10,351,280**	14,577,710	**1,339,004**	(504,123)
Finance income received		**8,203,408**	1,088,262	**3,737,076**	1,524,976
Finance expenses paid		**(24,117,607)**	(5,624,495)	**(8,801,524)**	(3,284,141)
Dividends received		**20,000**	-	**17,767**	1,712,285
Tax paid		**(1,308,887)**	(708,063)	**(10,001)**	(21,787)
Gratuity paid	41	**(206,360)**	(187,294)	**(2,033)**	(5,002)
Net cash flow from/ (used in) operating activities		**(7,058,166)**	9,146,120	**(3,719,711)**	(577,792)

In Rs. '000 For the year ended 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Cash flows from/ (used in) investing activities					
Purchase and construction of property, plant and equipment	21	**(3,986,836)**	(3,534,081)	**(25,693)**	(20,787)
Addition to intangible assets	24	**(27,800)**	(29,790)	**(4,226)**	(3,127)
Increase in other non-current assets		**(2,287,922)**	(2,176,269)	**-**	-
(Purchase)/ disposal of short term investments (net)		**3,879,944**	(278,880)	**4,300**	-
Dividends received		**153,783**	9,035	**-**	-
(Purchase)/ disposal of non-current financial assets		**(12,296,084)**	(5,790,239)	**-**	(133,789)
Proceeds from sale of property, plant and equipment		**141,409**	92,183	**-**	11,682
Net cash flow used in investing activities		**(14,423,506)**	(11,708,041)	**(25,619)**	(146,021)
Cash flows from/ (used in) financing activities					
Proceeds from shareholders with non-controlling interest on issue of shares in subsidiaries		**2,374**	8,467	**-**	-
Direct cost on issue of shares		**(1,646)**	-	**-**	-
Dividend paid to non-controlling interest		**(1,406,972)**	(1,355,050)	**-**	-
Increase in interest in subsidiaries		**(33,085)**	(1,327,839)	**(32,771)**	(1,389,162)
Proceeds from long term borrowings		**11,092,410**	8,899,757	**4,405,627**	4,489,852
Repayment of long term borrowings		**(9,236,363)**	(10,037,516)	**(4,721,736)**	(4,809,888)
Repayment of lease liabilities		**(2,610,230)**	(2,771,691)	**(65,761)**	(49,149)
Decrease in other non-current financial liabilities		**39,077**	61,332	**-**	-
Proceeds from/ (repayment of) other current financial liabilities (net)		**15,649,820**	11,174,294	**3,474,063**	3,119,906
Net cash flow from financing activities		**13,495,385**	4,651,754	**3,059,422**	1,361,559
Net increase/ (decrease) in cash and cash equivalents		**(7,986,287)**	2,089,833	**(685,908)**	637,746
Cash and cash equivalents at the beginning		**12,620,733**	10,535,990	**2,014,318**	1,376,572
Effect of exchange rate changes		**2,182**	(5,090)	**-**	-
Cash and cash equivalents at the end		**4,636,628**	12,620,733	**1,328,410**	2,014,318
Analysis of cash and cash equivalents					
Favourable balances					
Cash in hand and at Bank	35	**5,260,169**	9,123,612	**1,564,616**	1,485,572
Short term investments	34	**8,759,152**	10,186,694	**-**	679,075
Unfavourable balances					
Bank overdrafts	35	**(9,382,693)**	(6,689,573)	**(236,206)**	(150,329)
Cash and cash equivalents		**4,636,628**	12,620,733	**1,328,410**	2,014,318

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 70 to 187 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

Reporting entity

Softlogic Holdings PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the company is located at No. 14, De Fonseka Place, Colombo 5.

Softlogic Holdings PLC became the holding company of the Group during the financial year 2002/2003.

Consolidated financial statements

The Financial Statements for the year ended 31 March 2023, comprise "the Company" referring to Softlogic Holdings PLC as the holding company and "the Group" referring to the companies that have been consolidated therein.

Approval of financial statements

The financial statements for the year ended 31 March 2023 were authorised for issue by the Board of Directors on 16 April 2024.

Responsibility for financial statements

The responsibility of the Board of Directors in relation to the Financial Statements is set out in the "Statement of Directors' Responsibilities" of the Annual Report.

Statement of compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 7 of 2007.

Principal activities and nature of operations

Holding Company

Softlogic Holdings PLC, the Group's holding company, provides management services, warehouse management facilities, facilitating funding requirements and other value added services to the group companies.

Subsidiaries and associates

The business activities of other companies within the Group are information & communication technology, automobile sales and after sales, consumer electronic retailing, garment manufacturing & fashion retailing, hoteliering, quick service restaurant operations, development of apartments, provision of financial services, life insurance services, stock brokering services, management of Unit Trust, healthcare services, management consultancy and financial advisory services.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

2 BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, fair value through profit or loss financial assets, derivative financial instruments and fair value through other comprehensive income financial assets, which have been measured at fair value.

Each material class of similar items is presented cumulatively in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 'Presentation of financial statements.'

Presentation and functional currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.), the Group's functional and presentation currency, which is the currency of the primary economic environment in which the holding company operates. Each entity in the Group uses this currency of the primary economic environment in which they operate as their functional currency except for entities incorporated outside Sri Lanka and Asiri Port City Hospital (Private) Limited which was established under the Colombo Port City Economic Commission.

All values are rounded to the nearest Sri Lankan Rupees thousand (Rs. '000) except when otherwise indicated.

The following subsidiaries have used a functional currency other than the Sri Lankan Rupee (Rs.).

Name of the subsidiary	Country of incorporation	Functional currency
Softlogic Australia (Pty) Ltd	Australia	Australian Dollar (AUD)
Asiri Diagnostic Services (Asia) Pte Ltd	Singapore	Singapore Dollar (SGD)
Asiri Myanmar Ltd	Myanmar	Myanmar Kyat (MMK)
Asiri Port City Hospital (Pvt) Ltd	Sri Lanka	United States Dollar (USD)

Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with the statements of the current year.

Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of financial statements.'

Offsetting

Assets and liabilities or income and expenses are not set off unless required or permitted by the Sri Lanka Accounting Standards.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies has been disclosed along with relevant individual notes in the subsequent pages.

The accounting policies presented with each note, have been applied consistently by the Group.

Other significant accounting policies not covered with individual notes

The following accounting policies, which have been applied consistently by the Group, are considered significant and are not covered in any other sections.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on a current/ non-current classification.

An asset is current when it is:

» expected to be realised or intended to be sold or consumed in the normal operating cycle,

» held primarily for the purpose of trading,

» expected to be realised within twelve months from the reporting date,

» a cash or cash equivalent unless restricted from exchange or use to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when it is:

» expected to be settled in the normal operating cycle,

» incurred primarily for the purpose of trading,

» due to be settled within twelve months after the reporting date,

» not affected by any unconditional right to defer settlement for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4 FOREIGN CURRENCY TRANSLATION, FOREIGN CURRENCY TRANSACTIONS AND BALANCES

The consolidated financial statements are presented in Sri Lanka Rupees (Rs.), which is the holding company's functional and presentation currency. This functional currency is the currency of the primary economic environment in which virtually all the entities of the Group operate except for entities incorporated outside Sri Lanka and Asiri Port City Hospital (Pvt) Ltd which was established under the Colombo Port City Economic Commission. All foreign exchange transactions are converted to the functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The gain or loss arising on non-monetary items is subsequently valued at fair value in keeping with the recognition of gains or losses on other fair value items.

Foreign operations

The statement of financial position and income statement of overseas subsidiaries and associates which are deemed to be foreign operations are translated to Sri Lanka Rupees (Rs.) at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to the statement of other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in the statement of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

The exchange rates applicable during the period were as follows:

	Statement of financial position 31-03-2023	Income statement 31-03-2023
Australian Dollar	226.98	217.80
Singapore Dollar	253.70	243.95
Myanmar Kyat	0.16	0.18
United States Dollar	331.75	327.53

NOTES TO THE FINANCIAL STATEMENTS

5 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements of the Group, the management has made judgements, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income, expenses and its disclosure of contingent liabilities. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these judgements and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

The management considered the following items, where significant judgements, estimates and assumptions have been used in preparing these financials statements.

Going concern

The Group has incurred a loss of Rs. 23,657 Mn (FY 2021/22 - Rs. 5,277 Mn) for the year ended 31 March 2023 and recorded an accumulated loss of Rs. 51,548 Mn (FY 2021/22 - Rs. 26,397 Mn) as at 31 March 2023. Further, as at 31 March 2023, the Group has reported a negative net assets position of Rs. 17,871 Mn (FY 2021/22, net asset position of the Group was positive and amounted to Rs. 5,597 Mn) and its current liabilities exceed its current assets by Rs. 70,597 Mn (FY 2021/22 - Rs. 45,857 Mn).

These events and conditions indicate that a material uncertainty exists that may cast significant challenges on the Group's ability to continue as a going concern. A detailed assessment has been carried out by the directors based on which several measures have also been approved by the board as summarised below, for the directors to make an assessment of the Group's ability to continue as a going concern.

Group Performance

The losses incurred in the year under review were mainly due to the impact of increase in borrowing rates. The continuous depreciation of the Sri Lankan Rupee in the financial year 2022/23 resulted in a net exchange loss of Rs. 3,186 Mn (FY 2021/22 – Rs. 4,269 Mn) and the impact on the impairment of International Sovereign Bonds amounted to Rs. 2,940 Mn (FY 2021/22 - Rs. 709 Mn). Further, the impact of liquidity shortage, restrictions on importation, inflation and socio-economic instability in the country and global challenges adversely impacted the performance of the Group.

However, the Directors have made an assessment of the Group's ability to continue as a going concern and as a part of its assessment, each business segment evaluated the resilience of its businesses considering a wide range of factors under multiple scenarios, relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment capabilities and ability to rollover short-term working capital financing arrangements. Cash reserves and potential sources of financing facilities were also considered where required, and the ability to continue providing goods and services to ensure businesses continue at acceptable levels.

Subsequent to the reporting period, Sri Lanka's rebounding economy has improved the business environment within which the Group operates its business. Further, factors such as lifting of all import restrictions except for those pertaining to the automobile sector, reduction in interest rates, exchange rate stability coupled with liquidity in forex market and a strong recovery in tourism will help the Group to turnaround from negative to positive performance.

Group Current Liabilities

The short-term borrowings and current portion of long/medium term loans as at 31 March 2023 and 31 March 2024 amount to Rs. 71,458 Mn and Rs. 63,144 Mn (approximate unaudited) respectively (as at 31 March 2022 - Rs. 53,286 Mn). The Group has also reported bank overdrafts of Rs. 9,382 Mn (as at 31 March 2022 - Rs. 6,689 Mn) and trade and other payables of Rs. 20,411 Mn (as at 31 March 2022 - Rs. 29,157 Mn) as at 31 March 2023.

The Directors have made an assessment of the Group's ability to service its current liabilities including renegotiating the debt repayment plans with the lending institutions and restructuring the debts, evaluating alternative sources of financing and infusion of funds into the group's business through equity financing and disposal of identified strategic investments and properties as detailed in item (i) to (v) below.

The Group is actively seeking to execute the following measures to mitigate the prevailing net current liability and negative net assets position.

i) Re-negotiating the debt repayment plans with the lending institutions and restructuring the debts.

   The negotiations of the Group with lending institutions to obtain capital and interest moratoriums and interest rebates/waive-offs enabling the Group to minimise the cash outflows on its financing activities has resulted in the following outcomes since the balance sheet date,

   » New offer letters were signed/received for loans amounting to Rs. 27,505 Mn. As disclosed in Note 51.7, the Group has obtained 6, 12 and 18-month, grace periods in capital enabling the Group to minimise the cash outflows on its financing activities.

   » Interest rebates have been received for Rs. 1,287 Mn

   Further during the financial year 2022/23, the Group has negotiated and restructured facilities amounting to Rs. 11,664 Mn to minimise the cash outflows on its financing activities.

   Negotiations are also in progress with other lending institutions.

ii) Disposal of some of the identified strategic investments, properties and phase out from certain sectors of the Group.

The Board is currently in the process of evaluating the best possible opportunities available to generate a minimum of Rs. 10,000 Mn through a restructuring of strategic investments. Further, the Board is anticipating to conclude this process in the financial year 2024/2025 with relevant statutory/regulatory approvals where applicable.

In addition, the Board is actively engaged in discussions with potential buyers/investors either to dispose the ownership of leisure sector companies fully or to bring an equity investor to take partial ownership of leisure sector.

Also, as part of the debt reduction process, the Company and the Board of subsidiary companies have resolved to sell identified properties belonging to the retail sector of the Group to raise a minimum of Rs. 3,500 Mn.

iii) Equity infusion - Softlogic Holdings PLC

The Board expects to raise up to Rs. 10,000 Mn by way of equity by 31 March 2025 as resolved by the Board of Directors of the Company and the announcement of which has been made to the Colombo Stock Exchange on 7 March 2024, as described below.

a) To raise upto Rs. 2,981 Mn by way of a Rights Issue which will be completed within first quarter of FY 2024/25.

b) To raise upto Rs. 1,878 Mn by issuing warrants attached to the rights shares subscribed exercisable in December 2024.

c) To raise remaining equity of up to Rs. 5,140 Mn in a manner to be decided by the Board of Directors of the Company upon completion of aforesaid item No. a) and b) subject to obtaining the regulatory approvals as applicable.

The funds raised through the rights issue and issue of warrants attached to rights shares subscribed will be utilised to settle the debt of the Company and for the working capital requirements of the Company/Group.

Mr. Asoka Kariyawasam Pathirage and Samena Ceylon Holdings Limited being major shareholders of the Company have indicated that they will subscribe to their entire entitlement of rights together with the exercise of Warrants. In the event raising of remaining equity of upto Rs. 5,140 Mn is a rights issues, the aforesaid two major shareholders, have further indicated that they will also subscribe for their full entitlement.

iv) In addition, the Group is currently evaluating alternative sources of financing including fresh equity infusion to its core business segments.

The Group is in the process of looking for potential equity partners to enhance the operational performances of the Retail Sector and Healthcare Sector (i.e. to identified projects).

Considering the recent improvements in the country's economic conditions, the Group has reinitiated discussions with the key investors previously lined up to secure equity funding for the retail business segment. Discussions are also underway with parties to secure funding for Odel Mall project. The investors are awaiting for the completion of country's debt restructuring in order to make their investment decisions/ commitments.

v) Implementing aggressive marketing strategies to attract and enhance both international and domestic customer footfall.

The Group is also implementing attractive discount schemes, customer loyalty programs and other promotional activities in Retail and Healthcare sector companies. These initiatives are targeted at improving sales growth and enhancing margins. Also, the Group is implementing cost controls and rationalisations, and improving working capital management across all business segments within the Group. These initiatives have been incorporated into the 3-year budget approved by the Group's Board of Directors. The Group closely monitors actual financial performance across all business segments against the board-approved budget and is satisfied with the latest financial performance reported by the Group.

Having evaluated the outlook for each business segment of the Group and after due consideration of the range and likelihood of outcomes, coupled with the implementation of the initiatives/plans stated under in item (i) to (v) above, the Directors are satisfied that the Company, its subsidiaries and associates have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Significant accounting judgements, assumptions and estimation

Significant areas of critical judgements, assumptions and estimation uncertainties, in applying accounting policies that have significant effects on the amounts recognised in the financial statements of the Group are detailed in the following notes.

» Valuation of property, plant and equipment

» Recognition of right of use assets

» Valuation of investment property

» Valuation of intangible assets

» Deferred taxation and taxes

» Employee benefit liability

» Valuation of insurance contract liabilities

» Provisions and contingent liabilities

» Valuation of financial liabilities at fair value through profit or loss

» Valuation of derivative financial instruments

» Provision for expected credit loss of trade receivables and contract assets

» Provision for expected credit loss of loans & advances and lease & higher purchase receivables

» Segregation of work-in-progress - Odel Mall Project

6 CHANGES IN ACCOUNTING STANDARDS

There are no significant changes to the accounting standards for the financial year under review.

7 BASIS OF CONSOLIDATION AND MATERIAL PARTLY OWNED SUBSIDIARIES

ACCOUNTING POLICY

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023. The financial statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated. Control over an investee is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.

Control over an investee

Specifically, the Group controls an investee if, and only if, the Group has:

» power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

» exposure, or rights, to variable returns from its involvement with the investee

» the ability to use its power over the investee to affect its returns

Subsidiaries that are consolidated have been listed in note 25.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies unless otherwise stated.

Transactions eliminated on consolidation

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Loss of control

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value.

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position.

Non-controlling interest (NCI)

Non-controlling interests, which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position separately from equity attributable to the shareholders of the parent.

7.1 Names and financial information of material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests (NCI) are provided below:

In Rs. '000	Healthcare Service					
	Asiri Hospital Holdings PLC		Asiri Surgical Hospital PLC		Central Hospital Ltd	
	2023	2022	2023	2022	2023	2022
Summarised income statement for the year ended 31 March						
Revenue	**10,477,629**	8,759,388	**5,082,833**	5,446,729	**6,626,055**	5,957,149
Other income	**124,923**	121,142	**89,435**	143,309	**62,159**	55,706
Operating expenses	**(7,647,699)**	(6,342,230)	**(4,315,213)**	(4,175,631)	**(5,261,192)**	(4,698,919)
Dividend income	**-**	2,345,494	**-**	-	**-**	-
Finance income	**184,648**	62,034	**1,219,653**	249,870	**1,443,399**	274,421
Finance expenses	**(3,905,820)**	(1,189,910)	**(989,568)**	(234,501)	**(1,164,744)**	(298,127)
Profit/ (loss) before tax	**(766,319)**	3,755,918	**1,087,140**	1,429,776	**1,705,677**	1,290,230
Tax expense	**(215,417)**	(499,464)	**(629,041)**	(223,394)	**(349,117)**	(139,963)
Profit/ (loss) for the year	**(981,736)**	3,256,454	**458,099**	1,206,382	**1,356,560**	1,150,267
Other comprehensive income	**56,163**	1,773,677	**278,765**	436,487	**923,158**	1,156,198
Total comprehensive income /(loss)	**(925,573)**	5,030,131	**736,864**	1,642,869	**2,279,718**	2,306,465
Profit /(loss) attributable to material NCI	**(429,079)**	411,959	**261,449**	656,137	**613,857**	521,875
Dividend paid to NCI	**-**	1,267,063	**-**	618,484	**-**	482,238
Summarised statement of financial position as at 31 March						
Current assets	**2,281,943**	2,770,237	**5,568,272**	3,638,272	**2,594,337**	3,091,084
Non-current assets	**28,396,513**	27,534,212	**7,435,657**	6,544,297	**13,909,250**	9,970,652
Total assets	**30,678,456**	30,304,449	**13,003,929**	10,182,569	**16,503,587**	13,061,736
Current liabilities	**13,350,139**	9,339,132	**4,571,349**	3,087,504	**5,442,948**	3,598,083
Non-current liabilities	**7,656,526**	10,367,951	**2,607,212**	2,006,561	**1,761,403**	2,444,134
Total liabilities	**21,006,665**	19,707,083	**7,178,561**	5,094,065	**7,204,351**	6,042,217
Effective holding % owned by NCI	**44.35**	44.44	**55.50**	55.57	**44.50**	44.59
Accumulated balance of material NCI	**4,289,619**	4,709,040	**3,233,293**	2,827,728	**4,138,534**	3,129,855
Summarised cash flow information for the year ended 31 March						
Cash flows from operating activities	**618,595**	1,593,691	**384,070**	967,065	**1,508,576**	1,390,897
Cash flows from/ (used in) investing activities	**821,709**	357,360	**(783,653)**	(1,127,404)	**(825,423)**	(951,628)
Cash flows from/ (used in) financing activities	**(1,694,967)**	(1,891,239)	**40,845**	92,291	**(236,559)**	(967,520)
Net increase/ (decrease) in cash and cash equivalents	**(254,663)**	59,812	**(358,738)**	(68,048)	**446,594**	(528,251)

NOTES TO THE FINANCIAL STATEMENTS

In Rs. '000	Financial Services			
	Softlogic Finance PLC		Softlogic Life Insurance PLC	
	2023	2022	2023	2022
Summarised income statement for the year ended 31 March				
Revenue	**3,925,424**	2,945,416	**20,458,558**	19,165,724
Other income	**273,504**	257,448	**10,046**	22,563
Operating expenses	**(7,140,422)**	(4,087,550)	**(22,294,632)**	(15,372,956)
Change in insurance contract liabilities	**-**	-	**(1,948,266)**	(4,713,849)
Finance income	**240**	1,414	**7,134,522**	4,051,112
Finance expenses	**(53,949)**	(52,473)	**(555,620)**	(284,803)
Profit/ (loss) before tax	**(2,995,203)**	(935,745)	**2,804,608**	2,867,791
Tax expense	**-**	-	**(1,448,545)**	(677,360)
Profit/ (loss) for the year	**(2,995,203)**	(935,745)	**1,356,063**	2,190,431
Other comprehensive income/ (loss)	**17,979**	31,609	**(654,268)**	(830,504)
Total comprehensive income/ (loss)	**(2,977,224)**	(904,136)	**701,795**	1,359,927
Profit/ (loss) attributable to material NCI	**(810,641)**	(257,327)	**723,830**	1,381,677
Dividend paid to NCI	**-**	-	**786,752**	629,402
Summarised statement of financial position as at 31 March				
Current assets	**12,560,040**	11,589,775	**12,427,779**	16,320,409
Non-current assets	**9,622,776**	13,789,027	**33,614,212**	25,723,309
Total assets	**22,182,816**	25,378,802	**46,041,991**	42,043,718
Current liabilities	**9,471,815**	17,259,597	**6,360,375**	4,855,994
Non-current liabilities	**10,474,954**	3,755,784	**30,737,057**	27,632,459
Total liabilities	**19,946,769**	21,015,381	**37,097,432**	32,488,453
Effective holding % owned by NCI	**26.25**	26.89	**59.94**	59.85
Accumulated balance of material NCI	**586,917**	1,173,125	**5,361,639**	5,718,945
Summarised cash flow information for the year ended 31 March				
Cash flows from/ (used in) operating activities	**(2,903,942)**	(4,424,756)	**1,355,092**	644,538
Cash flows from/ (used in) investing activities	**78,966**	(130,721)	**465,442**	(503,230)
Cash flows from/ (used in) financing activities	**2,897,286**	4,359,472	**(1,347,626)**	(133,257)
Net increase/ (decrease) in cash and cash equivalents	**72,310**	(196,005)	**472,908**	8,051

The above information is based on amounts before intercompany eliminations.

8. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST

ACCOUNTING POLICY

Business combination and goodwill

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement.

The Group elects on a transaction by transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the income statement in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if the events or changes in the circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro rata to the carrying amount of each asset in the unit.

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Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities consist of public deposits, borrowings, lease liabilities, trade & other payables, bank overdrafts and financial guarantee contracts. The main purpose of these financial liabilities is to finance Group's operations. The Group financial assets comprise of loans and advances, rental receivable on lease assets & hire purchase, trade & other receivables, cash and short-term deposits that flow directly from its operations. The Group also holds other financial instruments such as investments in equity instruments.

The Group is exposed to market risk including credit risk, currency risk, interest rate risk & price risk and liquidity risk. Risk management is carried out under policies approved by the Board of Directors of the Group. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial and non-financial performance.

Risk management framework

The Board of Directors of Softlogic Holdings PLC and its Group companies have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify, assess and take action of the risks faced by the Group falling within their risk appetite. Risk management policies and systems are reviewed regularly along with the risk register to reflect changes in market conditions and the Group's activities.

The Group through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees clearly understand their roles and obligations.

The Group's Integrated Risk Management Committee (IRMC) is being designated to oversee how management monitors compliance with the Group's risk management policies and procedures, and to review the adequacy of the risk management framework in relation to the risks faced by the Group. The committee will be assisted in its oversight by Group's Risk Management Department and cluster risk units. Internal Audit undertakes regular reviews of risk management practices. The results of this are reported to the Audit Committee, which supports the Risk Management process through their findings and other deliberations.

9.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and customer lending) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis.

The hire purchase and lease portfolio is broad based, accounting for 103,499 contracts (2022 - 142,730 contracts), and the risk of non-payment is mitigated by credit approval processes. There is no concentration risk on any single region, customer or sector in particular; collection of dues from customers are robust with the delinquency rate being better than the financial industry average.

With respect to credit risk arising from other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments and short term investments, the Group's exposure to credit risks arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk.

9.1.1 Credit Risk - Default risk

Default risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. It arises from lending, trade finance, treasury and other activities undertaken by the Group. The Group has in place standards, policies and procedures for the control and monitoring of all such risks.

9.1.2 Credit Risk - Concentration risk

The Group seeks to manage its credit concentration risk exposure through diversification of its lending, investing and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific businesses. It also obtains security when appropriate. The types of collateral obtained include cash margins, mortgages over properties and pledges over equity instruments.

The prospect of an impairment is analysed at each reporting date on an individual basis for major clients. Less significant receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual historical data.

NOTES TO THE FINANCIAL STATEMENTS

9.1.3 Risk exposure

The tables below show the maximum exposure to credit risk for the various components, shown gross before the effect of mitigation through the use of collateral arrangements

Risk Exposure - Group

In Rs. '000 As at 31 March 2023	Note	Non-current investments	Loans and advances	Rental receivable on leased assets & hire purchases
Government securities	9.1.4	22,748,874	-	-
Corporate debt securities	9.1.5	7,407,086	-	-
Deposits with banks and Unit Trusts	9.1.6	249,998	-	-
Loans to executives	9.1.7	3,700	-	-
Loans and advances	9.1.8	-	8,836,676	-
Policyholders loans	9.1.9	-	274,514	-
Trade receivables	9.1.10	-	-	-
Other receivables	9.1.11	-	-	-
Reinsurance receivables	9.1.12	-	-	-
Amounts due from related parties	9.1.13	-	-	-
Rental receivable on leased assets & hire purchase	9.1.14	-	-	7,820,838
Cash in hand and at bank	9.1.15	-	-	-
Total credit risk exposure		30,409,658	9,111,190	7,820,838
Financial assets at fair value through profit or loss	9.2.3.1	-	-	-
Financial assets at fair value through OCI	9.2.3.1	1,656,806	-	-
Total equity risk exposure		1,656,806	-	-
Total		32,066,464	9,111,190	7,820,838

Risk Exposure - Group

In Rs. '000 As at 31 March 2022	Note	Non-current investments	Loans and advances	Rental receivable on leased assets & hire purchases
Government securities	9.1.4	13,506,216	-	-
Corporate debt securities	9.1.5	8,526,794	-	-
Deposits with banks and Unit Trusts	9.1.6	31	-	-
Loans to executives	9.1.7	1,200	-	-
Loans and advances	9.1.8	-	9,321,732	-
Policyholders loans	9.1.9	-	224,191	-
Trade receivables	9.1.10	-	-	-
Other receivables	9.1.11	-	-	-
Reinsurance receivables	9.1.12	-	-	-
Amounts due from related parties	9.1.13	-	-	-
Rental receivable on leased assets & hire purchase	9.1.14	-	-	11,262,884
Cash in hand and at bank	9.1.15	-	-	-
Total credit risk exposure		22,034,241	9,545,923	11,262,884
				"
Financial assets at fair value through profit or loss	9.2.3.1	-	-	-
Financial assets at fair value through OCI	9.2.3.1	1,834,202	-	-
Total equity risk exposure		1,834,202	-	-
Total		23,868,443	9,545,923	11,262,884

Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
-	-	3,942,414	-	**26,691,288**	**37.56**
-	-	2,319,600	-	**9,726,686**	**13.68**
-	-	3,833,067	-	**4,083,065**	**5.74**
-	119,817	-	-	**123,517**	**0.17**
-	-	-	-	**8,836,676**	**12.43**
-	-	-	-	**274,514**	**0.39**
-	6,051,128	-	-	**6,051,128**	**8.51**
-	1,390,119	-	-	**1,390,119**	**1.96**
-	712,689	-	-	**712,689**	**1.00**
-	-	-	109,933	**109,933**	**0.16**
-	-	-	-	**7,820,838**	**11.00**
5,260,169	-	-	-	**5,260,169**	**7.40**
5,260,169	8,273,753	10,095,081	109,933	**71,080,622**	**100.00**
-	-	15,276	-	**15,276**	**0.86**
-	-	104,600	-	**1,761,406**	**99.14**
-	-	119,876	-	**1,776,682**	**100.00**
5,260,169	8,273,753	10,214,957	109,933	**72,857,304**	

Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
-	-	7,911,008	-	**21,417,224**	**27.38**
-	-	1,481,242	-	**10,008,036**	**12.79**
-	-	5,475,670	-	**5,475,701**	**7.00**
-	23,411	-	-	**24,611**	**0.03**
-	-	-	-	**9,321,732**	**11.91**
-	-	-	-	**224,191**	**0.29**
-	7,513,078	-	-	**7,513,078**	**9.60**
-	1,556,861	-	-	**1,556,861**	**1.99**
-	412,528	-	-	**412,528**	**0.53**
-	-	-	1,902,457	**1,902,457**	**2.43**
-	-	-	-	**11,262,884**	**14.39**
9,123,612	-	-	-	**9,123,612**	**11.66**
9,123,612	9,505,878	14,867,920	1,902,457	**78,242,915**	**100.00**
-	-	96,282	-	**96,282**	**4.74**
-	-	100,300	-	**1,934,502**	**95.26**
-	-	196,582	-	**2,030,784**	**100.00**
9,123,612	9,505,878	15,064,502	1,902,457	**80,273,699**	

NOTES TO THE FINANCIAL STATEMENTS

Risk Exposure - Company

In Rs. '000 As at 31 March 2023	Note	Non-current investments	Cash in hand and at banks	Trade and other receivable	Short term investments	Amounts due from related parties	Total	% of allocation
Corporate debt securities	9.1.5	-	-	-	-	-	**-**	**-**
Loans to executives	9.1.7	-	-	9,060	-	-	**9,060**	**0.04**
Trade receivables	9.1.10	-	-	679,662	-	-	**679,662**	**3.33**
Other receivables	9.1.11	-	-	24,369	-	-	**24,369**	**0.12**
Amounts due from related parties	9.1.13	1,562,784	-	-	-	16,539,914	**18,102,698**	**88.83**
Cash in hand and at bank	9.1.15	-	1,564,616	-	-	-	**1,564,616**	**7.68**
Total credit risk exposure		1,562,784	1,564,616	713,091	-	16,539,914	**20,380,405**	**100.00**
Financial assets at fair value through profit or loss	9.2.3.1	-	-	-	14,768	-	**14,768**	**12.37**
Financial assets at fair value through OCI	9.2.3.1	-	-	-	104,600	-	**104,600**	**87.63**
Total equity risk exposure		-	-	-	119,368	-	**119,368**	**100.00**
Total		1,562,784	1,564,616	713,091	119,368	16,539,914	**20,499,773**	

Risk Exposure - Company

In Rs. '000 As at 31 March 2022	Note	Non-current investments	Cash in hand and at banks	Trade and other receivable	Short term investments	Amounts due from related parties	Total	% of allocation
Corporate debt securities	9.1.5	-	-	-	679,075	-	**679,075**	**3.18**
Loans to executives	9.1.7	-	-	4,509	-	-	**4,509**	**0.02**
Trade receivables	9.1.10	-	-	1,538,184	-	-	**1,538,184**	**7.20**
Other receivables	9.1.11			764,317			**764,317**	**3.58**
Amounts due from related parties	9.1.13	1,658,170	-	-	-	15,235,917	**16,894,087**	**79.07**
Cash in hand and at bank	9.1.15	-	1,485,572	-	-	-	**1,485,572**	**6.95**
Total credit risk exposure		1,658,170	1,485,572	2,307,010	679,075	15,235,917	**21,365,744**	**100.00**
Financial assets at fair value through profit or loss	9.2.3.1	-	-	-	5,471	-	**5,471**	**5.17**
Financial assets at fair value through OCI	9.2.3.1	-	-	-	100,300	-	**100,300**	**94.83**
Total equity risk exposure		-	-	-	105,771	-	**105,771**	**100.00**
Total		1,658,170	1,485,572	2,307,010	784,846	15,235,917	**21,471,515**	

9.1.4 Government securities

As at 31 March 2023 as shown in the table above, 37.56% (2022 - 27.37%) of Group debt securities comprise investments in government securities which consist of treasury bonds, bills and reverse repo investments. Government securities are usually considered to as risk free due to the sovereign nature of the instrument.

9.1.5 Corporate debt securities

As at 31 March 2023, corporate debt securities comprise 92.17% (2022 - 99.64%) of the total investments for the Group were rated "BBB" or better.

As at 31 March	GROUP				COMPANY			
	2023		2022		2023		2022	
	Rs. '000	Rating % of total	Rs. '000	Rating % of total	Rs. '000	Rating % of total	Rs. '000	Rating % of total
FITCH/ ICRA/ LANKA rating								
AA-	**825,989**	**8.49**	3,584,125	35.81	**-**	**-**	-	-
A+	**1,179,612**	**12.13**	1,625,054	16.24	**-**	**-**	-	-
A	**2,246,330**	**23.09**	4,549,706	45.46	**-**	**-**	-	-
A-	**488,366**	**5.02**	213,545	2.13	**-**	**-**	-	-
BBB+	**1,965,068**	**20.20**	-	-	**-**	**-**	-	-
BBB	**2,259,475**	**23.24**	-	-	**-**	**-**	-	-
BBB-	**103,003**	**1.06**	-	-	**-**	**-**	-	-
BB	**-**	**-**	-	-	**-**	**-**	679,075	100.00
Not rated	**658,843**	**6.77**	35,606	0.36	**-**	**-**	-	-
Total	**9,726,686**	**100.00**	10,008,036	100.00	**-**	**-**	679,075	100.00

9.1.6 Deposits with banks and Unit Trusts

Deposits with banks consist mainly of fixed and call deposits.

As at 31 March 2023, 99.85% (2022 - 99.90%) of the fixed and call deposits were rated "A-" or better for the Group.

As at 31 March	GROUP			
	2023		2022	
	Rs. '000	Rating % of total	Rs. '000	Rating % of total
FITCH/ ICRA rating				
AA-	**226,900**	**5.56**	929,315	16.97
A+	**-**	**-**	371,703	6.79
A	**677,065**	**16.58**	884,638	16.16
A-	**108,073**	**2.65**	-	-
BBB-	**5,965**	**0.14**	5,411	0.10
Unit trust	**3,064,849**	**75.06**	3,284,422	59.98
Not rated	**213**	**0.01**	212	-
Total	**4,083,065**	**100.00**	5,475,701	100.00

NOTES TO THE FINANCIAL STATEMENTS

9.1.7 Loans to executives

The loans to executives portfolio consists largely of short term distress loans granted to executive staff. The respective business units have taken necessary powers of attorney/promissory notes as collateral for the loans granted.

9.1.8 Loans and advances

As a part of the overall risk management strategy, the Boards of Directors of the respective companies in the Financial Services cluster, have delegated responsibility for the oversight of credit risk to its Board Credit & Recoveries Committee and Credit Risk Committee. Company Credit Risk Monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Company's credit risk, including:

» Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.

» Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit & Recoveries Committee or the board of directors as appropriate.

» Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

» Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.

» Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.

» Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

» Regular audits of business units and Company credit processes are undertaken by Internal Audit.

The table below shows the maximum exposure to credit risk for components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

Loans and advances excluding loans to life policyholder

In Rs. '000	Note	Consumer loan receivables	Factoring receivables	Gold loan receivables	Other loan receivables	Personal loan receivables	Revolving loan receivables	SME loan receivables	Group	
As at 31 March									2023	2022
Assets at amortised cost										
Individually impaired										
- gross amount		-	44,249	-	2,477,386	3,470	699,112	121,145	**3,345,362**	3,518,238
- unearned income		-	-	-	(786,333)	-	(1,790)	(2,634)	**(790,757)**	(172,638)
Gross carrying amount		-	44,249	-	1,691,053	3,470	697,322	118,511	**2,554,605**	3,345,600
- Allowance for impairment	9.1.8.2	-	(27,672)	-	(1,351,949)	(1,714)	(249,918)	(47,123)	**(1,678,376)**	(1,273,446)
Net carrying amount		-	16,577	-	339,104	1,756	447,404	71,388	**876,229**	2,072,154
For the rest of portfolio where collective impairment is applicable										
- gross amount		13,315	104,755	4,565,628	3,382,724	854,039	1,451	992,355	**9,914,267**	8,876,825
- unearned income		(130)	-	-	(75,600)	(101,779)	-	(3,083)	**(180,592)**	(223,648)
Gross carrying amount	9.1.8.1	13,185	104,755	4,565,628	3,307,124	752,260	1,451	989,272	**9,733,675**	8,653,177
- Allowance for impairment	9.1.8.2	(6,491)	(9,057)	(16,259)	(1,107,832)	(215,252)	(603)	(417,734)	**(1,773,228)**	(1,403,599)
Net carrying amount		6,694	95,698	4,549,369	2,199,292	537,008	848	571,538	**7,960,447**	7,249,578
Total net carrying amount		6,694	112,275	4,549,369	2,538,396	538,764	448,252	642,926	**8,836,676**	9,321,732

9.1.8.1 Age analysis of facilities considered for collective impairment

In Rs. '000 As at 31 March	Consumer loan receivables	Factoring receivables	Gold loan receivables	Other loan receivables	Personal loan receivables	Revolving loan receivables	SME loan receivables	Total 2023	Total 2022
Category									
Not due/ current	346	35,706	3,113,246	1,048,278	154,775	40	3,645	**4,356,036**	2,704,736
Less than 30 days	40	13,739	499,502	38,623	30,662	-	280	**582,846**	511,947
31 - 60 days	34	16,849	406,448	27,106	5,445	-	876	**456,758**	370,287
61 - 90 days	105	9,981	203,636	27,753	1,947	-	558	**243,980**	399,193
91 - 120 days	43	21,484	321,905	30,960	3,427	-	2,086	**379,905**	473,822
121 - 150 days	34	299	1,767	67,075	2,436	-	12,145	**83,756**	151,948
151 - 180 days	129	-	-	16,830	4,412	-	2,244	**23,615**	198,912
above 180 days	12,454	6,697	19,124	2,050,499	549,156	1,411	967,438	**3,606,779**	3,842,332
Total	13,185	104,755	4,565,628	3,307,124	752,260	1,451	989,272	**9,733,675**	8,653,177

9.1.8.2 Movement in impairment allowance for loans advances

In Rs. '000	Movement in specific impairment allowance		Movement in collective impairment allowance		Movement in impairment allowance	
As at 31 March	2023	2022	2023	2022	2023	2022
At the beginning of the year	**1,273,446**	541,199	**1,403,599**	1,318,490	**2,677,045**	1,859,689
Net impairment charge for the year	**981,613**	964,380	**369,629**	85,109	**1,351,242**	1,049,489
Other movements during the year	**-**	(87,497)	**-**	-	**-**	(87,497)
Write-offs during the year	**(576,683)**	(144,636)	**-**	-	**(576,683)**	(144,636)
At the end of the year	**1,678,376**	1,273,446	**1,773,228**	1,403,599	**3,451,604**	2,677,045

9.1.8.3 Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

As at 31 March In Rs. '000	2023 Maximum exposure to credit risk	2023 Net exposure	2022 Maximum exposure to credit risk	2022 Net exposure
Loans and receivables	**12,294,392**	**4,293,419**	9,323,826	6,432,085

9.1.9 Loans to life policyholders

Softlogic Life Insurance PLC issued loans to life policyholders of the company considering the surrender value of their life policies as collateral. As at the reporting date, the value of policy loans granted amounted to Rs. 274.51 Mn (2022 – Rs. 224.19 Mn) and their related surrender value is more than the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

9.1.10 Trade receivables

Customer credit risk is managed by each business unit according to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and outstanding of major customers are, where feasible, covered by bank guarantees or other forms of credit insurance.

In Rs. '000	GROUP						COMPANY	
As at 31 March	2023			2022			2023	2022
	Non hire purchase debtors	Hire purchase debtors	Total	Non hire purchase debtors	Hire purchase debtors	Total	Total	Total
Trade receivable settlement profile								
Current/ 0 - 30 days	**3,507,491**	**627,912**	**4,135,403**	3,825,120	1,427,975	5,253,095	**157,740**	178,099
31 - 60 days	**1,046,201**	**9,379**	**1,055,580**	1,413,235	7,169	1,420,404	**103,275**	100,375
61 - 90 days	**256,395**	**6,205**	**262,600**	312,398	3,569	315,967	**127,438**	145,597
91 - 120 days	**241,523**	**82**	**241,605**	395,284	3,105	398,389	**22,827**	22,772
> 121 days	**448,756**	**-**	**448,756**	272,285	18,687	290,972	**268,382**	1,091,341
Impaired	**991,246**	**1,504,532**	**2,495,778**	955,251	1,514,089	2,469,340	**334,557**	149,799
Gross amount	**6,491,612**	**2,148,110**	**8,639,722**	7,173,573	2,974,594	10,148,167	**1,014,219**	1,687,983
Less : Unearned income	**-**	**(92,816)**	**(92,816)**	-	(165,749)	(165,749)	**-**	-
Gross carrying value	**6,491,612**	**2,055,294**	**8,546,906**	7,173,573	2,808,845	9,982,418	**1,014,219**	1,687,983
Less : Impairment provision								
Individually assessed impairment provision	**(151,966)**	**-**	**(151,966)**	(170,198)	-	(170,198)	**(77,853)**	(77,853)
Collectively assessed impairment provision	**(839,280)**	**(1,504,532)**	**(2,343,812)**	(785,053)	(1,514,089)	(2,299,142)	**(256,704)**	(71,946)
Total	**5,500,366**	**550,762**	**6,051,128**	6,218,322	1,294,756	7,513,078	**679,662**	1,538,184

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Less significant receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual historical data.

9.1.11 Other receivables

The Group's other receivables consist mainly of dues receivables from foreign suppliers. At each reporting period end the management assesses the recoverability of these receivable balances and make necessary provisioning for the doubtful balances.

9.1.12 Reinsurance receivable

As a part of overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivable arising from ceded reinsurance expose the company to credit risk. Following are the steps taken to manage reinsurance risk:

- Policy guidelines are approved by the Board of Directors annually, in line with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka.
- Counterparties' limits are set each year and are subjected to regular reviews with management assessing the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the allowance for impairment of reinsurance assets.
- Outstanding reinsurance receivables are reviewed monthly to ensure that all dues are collected or set off against payables.
- Close professional relationships are maintained with reinsurers.
- No cover is issued without confirmation of reinsurance, except for non-reinsurance business.

As at the reporting date reinsurance receivables amounted to Rs. 712.69 Mn (2022 - Rs. 412.53 Mn). This consists mainly of reinsurance receivables on paid claims amounting to Rs. 593.11 Mn (2022 - Rs. 346.05 Mn) and the reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 119.58 Mn (2022 - Rs. 66.48 Mn) as at 31 March 2023.

9.1.13 Amounts due from related parties

The Group's dues from related parties consists mainly of dues from associate companies and receivables from KMPs.

The Company balance consists mainly of balances due from affiliate companies.

9.1.14 Rental receivable on lease assets & hire purchase

As a part of the overall risk management strategy, the Boards of Directors of the respective companies in the Financial Services cluster, have delegated responsibility for the oversight of credit risk to its Board Credit & Recoveries Committee and Credit Risk Committee. Company Credit Risk Monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Company's credit risk, including:

» Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.

» Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit & Recoveries Committee or the board of directors as appropriate.

» Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

- Regular audits of business units and Company credit processes are undertaken by Internal Audit.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. This is shown gross, before the effect of mitigation through the use of collateral agreements.

In Rs. '000 As at 31 March	Note	Rental receivable on lease assets	Rental receivable on hire purchase	Total 2023	Rental receivable on lease assets	Rental receivable on hire purchase	Total 2022
Assets at amortised cost							
Individually impaired							
- gross amount		980,098	-	**980,098**	879,756	14,338	894,094
- unearned income		(219,576)	-	**(219,576)**	(193,236)	-	(193,236)
Gross carrying amount		760,522	-	**760,522**	686,520	14,338	700,858
- Allowance for impairment	9.1.14.2	(233,311)	-	**(233,311)**	(81,381)	(16,877)	(98,258)
Net carrying amount		527,211	-	**527,211**	605,139	(2,539)	602,600
For the rest of portfolio, where collective impairment applies							
- gross amount		9,884,541	79,186	**9,963,727**	14,730,837	80,507	14,811,344
- unearned income		(2,259,702)	-	**(2,259,702)**	(3,894,760)	-	(3,894,760)
Gross carrying amount	9.1.14.1	7,624,839	79,186	**7,704,025**	10,836,077	80,507	10,916,584
- Allowance for impairment	9.1.14.2	(373,946)	(36,452)	**(410,398)**	(237,013)	(19,287)	(256,300)
Net carrying amount		7,250,893	42,734	**7,293,627**	10,599,064	61,220	10,660,284
Total Net carrying amount		7,778,104	42,734	**7,820,838**	11,204,203	58,681	11,262,884

NOTES TO THE FINANCIAL STATEMENTS

9.1.14.1 Age analysis of facilities considered for collective impairment

In Rs. '000 As at 31 March	Rental receivable on lease assets	Rental receivable on hire purchase	Total 2023	Rental receivable on lease assets	Rental receivable on hire purchase	Total 2022
Category						
Not due/ current	2,137,395	1,033	**2,138,428**	5,394,623	1,054	5,395,677
Overdue:						
Less than 30 days	1,006,557	-	**1,006,557**	2,368,637	-	2,368,637
31 - 60 days	1,100,316	-	**1,100,316**	1,588,465	-	1,588,465
61 - 90 days	966,957	-	**966,957**	701,818	-	701,818
91 - 120 days	808,108	-	**808,108**	207,468	-	207,468
121 - 150 days	451,926	-	**451,926**	128,801	-	128,801
151 - 180 days	153,292	-	**153,292**	82,943	-	82,943
above 180 days	1,000,288	78,153	**1,078,441**	363,322	79,453	442,775
Total	7,624,839	79,186	**7,704,025**	10,836,077	80,507	10,916,584

9.1.14.2 Movement in impairment allowance

In Rs. '000	Movement in specific impairment allowance		Movement in collective impairment allowance		Total movement in impairment allowance	
As at 31 March	2023	2022	2023	2022	2023	2022
At the beginning of the year	**98,258**	49,080	**256,300**	156,521	**354,558**	205,601
Net impairment charge for the year	**135,053**	49,178	**154,098**	99,779	**289,151**	148,957
At the end of the year	**233,311**	98,258	**410,398**	256,300	**643,709**	354,558

9.1.14.3 Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

As at 31 March	2023		2022	
In Rs. '000	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
Lease and hire purchase receivables	**8,460,170**	**Nil**	11,262,884	Nil

9.1.15 Cash in hand and at bank

Deposits with banks consist mainly of fixed and call deposits. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed annually, and may be updated during the year subject to appropriate approval. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through the counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position are the carrying amounts as shown.

9.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will adversely deviate because of changes in market movements.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments are affected by market risk which include: borrowings, trade payables, short term investments and equity investments.

9.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to changes in market interest rates relates significantly to the Group's long-term debt obligations.

9.2.1.1 Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments reported are as follows:

In Rs. '000	GROUP		COMPANY	
	Nominal amount		Nominal amount	
As at 31 March	2023	2022	2023	2022
Fixed rate instrument				
Financial assets	**54,834,074**	55,137,297	**13,325,656**	679,075
Financial liabilities	**(79,545,307)**	(60,180,723)	**(17,900,894)**	(16,352,443)
	(24,711,233)	(5,043,426)	**(4,575,238)**	(15,673,368)
Variable rate instruments				
Financial assets	**9,270,231**	13,158,650	**3,663,475**	15,750,031
Financial liabilities	**(56,755,055)**	(54,412,868)	**(22,179,482)**	(19,512,380)
	(47,484,824)	(41,254,218)	**(18,516,007)**	(3,762,349)

9.2.1.2 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings that may be affected. Provided all other variables are held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

In Rs. '000	Nominal amount		Nominal amount	
	Rupee borrowings	Other currencies	GROUP	COMPANY
2023	**+ 400 b.p**	**+ 100 b.p**	**(1,182,182)**	**(740,640)**
	- 400 b.p	**- 100 b.p**	**1,182,182**	**740,640**
2022	+ 400 b.p	+ 200 b.p	(1,387,008)	(150,494)
	- 400 b.p	- 200 b.p	1,387,008	150,494

The spread of basis points used for the interest rate sensitivity analysis is based on the currently observable market environment.

9.2.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of adverse fluctuations in foreign exchange rates. The Group's exposure to the risk of fluctuations in foreign exchange rates relates primarily to the Group's operating activities and foreign currency borrowings.

Management has set up a policy that requires the company and its subsidiaries to manage their foreign exchange risk within the limits of maximum exposure.

NOTES TO THE FINANCIAL STATEMENTS

9.2.2.1 Foreign currency sensitivity

The following table demonstrates the sensitivity to possible changes in the USD/RS exchange rate, provided that all other variables are held constant.

The Group's exposure to foreign currencies other than USD is not material.

In Rs. '000	Increase in exchange rate USD	Effect on profit before tax	Effect on equity
2023	**+ 5%**	**(182,635)**	**(539,415)**
	- 5%	**182,635**	**539,415**
2022	+ 25%	(3,168,834)	(2,400,750)
	- 25%	3,168,834	2,400,750

The Group manages its foreign currency risk using a balanced approach involving forward contracts on exposures expected to occur within a maximum 24 month period.

Where the nature of the hedging is not economic, it is the Group's policy to negotiate with counterparties or banks to obtain most advantage position for the Group.

9.2.2.2 Foreign exchange risk in operating activities

The exposure is mainly from foreign currency obligations arising out of operating activities where fluctuation of foreign exchange rate may occur during a credit period of 3 - 6 months.

9.2.3 Equity price risk

9.2.3.1 Listed equity investments

The Group holds listed and unlisted equity securities which are susceptible to market-price risk arising from uncertainties about future values of these securities.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Periodic reports on equity investment portfolios are submitted to the senior management of individual business segments. The respective Boards of Directors review and approve all equity investment decisions.

GROUP

As at 31 March	Financial assets at fair value through profit or loss				Financial assets at fair value through OCI			
	2023		2022		2023		2022	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Banks	**4,016**	**26.29**	3,629	3.77	**1,271,063**	**99.99**	1,463,117	100.00
Capital goods	**156**	**1.02**	16,622	17.26	**102**	**0.01**	35	-
Consumer durable and apparel	**12**	**0.08**	7,925	8.23	**-**	**-**	-	-
Consumer Services	**-**	**-**	12	0.01	**-**	**-**	-	-
Diversified Financials	**-**	**-**	22,526	23.40	**-**	**-**	-	-
Energy	**10,839**	**70.95**	5,196	5.40	**-**	**-**	-	-
Insurance	**205**	**1.34**	205	0.21	**-**	**-**	-	-
Materials	**49**	**0.32**	49	0.05	**-**	**-**	-	-
Transportation	**-**	**-**	40,118	41.67	**-**	**-**	-	-
	15,277	**100.00**	96,282	100.00	**1,271,165**	**100.00**	1,463,152	100.00

COMPANY

As at 31 March	Financial assets at fair value through profit or loss			
	2023		2022	
	Rs. '000	%	Rs. '000	%
Banks	**3,929**	**26.60**	3,524	64.41
Energy	**10,839**	**73.40**	1,947	35.59
	14,768	**100.00**	5,471	100.00

9.2.3.2 Unquoted equity investments

Investments in unquoted securities are made with the board approval.

9.2.3.3 Sensitivity analysis

The following table demonstrate the sensitivity of cumulative changes in fair value to reasonably possible changes in equity prices provided all other variables are held constant. The effect of a decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

This table consider only quoted equity shares classified as short term and long term financial assets.

In Rs. '000		GROUP		COMPANY	
	Change in equity price	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
2023					
Quoted equity investments listed on the Colombo Stock Exchange	**+ 10%**	**1,528**	**127,117**	**1,477**	**Nil**
	- 10%	**(1,528)**	**(127,117)**	**(1,477)**	**Nil**
2022					
Quoted equity investments listed on the Colombo Stock Exchange	+ 20%	19,256	292,630	1,094	Nil
	- 20%	(19,256)	(292,630)	(1,094)	Nil

9.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts that will always have sufficient liquidity to meet its liabilities when due under normal and stressed conditions. The Group assessed the concentration of risk with respect to refinancing its debt and concluded that it was normalising in most of the sectors. Access to sources of funding is sufficient and debt maturing within 12 months can be rolled over with existing lenders and minimise the cash outflows through approved capital grace periods provided by lending institutions.

NOTES TO THE FINANCIAL STATEMENTS

9.3.1 Net debt

In Rs. '000 As at 31 March	GROUP 2023	2022	COMPANY 2023	2022
Short term investments	**10,214,957**	15,064,502	**119,368**	784,846
Cash in hand and at bank	**5,260,169**	9,123,612	**1,564,616**	1,485,572
Total liquid assets	**15,475,126**	24,188,114	**1,683,984**	2,270,418
Other current financial liabilities	**53,328,649**	37,678,829	**26,148,729**	22,674,666
Current portion of interest bearing borrowings	**18,129,698**	15,608,025	**8,856,901**	7,438,756
Current portion of lease liability	**1,896,051**	1,824,452	**38,356**	37,495
Bank overdrafts	**9,382,693**	6,689,573	**236,206**	150,329
Total liabilities	**82,737,091**	61,800,879	**35,280,192**	30,301,246
Net current debt	**67,261,965**	37,612,765	**33,596,208**	28,030,828
Adjustments for;				
Unutilised approved banking facilities	**4,330,135**	3,271,554	**-**	5,964
	62,931,830	34,341,211	**33,596,208**	28,024,864

Further the Group will utilise excess liquidity through operating cycle, restructuring of short term financial commitments, funds available through commercial papers and revolving loan facilities as positive cash flows to manage the liquidity position of the Group.
As at reporting date, liquid assets amounted to Rs. 9,836.22 Mn comprises liquid assets portfolio of Softlogic Finance PLC and Softlogic Life Insurance PLC.

9.3.2 Liquidity risk management

An optional combination of positive and negative cash flows along with investment returns and contractual obligation maturing is collated through an intra-day cash reporting system for all business segments. High value contractual outflows are processed through various control filters. The Group is in the process of building a "Liquidity Dashboard" with the implementation of its ERP program. This would help further accelerate the review and identification of debt maturities relating to net liquidity position on a daily basis and thus enable proactive funding mobilisation and reinvestment of cash surpluses, and re-scheduling maturity profiles to destress cash flows and align them with actual investment tenors. This would engender optimal liquidity positioning, reduce borrowing cost and enhance reinvestment income.

9.3.3 Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2023 based on contractual undiscounted payments.

In Rs. '000	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest bearing loans and borrowings	28,709,520	16,873,561	15,180,886	7,256,780	5,210,777	15,106,818	88,338,342
Lease liability	2,202,221	2,242,811	1,351,414	926,232	1,005,314	3,737,575	11,465,567
Other non-current financial liabilities	-	-	777,906			-	777,906
Trade and other payables	20,411,053	-	-	-	-	-	20,411,053
Amounts due to related parties	28,919	-	-	-	-	-	28,919
Other current financial liabilities	53,328,649	-	-	-	-	-	53,328,649
Public deposits	9,336,317	1,094,157	527,014	176,586	1,296,874	-	12,430,948
Bank overdrafts	9,382,693	-	-	-	-	-	9,382,693
	123,399,372	20,210,529	17,837,220	8,359,598	7,512,965	18,844,393	196,164,077

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2023 based on contractual undiscounted payments.

In Rs. '000	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest bearing loans and borrowings	11,282,565	3,474,532	2,239,948	1,527,205	735,726	97,566	**19,357,542**
Lease liability	40,704	36,965	36,936	36,936	38,167	146,134	**335,842**
Trade and other payables	2,000,252	-	-	-	-	-	**2,000,252**
Amounts due to related parties	55,229	-	-	-	-	-	**55,229**
Other current financial liabilities	26,148,729	-	-	-	-	-	**26,148,729**
Bank overdrafts	236,206	-	-	-	-	-	**236,206**
	39,763,685	3,511,497	2,276,884	1,564,141	773,893	243,700	**48,133,800**

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

In Rs. '000	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest bearing loans and borrowings	19,632,977	12,973,373	11,124,139	12,055,266	5,221,621	7,228,321	68,235,697
Lease liability	1,925,925	1,727,265	1,380,583	1,167,661	750,479	5,357,287	12,309,200
Other non-current financial liabilities	-	-	-	220,770	518,059	-	738,829
Trade and other payables	29,157,350	-	-	-	-	-	29,157,350
Amounts due to related parties	28,919	-	-	-	-	-	28,919
Other current financial liabilities	37,678,829	-	-	-	-	-	37,678,829
Public deposits	13,793,949	1,559,498	992,883	269,434	122,470	-	16,738,234
Bank overdrafts	6,689,573	-	-	-	-	-	6,689,573
	108,907,522	16,260,136	13,497,605	13,713,131	6,612,629	12,585,608	171,576,631

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

In Rs. '000	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest bearing loans and borrowings	8,036,760	3,758,570	1,581,090	1,116,232	474,451	30,748	14,997,851
Lease liability	64,906	39,699	37,465	36,936	36,936	184,301	400,243
Trade and other payables	188,140	-	-	-	-	-	188,140
Amounts due to related parties	49,171	-	-	-	-	-	49,171
Other current financial liabilities	22,674,666	-	-	-	-	-	22,674,666
Bank overdrafts	150,329	-	-	-	-	-	150,329
	31,163,972	3,798,269	1,618,555	1,153,168	511,387	215,049	38,460,400

9.3.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return of capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2023.

The Group monitors capital using a gearing ratio for the company and subsidiaries, net debt divided by total capital plus net debt, which is monitored closely by senior management. Net debt of the Group includes, all interest bearing loans and borrowings less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

In Rs. '000 As at 31 March	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Net debt	**118,481,935**	89,822,389	**38,509,777**	34,369,035
Equity	**(17,871,860)**	5,597,464	**7,288,502**	14,366,251
Capital and total net debt	**100,610,075**	95,419,853	**45,798,279**	48,735,286
Net gearing ratio - (X)	**1.18**	0.94	**0.84**	0.71

10 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURE

Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are disclosed in this note. Apart from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

	Note
Property, plant and equipment under revaluation model	21
Investment properties	23
Investment in unquoted equity shares	25
Financial instruments	11

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

» in the principal market for the asset or liability, or

» in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted equity instruments, and for non-recurring measurement, such as assets held-for-sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as land and building and investment properties, and significant liabilities, such as insurance contracts. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

10.1 Financial assets and liabilities by fair value hierarchy - Group

The Group held the following financial instruments carried at fair value in the statement of financial position:

Financial assets

In Rs. '000	Level 1		Level 2		Level 3	
As at 31 March	2023	2022	2023	2022	2023	2022
Financial assets						
Financial assets at fair value through OCI						
Quoted equity instruments	**1,271,166**	1,463,152	**-**	-	**-**	-
Unquoted equity instruments	**-**	-	**-**	-	**490,240**	471,350
Debt instruments	**-**	909,541	**-**	-	**800,164**	-
Government securities	**805,859**	-	**-**	-	**-**	-
Financial assets at fair value through P&L						
Quoted equity instruments	**15,276**	96,281	**-**	-	**-**	
Debt instruments		143,312	**-**	-	**-**	764,109
Government securities	**33,497**	-	**-**	-	**-**	-
Unit Trust	**-**	-	**3,064,310**	3,284,173	**-**	-
Total	**2,125,798**	2,612,286	**3,064,310**	3,284,173	**1,290,404**	1,235,459

The fair value of all the listed equity instruments as at 31 March 2023 based on the closing traded prices that existed as of 31 March 2023.

Non financial assets

In Rs. '000	Level 1		Level 2		Level 3	
As at 31 March	2023	2022	2023	2022	2023	2022
Non financial assets measured at fair value						
Land and buildings	**-**	-	**-**	-	**34,535,204**	35,515,308
Buildings on leasehold land	**-**	-	**-**	-	**9,935,995**	9,935,995
Investment property	**-**	-	**-**	-	**2,252,523**	2,175,037
Total	**-**	-	**-**	-	**46,723,722**	47,626,340

In determining the fair value of non financial assets measured at fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

10.2 Financial assets and liabilities by fair value hierarchy - Company

The Company held the following financial instruments carried at fair value in the statement of financial position:

Financial assets

In Rs. '000	Level 1		Level 2		Level 3	
As at 31 March	2023	2022	2023	2022	2023	2022
Financial assets						
Financial assets at fair value through P&L						
Quoted equity instruments	**14,768**	5,471	**-**	-	**-**	-
Debt instruments	**-**	-	**-**	-	**-**	679,075
Financial assets at fair value through OCI						
Unquoted equity instruments			**-**	-	**104,600**	100,300
Total	**14,768**	5,471	**-**	-	**104,600**	779,375

The fair value of all the listed equity instruments as at 31 March 2023 based on the closing traded prices that existed as of 31 March 2023.

NOTES TO THE FINANCIAL STATEMENTS

Non financial assets

In Rs. '000 As at 31 March	Level 1 2023	 2022	Level 2 2023	 2022	Level 3 2023	 2022
Non financial assets measured at fair value						
Investment property	**-**	-	**-**	-	**1,057,150**	939,705
Total	**-**	-	**-**	-	**1,057,150**	939,705

In determining the fair value of non financial assets measured at fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

Reconciliation of fair value measurements of level 3 financial instruments

The Group and Company carries unquoted equity shares which are classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

In Rs. '000	Financial assets at fair value through OCI GROUP 2023	 2022	 COMPANY 2023	 2022
At the beginning of the year	**471,350**	490,680	**100,300**	104,700
Remeasurement recognised in OCI	**18,890**	(19,330)	**4,300**	(4,400)
At the end of the year	**490,240**	471,350	**104,600**	100,300

Valuation of level 3 : unquoted equity instruments

The fair valuation of level 3 : unquoted equity instruments is measured using internal model of adjusted net asset for illiquidity. Fair value would not significantly vary if one or more of the inputs were changed.

Fair value measurement of Level 3 financial instruments mainly consists the investment made in Cargills Bank Ltd. When deciding illiquidity premium, the Group has considered following factors.

» the recent acquisition of Finance Companies had taken place at more than the net asset value of target investee

» the Bank is in the possession of regular license

This table consider only unquoted equity shares classified level 3 financial assets.

In Rs. '000	Variable	Change	Effect on equity GROUP	 COMPANY
2023				
Unquoted equity investments classified as level 3 within the fair value hierarchy	Illiquidity	**+1%**	**(4,840)**	**(1,100)**
	premium	**-1%**	**4,840**	**1,100**
2022				
Unquoted equity investments classified as level 3 within the fair value hierarchy	Illiquidity	+1%	**(4,840)**	(1,100)
	premium	-1%	**4,840**	1,100

11. FINANCIAL INSTRUMENTS

11.1 Financial assets

ACCOUNTING POLICY

Initial recognition and subsequent measurement

Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the Solely Payment of Principal and Interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. For the purpose of subsequent measurement financial assets are classified in four categories.

» Financial assets at amortised cost

» Financial assets at fair value through OCI with recycling of cumulative gains and losses

» Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition

» Financial assets at fair value through profit or loss

Debt instruments

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

» the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows: and

» the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost includes trade receivables and short term investments.

Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payment of principal and interest, are measured at fair value through other comprehensive income (FVOCI). The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

» the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling: and

» the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Equity instruments

Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payment of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

11.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the statement of other comprehensive income (OCI) . The gain or loss in relation to ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors that could affect the reported fair value of financial instruments, are further explained in note 11.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives either as,

» hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)

» hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

» hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 39.5. Movements on the hedging reserve on the other comprehensive income statement (OCI) are shown in the same note. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

Financial instruments

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9 - Financial Instruments.

Financial assets by category - Group

In Rs. '000	Financial assets at amortised cost		Financial assets at fair value through OCI		Financial assets fair value through profit or loss		Total	
As at 31 March	2023	2022	2023	2022	2023	2022	2023	2,022
Financial instruments in non-current assets								
Non-current financial assets	**30,158,591**	22,496,715	**2,303,915**	2,743,743	**958,914**	907,421	**33,421,420**	26,147,879
Rental receivable on lease assets and hire purchase	**7,094,383**	10,218,694	**-**	-	**-**	-	**7,094,383**	10,218,694
Financial instruments in current assets								
Trade and other receivables	**8,273,753**	9,505,878	**-**	-	**-**	-	**8,273,753**	9,505,878
Loans and advances	**7,756,234**	7,266,487	**-**	-	**-**	-	**7,756,234**	7,266,487
Rental receivable on lease assets and hire purchase	**726,455**	1,044,190	**-**	-	**-**	-	**726,455**	1,044,190
Amounts due from related parties	**109,933**	1,902,457	**-**	-	**-**	-	**109,933**	1,902,457
Short term investments	**6,997,274**	11,583,748	**104,849**	100,300	**3,112,834**	3,380,454	**10,214,957**	15,064,502
Cash in hand and at bank	**5,260,169**	9,123,612	**-**	-	**-**	-	**5,260,169**	9,123,612
Total	**66,376,792**	73,141,781	**2,408,764**	2,844,043	**4,071,748**	4,287,875	**72,857,304**	80,273,699

Financial liabilities by category - Group

In Rs. '000	Financial liabilities measured at amortised cost		Total	
As at 31 March	2023	2022	2023	2022
Financial instruments in non-current liabilities				
Interest bearing borrowings	**42,901,064**	38,969,574	**42,901,064**	38,969,574
Lease liability	**5,595,958**	6,112,687	**5,595,958**	6,112,687
Public deposits	**3,094,921**	2,516,825	**3,094,921**	2,516,825
Other non-current financial liabilities	**777,906**	738,829	**777,906**	738,829
Financial instruments in current liabilities				
Trade and other payables	**20,411,053**	29,157,350	**20,411,053**	29,157,350
Amounts due to related parties	**28,919**	28,919	**28,919**	28,919
Other current financial liabilities	**53,328,649**	37,678,829	**53,328,649**	37,678,829
Current portion of interest bearing borrowings	**18,129,698**	15,608,025	**18,129,698**	15,608,025
Current portion of lease liability	**1,896,051**	1,824,452	**1,896,051**	1,824,452
Public deposits	**9,335,694**	13,065,182	**9,335,694**	13,065,182
Bank overdrafts	**9,382,693**	6,689,573	**9,382,693**	6,689,573
Total	**164,882,606**	152,390,245	**164,882,606**	152,390,245

Financial instruments

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9 - Financial Instruments.

Financial assets by category - Company

In Rs. '000	Financial assets at amortised cost		Financial assets at fair value through OCI		Financial assets fair value through profit or loss		Total	
As at 31 March	2023	2022	2023	2022	2023	2022	2023	2022
Financial instruments in non-current assets								
Non-current financial assets	**1,562,784**	1,658,170	**-**	-	**-**	-	**1,562,784**	1,658,170
Financial instruments in current assets								
Trade and other receivables	**713,091**	2,307,010	**-**	-	**-**	-	**713,091**	2,307,010
Amounts due from related parties	**16,539,914**	15,235,917	**-**	-	**-**	-	**16,539,914**	15,235,917
Short term investments	**-**	679,075	**104,600**	100,300	**14,768**	5,471	**119,368**	784,846
Cash in hand and at bank	**1,564,616**	1,485,572	**-**	-	**-**	-	**1,564,616**	1,485,572
Total	**20,380,405**	21,365,744	**104,600**	100,300	**14,768**	5,471	**20,499,773**	21,471,515

Financial liabilities by category - Company

In Rs. '000	Financial liabilities measured at amortised cost		Total	
As at 31 March	2023	2022	2023	2022
Financial instruments in non-current liabilities				
Interest bearing borrowings	**4,832,557**	5,590,856	**4,832,557**	5,590,856
Lease liability	**184,975**	203,879	**184,975**	203,879
Financial instruments in current liabilities				
Trade and other payables	**2,000,252**	188,140	**2,000,252**	188,140
Amounts due to related parties	**55,229**	49,171	**55,229**	49,171
Other current financial liabilities	**26,148,729**	22,674,666	**26,148,729**	22,674,666
Current portion of interest bearing borrowings	**7,541,824**	7,438,756	**7,541,824**	7,438,756
Current portion of lease liability	**38,356**	37,495	**38,356**	37,495
Bank overdrafts	**236,206**	150,329	**236,206**	150,329
Total	**42,353,205**	36,333,292	**42,353,205**	36,333,292

NOTES TO THE FINANCIAL STATEMENTS

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

» Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date.

» The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

» Fair value of unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

» Approximately 44.2% of loans and advances, rental receivable on lease assets and hire purchase have a remaining maturity of less than one year. Therefore, fair value of the lending portfolio approximates to the carrying value at the reporting date. All loans and advances are granted with fixed interest rate terms.

12. SRI LANKA ACCOUNTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS - 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

» A specific adaptation for contracts with direct participation features (the variable fee approach)

» A simplified approach (the premium allocation approach) mainly for short-duration contracts

The Group has an implementation program underway to implement SLFRS 17. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate date and implementing actuarial and finance system changes.

The Group is intended to adopt the SLFRS 17 financial statements on its mandatory effective date, which is currently expected to be 2026.

LKAS - 8 Definition of Accounting Estimates (amendment)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

LKAS - 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendment)

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

LKAS - 1 Classification of Liabilities as Current or Noncurrent (amendments)

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify -

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

13. REVENUE

ACCOUNTING POLICY

Continuing operations

Revenue recognition

Revenue from contracts with customers

Under SLFRS 15 - Revenue from contracts with customers; Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Under SLFRS 15 - Revenue from contracts with customers; Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

Rendering of services

Under SLFRS 15 - Revenue from contracts with customers; Revenue from service performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group has several operating segments which are described in note 48 to these financial statements.

Performance obligations

The Group's uses following specific criteria in recognising the revenue.

Financial Services

Life insurance business - Gross Written Premiums (GWP)

Gross written premiums comprise the total premiums received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross written premium is generally recognised in full at the inception of the policy.

Gross recurring premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30 day grace period are considered as due). Premiums received in advance are not recorded as revenue and recorded as a liability until the premium is due unless the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies. For single premium business, revenue is recognised on the date on which the policy is effective.

Income from leases, hire purchases, loans and advances

Under both SLFRS 9 and LKAS 39, interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest

NOTES TO THE FINANCIAL STATEMENTS

income on interest bearing financial assets measured at FVOCI under SLFRS 9, similarly to interest bearing financial assets classified as available for sale or held to maturity under LKAS 39 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Interest income on overdue rentals

Overdue charges of leasing, loans and hire purchases have been accounted when the receipt is established.

Healthcare Services

Healthcare sector revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured, regardless of when the payment is being made after considering discounts, offers given to the customers, consultations, and services provided under packages.

Retail Sector

Retail sector revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognising revenue.

Contract Balances

Contract assets

Contract assets are the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditional on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services.

In Rs. '000 For the year ended 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Goods transferred at a point in time	**43,834,078**	63,681,676	**-**	-
Services transferred at a point in time	**28,681,598**	25,443,457	**750,593**	978,493
Total revenue from contracts with customers	**72,515,676**	89,125,133	**750,593**	978,493
Revenue from insurance contracts	**20,458,558**	19,165,724	**-**	-
Interest income on lease and hire purchase receivables	**1,556,496**	1,538,314	**-**	-
Interest income	**2,368,640**	1,399,504	**-**	-
	96,899,370	111,228,675	**750,593**	978,493

13.1 Business segment analysis

In Rs. '000 For the year ended 31 March	GROUP 2023	 2022
Automobiles	**1,723,989**	504,195
Financial Services	**24,609,663**	22,597,480
Healthcare Services	**24,786,272**	22,350,970
Information Technology	**7,936,963**	6,708,344
Leisure	**2,227,310**	1,225,582
Other	**6,404**	5,919
Retail	**35,608,769**	57,836,185
	96,899,370	111,228,675

14. DIVIDEND INCOME

ACCOUNTING POLICY

Dividend income is recognised when the Company's right to receive the payment is established.

In Rs. '000 For the year ended 31 March	COMPANY 2023	 2022
Dividend income from investments in subsidiaries and equity accounted investees	**17,767**	1,712,285
	17,767	1,712,285

15. OTHER OPERATING INCOME

ACCOUNTING POLICY

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material are aggregated, reported and presented on a net basis.

Fee and commission income

Fee and commission income from services includes mainly documentation and processing fees for the service provided in processing loan facilities for customers.

Other income

Other income is recognised on an accrual basis.

In Rs. '000	GROUP		COMPANY	
For the year ended 31 March	2023	2022	2023	2022
Commission income	**6,908**	34,220	**-**	18,018
Fees received	**179,596**	170,339	**-**	-
Maturity of put option liability	**-**	154,609	**-**	-
Other laboratory income	**64,784**	61,132	**-**	-
Profit on disposal of investments	**-**	107	**-**	-
Profit on sale of property, plant & equipment	**41,187**	16,893	**-**	6,157
Sundry income	**1,299,961**	949,696	**25,618**	11,934
	1,592,436	1,386,996	**25,618**	36,109

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCE INCOME

ACCOUNTING POLICY

Finance income comprises interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss and gains on the re-measurement to fair value of any pre-existing interest in an acquiree recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income on the income statement.

In Rs. '000	GROUP		COMPANY	
For the year ended 31 March	2023	2022	2023	2022
Interest income	**404,378**	681,270	**3,354,912**	1,457,585
Dividend income on				
- financial assets at fair value through OCI	**153,302**	7,520	**-**	-
- financial assets at fair value through P&L	**481**	1,515	**-**	-
Net change in fair value of financial instruments at fair value through P&L	**633,899**	319,129	**9,297**	(405)
Exchange gain on foreign currency financial instruments	**775,593**	1,391,747	**-**	-
Finance income on other financial instruments	**6,056,785**	2,306,683	**386,466**	266,571
	8,024,438	4,707,864	**3,750,675**	1,723,751

17. FINANCE COSTS

ACCOUNTING POLICY

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions, fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

In Rs. '000	GROUP		COMPANY	
For the year ended 31 March	2023	2022	2023	2022
Interest expense on borrowings	**19,267,912**	4,914,075	**6,360,974**	1,126,494
Finance cost on other financial instruments	**4,118,591**	1,909,241	**3,337,302**	2,137,242
Fair value loss on financial assets at fair value through P&L	**143,598**	135,980	**-**	-
Exchange loss on foreign currency loan conversion	**3,961,902**	5,661,699	**-**	-
Finance cost on right of use assets	**833,460**	799,700	**24,609**	12,361
Other finance expenses	**625,742**	307,693	**79,202**	33,842
	28,951,205	13,728,388	**9,802,087**	3,309,939

18. LOSS BEFORE TAX

ACCOUNTING POLICY

Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company and Group's performance.

Loss before tax is stated after charging all expenses including the following:

In Rs. '000 For the year ended 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Remuneration to Executive and Non-Executive Directors	**575,561**	453,724	**62,945**	55,858
Auditors' remuneration				
- Audit	**42,154**	36,339	**3,649**	2,872
- Non audit	**15,271**	21,368	**3,595**	1,769
Cost of defined employee benefit				
- Defined benefit plan cost	**439,528**	302,647	**32,180**	22,180
- Defined contribution plan cost - EPF/ETF	**1,240,504**	1,295,901	**49,472**	44,066
Staff expenses	**11,139,773**	10,335,764	**363,044**	344,673
Depreciation of property, plant and equipment	**3,783,680**	3,508,460	**26,171**	27,429
Amortisation/ impairment of intangible assets	**308,693**	319,553	**4,694**	2,269
Amortisation of rights of use assets	**1,820,188**	1,828,595	**50,718**	34,684
Donations	**1,143**	11,956	**-**	-
Provisions for/ write off of impaired receivables	**92,420**	2,902,544	**931,308**	820,312
Provision for impairment of inventories	**58,612**	128,888	**-**	-
Profit on sale of property, plant and equipment	**(41,187)**	(16,893)	**-**	(6,157)
Impairment and derecognition of property, plant and equipment	**12,607**	4,985	**-**	-
Provision for impairment of investments	**2,940,895**	709,291	**-**	1,000
Provision for guarantee contract	**66,291**	-	**66,291**	-
Write-off of balances due to errors in the statement of financial position	**-**	1,205,303	**-**	-

19. TAXATION

19.1 Income tax

ACCOUNTING POLICY

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income is recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanisms.

NOTES TO THE FINANCIAL STATEMENTS

19.1.1 Tax expense

In Rs. '000 For the year ended 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Current income tax					
Current tax charge		**2,150,519**	1,406,712	**-**	-
Under provision of income tax of previous years		**140,698**	79,868	**10,001**	-
Written-off of tax receivables		**20,007**	94,507	**-**	21,787
Withholding tax on dividends		**103,841**	-	**-**	-
Total income tax expense	19.1.3	**2,415,065**	1,581,087	**10,001**	21,787
Deferred income tax					
Relating to origination and reversal of temporary differences	19.2.1	**334,553**	135,412	**64,826**	24,204
		2,749,618	1,716,499	**74,827**	45,991

19.1.2 Reconciliation between current tax charge and the accounting profit

In Rs. '000 For the year ended 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Loss before tax	**(20,907,678)**	(3,561,287)	**(7,037,276)**	(570,828)
Dividend income from Group companies	**725,732**	4,698,608	**-**	-
Share of results of equity accounted investees	**(38,960)**	12,575	**-**	-
Other consolidation adjustments	**(722,023)**	(871,907)	**-**	-
Profit/ (loss) after adjustment	**(20,942,929)**	277,989	**(7,037,276)**	(570,828)
Exempt profits	**-**	(77,969)	**-**	-
Profits not liable for income tax	**(707,766)**	(502,080)	**-**	-
Resident dividend	**(836,215)**	(1,064,287)	**-**	-
Adjusted accounting loss chargeable to income taxes	**(22,486,910)**	(1,366,347)	**(7,037,276)**	(570,828)
Deductible expenses	**(9,936,303)**	(7,073,389)	**(205,236)**	(1,218,311)
Non deductible expenses	**15,624,814**	14,217,747	**1,125,878**	932,935
Current year tax losses not utilised	**30,953,373**	6,779,696	**-**	-
Set off against tax losses	**(6,067,256)**	(4,953,377)	**-**	(11,734)
Taxable income	**8,087,718**	7,604,330	**(6,116,634)**	(867,938)

19.1.3 Reconciliation between tax expense and the product of accounting profit

In Rs. '000 For the year ended 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Tax effect on chargeable profits	**2,171,488**	1,273,563	**-**	-
Tax effect on deductible expenses	**1,055,860**	(684,293)	**-**	-
Tax effect on non deductible expenses	**(1,076,829)**	817,442	**-**	-
Under provision for previous years	**140,698**	79,868	**10,001**	-
Other income based taxes				
Withholding on dividends	**103,841**	-	**-**	-
Total income tax expense	**2,395,058**	1,486,580	**10,001**	-
Income tax charged at				
Standard rate	**1,993,781**	1,375,147	**-**	-
Other concessionary rates	**156,738**	31,565	**-**	-
Under provision for previous year	**140,698**	79,868	**10,001**	-
	2,291,217	1,486,580	**10,001**	-
Other tax expenses				
Written-off of tax receivables	**103,841**	-	**-**	-
Charge for the year	**2,395,058**	1,486,580	**10,001**	-
Other income based taxes				
Withholding on dividends	**20,007**	94,507	**-**	21,787
Total income tax expense	**2,415,065**	1,581,087	**10,001**	21,787

Entities operating in Sri Lanka of the Group have used the new tax rate introduced by the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 01 October 2022) for income and deferred taxation. Accordingly, income tax rates of, 14% for healthcare business profits and 24% for trading and other income have been used for the first six months and a standard rate of 30% has been used for profits of all segments for the second six months.

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

19.1.4 Income tax liabilities

In Rs. '000 As at 31 March	GROUP 2023	 2022
At the beginning of the year	**798,778**	66,123
Charge for the year	**2,395,058**	1,486,580
Taxation on PAR bonus	**111,900**	-
Payments and set off against refunds	**(1,434,546)**	(753,925)
At the end of the year	**1,871,190**	798,778

NOTES TO THE FINANCIAL STATEMENTS

19.2 Deferred tax

ACCOUNTING POLICY

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

» where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

» in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except:

» where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and

» in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement, either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

No deferred tax asset or liability has been recognised in the companies enjoying Board of Investment (BOI) Tax Holidays' if no qualifying assets or liabilities continue beyond the BOI tax holiday period.

19.2.1 Deferred tax charge / (release)

In Rs. '000 For the year ended 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	**(588,719)**	24,093	**(6,324)**	(3,302)
Revaluation of investment property to fair value	**(23,246)**	16,792	**35,962**	31,631
Employee benefit liabilities	**(51,644)**	(21,133)	**(9,330)**	(4,125)
Benefit arising from tax losses	**(278,395)**	562,713	**-**	-
Others	**(10,026)**	(447,053)	**-**	-
Deferred tax impact due to tax rate change	**1,286,583**	-	**44,518**	-
	334,553	135,412	**64,826**	24,204
Other comprehensive income				
Deferred tax expense arising from;				
Revaluation of land and building to fair value	**1,366,891**	1,073,833	**-**	-
Actuarial gains/ (loss) on employee benefit liabilities	**94,311**	4,478	**12,880**	(2,401)
Deferred tax impact due to tax rate change	**2,221,790**	-	**-**	-
	3,682,992	1,078,311	**12,880**	(2,401)

Deferred tax has been computed at 30% for all standard rate companies (including listed companies), at 15% for Central Hospital Ltd and at 20% for Asiri Hospital Galle (Pvt) Ltd.

19.2.2 Deferred tax assets and liabilities

GROUP

In Rs. '000 As at 31 March	Assets 2023	 2022	Liabilities 2023	 2022
At the beginning of the year	**3,027,670**	3,403,359	**3,266,142**	2,323,342
Charge and release	**(286,603)**	(375,689)	**3,730,942**	942,800
Effect of movements in exchange rates	**(3,867)**	-	**-**	-
At the end of the year	**2,737,200**	3,027,670	**6,997,084**	3,266,142

The closing deferred tax asset balance relates to the following:

In Rs. '000 As at 31 March	Assets 2023	 2022	Liabilities 2023	 2022
Revaluation of building to fair value	**(107,366)**	(131,711)	**7,484,637**	3,871,611
Revaluation of investment property to fair value	**(28,136)**	(8,029)	**266,700**	82,713
Accelerated depreciation for tax purposes	**(576,705)**	(309,731)	**1,638,445**	698,165
Employee benefit liabilities	**97,427**	105,980	**(249,187)**	(168,660)
Losses available for offset against future taxable income	**1,450,475**	1,783,408	**(2,073,642)**	(1,154,598)
Provision for bad debts	**712,103**	565,925	**(20,967)**	(2,761)
Unclaimed impairment provisions	**609,343**	407,610	**(48,621)**	(16,385)
Others	**580,059**	614,218	**(281)**	(43,943)
	2,737,200	3,027,670	**6,997,084**	3,266,142

NOTES TO THE FINANCIAL STATEMENTS

19.2.3 Deferred tax liabilities

COMPANY

In Rs. '000 As at 31 March	Liability 2023	 2022
At the beginning of the year	**178,071**	156,268
Charge and release	**77,706**	21,803
At the end of the year	**255,777**	178,071

The closing deferred tax liability balance of the company relates to the following:

In Rs. '000 As at 31 March	Liability 2023	 2022
Revaluation of investment property to fair value	**285,081**	199,295
Accelerated depreciation for tax purposes	**9,313**	12,509
Employee benefit liabilities	**(38,617)**	(33,733)
	255,777	178,071

19.3 Sales tax

Revenues, expenses, assets and liabilities are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Accounting judgements, estimates and assumptions

The Group is subject to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of applicability of tax laws at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and assumptions made or future changes to such assumptions may require future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has tax losses in subsidiaries that have a history of losses that do not expire and may not be used to offset other tax liabilities, where the subsidiaries have no avenues available that could partly support the recognition of these losses as deferred tax assets.

19.4 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 30% except for the following companies which enjoy full or partial exemptions and concessions.

Exemptions/ concessions granted under the Board of Investment Law/ Inland Revenue Act

Company	Basis	Exemption or concessions	Period concessions
Central Hospital Ltd	Providing healthcare services	15%	Open ended
Asiri Hospital Galle (Pvt) Ltd	Providing healthcare services	20%	Open ended
Softlogic City Hotels (Pvt) Ltd	Construction of tourist hotel	Exempt	7 Years from 1st year of profit or 2 years from the commencement of operation whichever is earlier (from FY 2018/19 onwards)

Income tax rates of off-shore subsidiaries

Company	Country of incorporation	Rate
Softlogic Australia (Pty) Ltd	Australia	30%

19.5 Tax losses carried forward

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Tax losses brought forward	**33,707,571**	31,111,117	**1,563,068**	54,896
Adjustments on finalisation of liability	**(131,120)**	770,135	**-**	651,968
Tax losses arising during the year	**30,953,373**	6,779,696	**6,116,634**	867,938
Utilisation of tax losses	**(6,067,256)**	(4,953,377)	**-**	(11,734)
	58,462,568	33,707,571	**7,679,702**	1,563,068

The Group has tax losses amounting to Rs. 34,011.67 Mn (2022 - Rs. 15,139.00 Mn) available to offset against future taxable profits but not utilised for recognition of theses losses as deferred tax assets.

As per the Gazette Notification No. 2064/53 issued by the Department of Inland Revenue in relation to the transitional provisions, any unclaimed loss as at 31 March 2018 is deemed to be a loss incurred for the year of assessment commencing on or after 01 April 2018 and shall be carried forward up to 6 years.

20 LOSS PER SHARE (LPS)

ACCOUNTING POLICY

Basic LPS is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted number of ordinary shares outstanding during the year.

20.1 Basic loss per share

In Rs. '000 For the year ended 31 March	Note	GROUP 2023	 2022
Losses attributable to equity holders of the parent - continuing operations		**24,076,881**	8,170,817
Weighted average number of ordinary shares in issue	20.2	**1,192,543,209**	1,192,543,209
Basic loss per share - continuing operations (Rs.)		**20.19**	6.85

20.2 Amount used as denominator

For the year ended 31 March	GROUP 2023	 2022
Ordinary shares at the beginning of the year	**1,192,543,209**	1,192,543,209
Adjusted weighted average number of ordinary shares	**1,192,543,209**	1,192,543,209

NOTES TO THE FINANCIAL STATEMENTS

21. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment is charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in the statement of other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. Revaluation of land and buildings is done with sufficient frequency to ensure that the fair value of the properties does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Derecognition

An item of property, plant and equipment is derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	40 - 75
Buildings on leasehold land	40 - 60 or over the period of lease
Plant and machinery	4 - 10
Computer equipment, furniture & fittings	2 - 10
Motor vehicles	4 - 8

The useful life and residual values of assets are reviewed, and adjusted if required, at the end of each financial year.

Capital work-in-progress

Capital work in progress consists of the cost of assets, labour and other direct costs associated with property, plant and equipment being constructed by the Group. Once the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and are depreciated together with the related asset.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement, except that impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of comprehensive income to the extent that they reverse a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

21.1 GROUP

In Rs. '000 As at 31 March	Land and buildings	Buildings on leasehold land	Plant and machinery	Computer, equipment, furniture and fittings	Motor vehicles	Capital work-in-progress	Total 2023	Total 2022
Freehold assets								
Cost or Valuation								
At the beginning of the year	33,017,349	18,028,336	11,366,525	15,472,934	798,635	1,089,924	**79,773,703**	69,347,880
Additions	153,904	404,135	892,633	1,064,854	6,856	1,464,454	**3,986,836**	3,534,081
Acquisition of subsidiary	-	889	6,872	1,457	-	2,456	**11,674**	-
Disposals	-	(9,735)	(79,676)	(107,340)	(126,739)	-	**(323,490)**	(285,161)
Transfers*	(6,097,558)	679,785	257,373	289,952	35,935	(1,034,821)	**(5,869,334)**	(439,973)
Impairment/ derecognition	-	(5,676)	(2,995)	(38,446)	(363)	-	**(47,480)**	(120,611)
Revaluations	3,424,848	1,772,192	-	-	-	-	**5,197,040**	7,734,185
Effect of movements in exchange rates	-	(24)	-	(343)	-	-	**(367)**	3,302
At the end of the year	30,498,543	20,869,902	12,440,732	16,683,068	714,324	1,522,013	**82,728,582**	79,773,703
Total value of assets	30,498,543	20,869,902	12,440,732	16,683,068	714,324	1,522,013	**82,728,582**	79,773,703
Freehold assets								
Accumulated depreciation								
At the beginning of the year	17,950	2,232,495	5,948,019	9,910,217	529,050	-	**18,637,731**	15,825,291
Charge for the year	464,377	757,926	991,281	1,517,912	52,184	-	**3,783,680**	3,508,460
Disposals	-	(8,753)	(64,058)	(92,461)	(57,996)	-	**(223,268)**	(209,392)
Transfers*	(330,482)	(162,243)	150,699	60,376	35,636	-	**(246,014)**	(489,042)
Impairment/ derecognition	-	-	(2,995)	(31,515)	(363)	-	**(34,873)**	-
Effect of movements in exchange rates	-	(20)	-	(168)	-	-	**(188)**	2,414
At the end of the year	151,845	2,819,405	7,022,946	11,364,361	558,511	-	**21,917,068**	18,637,731
Total accumulated depreciation	151,845	2,819,405	7,022,946	11,364,361	558,511	-	**21,917,068**	18,637,731
Carrying value								
As at 31 March 2023	30,346,698	18,050,497	5,417,786	5,318,707	155,813	1,522,013	**60,811,514**	
As at 31 March 2022	32,999,399	15,795,841	5,418,506	5,562,717	269,585	1,089,924		61,135,972

* Transfers include the accumulated depreciation amounting to Rs. 492.72 Mn (2022 - Rs. 530.62 Mn) as at revaluation date that was eliminated against the gross carrying amount of the revalued assets.

NOTES TO THE FINANCIAL STATEMENTS

21.2 COMPANY

In Rs. '000 As at 31 March	Plant and machinery	Furniture and fittings	Computer and office Equipment,	Motor vehicles	Total 2023	Total 2022
Freehold assets						
Cost						
At the beginning of the year	2,240	45,675	60,152	183,091	**291,158**	297,794
Additions	3,719	7,649	14,325	-	**25,693**	20,787
Disposals	-	-		-	**-**	(27,423)
At the end of the year	5,959	53,324	74,477	183,091	**316,851**	291,158
Total value of assets	5,959	53,324	74,477	183,091	**316,851**	291,158
Freehold assets						
Accumulated depreciation						
At the beginning of the year	1	32,938	44,278	130,019	**207,236**	201,706
Charge for the year	743	4,337	7,977	13,114	**26,171**	27,429
Disposals	-	-	-	-	**-**	(21,899)
At the end of the year	744	37,275	52,255	143,133	**233,407**	207,236
Total accumulated depreciation	744	37,275	52,255	143,133	**233,407**	207,236
Carrying value						
As at 31 March 2023	5,215	16,049	22,222	39,958	**83,444**	
As at 31 March 2022	2,239	12,737	15,874	53,072		83,922

21.3 Revaluation of land and buildings

Accounting judgements, estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties.

Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. The valuation techniques used are appropriate in the circumstances, for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was on 31 March 2023 except revaluation of land and building of Softlogic Life Insurance PLC and Softlogic City Hotels (Pvt) Ltd.

The changes in fair value are recognised in other comprehensive income and in the statement of equity. As a result of the valuations of land and buildings the surplus arising from the change in fair value was Rs. 5,197.04 Mn (2022 - Rs. 7,734.19 Mn) which has been credited to the revaluation reserve.

Details of group's land and buildings stated at valuations are indicated below:

GROUP

Company	Property	Method of valuation	Extent	No of buildings	Range of estimates for significant unobservable inputs: Per perch value - Rs. Mn.		Range of estimates for significant unobservable inputs: Per square foot value - Rs.		Correlation to fair value
					2023	2022	2023	2022	
Property valuations by Mr. G W G Abeygunawardene (Chartered Valuation Surveyor)									
Land of									
Softlogic Holdings PLC	14, De Fonseka Place, Colombo 05	OMV	22.45 P	-	20.25 - 19.00	18.50 - 19.50	-	-	Positive
Softlogic Properties (Pvt) Ltd	24, Dharmapala Mw., Kollupitiya, Colombo 03	OMV	2 R 11.68 P	-	24.00	23.00	-	-	Positive
Suzuki Motors Lanka Ltd	371, New Nuge Road, Peliyagoda	OMV	28.39 P	-	3.55	2.60	-	-	Positive
Building of									
Softlogic Information Technologies (Pvt) Ltd	14, De Fonseka Place, Colombo 05	DCC/ IM	-	1 building	-	-	7,250 - 14,500	6,500 - 8,250	Positive
Suzuki Motors Lanka Ltd	371, New Nuge Road, Peliyagoda	DCC	-	1 building	-	-	4,850 - 7,250	4,400 - 5,750	Positive
Softlogic City Hotels (Pvt) Ltd	24, Dharmapala Mw., Kollupitiya, Colombo 03	DCC	-	1 building	-	-	23,500	23,500	Positive
Future Automobiles (Pvt) Ltd	1124/5, Parliament Rd., Battaramulla	DCC/ IM	-	2 buildings	-	-	3,750 - 10,750	3,250 - 8,200	Positive
Asiri Surgical Hospital PLC	21, Kirimandala Mw., Colombo 05	DCC	-	3 buildings	-	-	6,880 - 14,380	4,880 - 11,580	Positive
	AOI Cancer Care Centre	DCC	-	1 building	-	-	38,750	38,500	Positive
Asiri Hospital Holdings PLC	907, Peradeniya Road, Kandy	DCC	-	1 building	-	-	13,000 - 24,750	11,400 - 23,150	Positive
Ceysand Resorts Ltd	Centara Ceysands Resort & Spa, Bentota	DCC	-	18 buildings	-	-	5,500 - 19,000	3,500 - 16,000	Positive
Land and building of									
Softlogic Holdings PLC	262, Gagarama Road, Piliyandala	OMV/ DCC	1 A 2 R 21 P	13 buildings	1.40	1.10	1,000 - 7,250	1,000 - 6,250	Positive
Asiri Hospital Holdings PLC	181,Kirula Road, Colombo 05	OMV/ DCC	1 A 2 R 13.98 P	2 buildings	15.00	14.00	5,750 - 14'500	5,100 - 11,850	Positive
Central Hospital Ltd	114, Norris Canal Road, Colombo 10	OMV/ DCC	1 A 21.03 P	1 building	14.00	13.00	5,250 - 14,600	3,750 - 12,500	Positive
Asiri Hospital Matara (Pvt) Ltd	26, Esplande Road, Uyanwatta, Matara	OMV/ DCC	1 A 2 R 1.5 P	2 buildings	2.00 - 1.80	1.10 - 1.40	1,250 - 14,750	1,500 - 10,000	Positive
Asiri Hospital Galle (Pvt) Ltd	59, Wackwella Road, Galle	OMV/ DCC	3 R 33.20 P	4 buildings	8.00	6.50	5,000 - 13,750	5,000 - 12,500	Positive
Softlogic Retail (Pvt) Ltd	402, Galle Road, Colombo 03	OMV/ DCC/ IM	17.3 P	1 building	22.50	21.00	5,750 - 8,750	5,000 - 6,500	Positive
Odel PLC	29 A, Jayatilake Mw., Panadura	OMV/ DCC/ IM	1 R 2.16 P	1 building	4.50	3.60	5,500 - 7,650	2,950 - 5,250	Positive
	18 & 20, Sama Mw., Boralesgomuwa	OMV/ DCC	20.0 P	1 buildings	2.60	2.20	6,000 - 6,500	4,400 - 4,850	Positive
Odel Properties (Pvt) Ltd	475/32, Kotte Road, Rajagiriya	OMV/ DCC/ IM	1 R 7.42 P	1 building	10.25	9.00	5,500 - 9,500	3,000 - 7,250	Positive
Softlogic Finance PLC	13, De Fonseka Place, Colombo 04	OMV/ DCC/ IM	12.62 P	1 building	20.00	19.50	7,500 - 13,750	8,000 - 13,250	Positive

NOTES TO THE FINANCIAL STATEMENTS

Company	Property	Method of valuation	Extent	No of buildings	Range of estimates for significant unobservable inputs				Correlation to fair value
					Per perch value - Rs. Mn.		Per square foot value - Rs.		
					2023	2022	2023	2022	
Property valuations by Mr. P B Kalugalgedara (Chartered Valuation Surveyor)									
Land and building of									
Softlogic Life Insurance PLC	283, R A De Mel Mw., Kollupitiya, Colombo 03	OMV/ IM	8.0 P	1 building	20.00	20.00	9,000	9,000	Positive

Summary description of valuation methodologies:

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

Open Market Value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Direct Capital Comparison method (DCC)

This method may be adopted when the rental value is not available from the property concerned, but there are evidence of sale price of properties as a whole. In such cases, the capitalised value of the property is fixed by direct comparison with the capitalised value of similar property in the locality.

Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

Residual method (RM)

The residual method is based on the concept that the value of a property with development potential is derived from the value of the property after development minus the cost of undertaking that development, including a profit for the developer.

21.4 Land and buildings

In Rs. '000 As at 31 March	GROUP 2023	 2022
At cost	**3,925,996**	3,343,937
At valuation	**44,471,199**	45,451,303
	48,397,195	48,795,240

Land and buildings carried at cost mainly comprises buildings on leasehold lands owned by Group's Retail sector companies including Softlogic Supermarkets (Pvt) Ltd and Softlogic Restaurants (Pvt) Ltd.

21.5 Carrying value

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
At cost	**16,340,315**	15,684,669	**83,444**	83,922
At valuation	**44,471,199**	45,451,303	**-**	-
	60,811,514	61,135,972	**83,444**	83,922

21.6 The carrying amount of revalued land and buildings if they were carried at cost less depreciation, would be as follows:

In Rs. '000 As at 31 March	Land and buildings	Buildings on leasehold land	GROUP 2023	2022
Cost	14,626,487	8,941,284	**23,567,771**	25,392,424
Accumulated depreciation	(2,216,823)	(1,180,873)	**(3,397,696)**	(3,116,011)
Carrying value	12,409,664	7,760,411	**20,170,075**	22,276,413

21.7 Property, plant and equipment pledged as securities

Group land and buildings with a carrying value of Rs. 18,297.15 Mn (2022 - Rs. 22,322.56 Mn) have been pledged as security for term loans obtained, details of which are disclosed in note 52.

21.8 Fully depreciated but still in use

Group property, plant and equipment with a cost of Rs. 9,633.11 Mn (2022 - Rs. 8,365.18 Mn) have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets in the Company amounts to Rs. 93.23 Mn (2022 - Rs. 69.92 Mn).

21.9 Permanent fall in value of property, plant and equipment

There is no permanent fall in the value of property, plant and equipment which requires a provision for impairment other than the details disclosed under note 18 and note 21.1 to the financial statements.

21.10 Title restriction on property, plant and equipment

There were no restrictions that existed on the title to the property, plant and equipment of the Group/ Company as at the reporting date.

21.11 Transfer of property, plant and equipment to other non-current assets

Group land with a carrying value of Rs. 5,809.05 Mn as at 31 March 2023 has been transferred to other non-current assets, details of which are disclosed in note 29.

22. RIGHT OF USE ASSETS

ACCOUNTING POLICY

Set out below are the accounting policies of the Group upon adoption of SLFRS 16, which have been applied from the date of initial application:

Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Expenses relating to short term leases and leases of low value assets amounting to Rs. 460.63 Mn (2022 - Rs. 245.87 Mn) has recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

22.1 Right of use assets

GROUP

In Rs. '000 As at 31 March	Leasehold properties	Plant and machinery	Motor vehicles	Total 2023	Total 2022
Cost					
At the beginning of the year	12,661,061	396,500	147,436	**13,204,997**	9,202,551
Additions	2,272,218	-	-	**2,272,218**	4,433,541
Acquisition of subsidiary	45,750	-	-	**45,750**	-
Disposals	-	-	-	**-**	(26,194)
Transfers	-	(396,500)	(35,935)	**(432,435)**	(114,165)
Derecognition	(1,205,985)	-	-	**(1,205,985)**	(298,446)
Exchange difference	(931)	-	(443)	**(1,374)**	7,710
At the end of the year	13,772,113	-	111,058	**13,883,171**	13,204,997
Accumulated amortisation					
At the beginning of the year	4,465,876	211,074	70,613	**4,747,563**	3,186,668
Amortisation expense	1,802,384	-	17,804	**1,820,188**	1,828,595
Disposals	-	-	-	**-**	(20,636)
Transfers	-	(211,074)	(35,637)	**(246,711)**	(52,375)
Derecognition	(228,938)	-	-	**(228,938)**	(197,282)
Exchange difference	(1,275)	-	(430)	**(1,705)**	2,593
At the end of the year	6,038,047	-	52,350	**6,090,397**	4,747,563
Carrying value					
As at 31 March 2023	7,734,066	-	58,708	**7,792,774**	
As at 31 March 2022	8,195,185	185,426	76,823		8,457,434

COMPANY

In Rs. '000 As at 31 March	Leasehold properties	Motor vehicles	Total 2023	Total 2022
Cost				
At the beginning of the year	261,957	18,269	**280,226**	52,005
Additions	23,109	-	**23,109**	260,918
Disposals	-	-	**-**	(32,697)
At the end of the year	285,066	18,269	**303,335**	280,226
Accumulated amortisation				
At the beginning of the year	32,437	4,213	**36,650**	32,684
Amortisation expense	48,434	2,284	**50,718**	34,684
Disposals	-	-	**-**	(30,718)
At the end of the year	80,871	6,497	**87,368**	36,650
Carrying value				
As at 31 March 2023	204,195	11,772	**215,967**	
As at 31 March 2022	229,520	14,056		243,576

22.2 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements for the year ended 31 March 2023.

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
At the beginning of the year	**7,937,139**	5,527,343	**241,374**	17,244
Additions	**2,118,176**	3,905,446	**23,109**	260,918
Acquisition of subsidiary	**45,750**	-	**-**	-
Derecognition	**(987,424)**	(124,838)	**-**	-
Interest expense	**852,218**	847,417	**24,609**	12,361
Payments	**(2,474,017)**	(2,270,209)	**(65,761)**	(49,149)
Transfers	**-**	(19,510)	**-**	-
Exchange difference	**167**	71,490	**-**	-
At the end of the year	**7,492,009**	7,937,139	**223,331**	241,374
Repayable within one year	**1,896,051**	1,824,452	**38,356**	37,495
Repayable after one year	**5,595,958**	6,112,687	**184,975**	203,879
	7,492,009	7,937,139	**223,331**	241,374

22.3 Amounts recognised in income statement relating to right of use assets

Following are the amounts recognised in the income statement.

In Rs. '000	GROUP		COMPANY	
For the year ended 31 March	2023	2022	2023	2022
Amounts recognised in income statement				
Amortisation of right of use assets	**1,820,188**	1,828,595	**50,718**	34,684
Interest expense on lease liabilities	**833,460**	799,700	**24,609**	12,361

23. INVESTMENT PROPERTIES

ACCOUNTING POLICY

Properties held to earn rental income and properties held for capital appreciation have been classified as investment property.

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on derecognition or disposal are recognised in the income statement in the year of derecognition or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using the Group accounting policy for property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	**2,175,037**	1,913,880	**939,705**	822,700
Change in fair value during the year	**77,486**	157,920	**117,445**	117,005
Additions resulting from acquisitions	**-**	103,237	**-**	-
At the end of the year	**2,252,523**	2,175,037	**1,057,150**	939,705

23.1 Amounts recognised in income statement relating to investment properties

Following are the amounts recognised in the income statement.

In Rs. '000 For the year ended 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Amounts recognised in income statement				
Revenue	**-**	-	**134,195**	87,286
Direct operating expenses	**-**	-	**99,423**	66,955

23.2 Accounting judgements, estimates and assumptions

The fair value of investment properties is ascertained by independent valuations carried out by Chartered Valuation Surveyors, who have recent experience in valuing properties of similar category in similar location. Investment property is appraised by the independent valuers in accordance with LKAS 40, SLFRS 13 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC). In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within a range of values.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Changes in fair value of lands and buildings which are recognised as investment properties are recognised in the income statement. The valuer has used the open market approach in determining the fair value of the land. Further details on fair value of investment properties are disclosed in the below note.

Valuation details of investment properties - Group

Company	Property	Method of valuation	Extent	Range of estimates for significant unobservable inputs Per perch value - Rs. Mn 2023	2022	Correlation to fair value
Property valuations by Mr. G W G Abeygunawardene (Chartered Valuation Surveyor)						
Land of						
Softlogic Retail (Pvt) Ltd	Dekatana, Gampaha	OMV/ RM	20 A 2 R 27 P	**0.06**	0.05	Positive
Odel Lanka (Pvt) Ltd	271 & 271F, Kaduwela Road, Thalangama & 197/C, Kalapaluwawa Road, Thalangama	OMV/ RM	1 A 1 R 35.24 P	**8.20**	7.95	Positive
Softlogic Communications (Pvt) Ltd	Kahandamodara Road, Kahaduwa, Ranna	OMV	44.7 P	**0.09**	0.09	Positive
	Matara - Hambanthota Road, Ranna, Thangalla	OMV	27.7 P	**0.11**	0.11	Positive
	Jayabima Road, Panagoda	OMV	15.58 P	**0.43**	0.43	Positive
	Udaya Mw., Heiyanthuduwa, Biyagama	OMV	14 P	**0.32**	0.33	Positive
	Bogamuwa Village, Agunakolapalassa	OMV	2 R 2.18 P	**0.03**	0.04	Positive

Company	Property	Method of valuation	Extent	No of buildings	Range of estimates for significant unobservable inputs: Per perch value - Rs. Mn. 2023	Per perch value - Rs. Mn. 2022	Per square foot value - Rs. 2023	Per square foot value - Rs. 2022	Correlation to fair value
Property valuations by Mr. R A R M N Rajakaruna (Chartered Valuation Surveyor)									
Land and building of									
Softlogic Finance PLC	Udawela Village, Rambukwella East Gramaniadari Division Kandy	OMV/ DCC	22 A 1 R 25.4 P	8 buildings	0.02	0.02	1,000 - 5,000	1,000 - 5,000	Positive

Company	Property	Method of valuation	Extent	No of buildings	Range of estimates for significant unobservable inputs: Per perch value - Rs. Mn. 2023	Per perch value - Rs. Mn. 2022	Per square foot value - Rs. 2023	Per square foot value - Rs. 2022	Correlation to fair value
Property valuations by Mr. G W G Abeygunawardene (Chartered Valuation Surveyor)									
Land of									
Softlogic Holdings PLC	14, De Fonseka Place, Colombo 05	OMV	22.45 P	-	20.25 - 19.00	18.50 - 19.50	-	-	Positive
Land and building of									
Softlogic Holdings PLC	262, Gagarama Road, Piliyandala	OMV/ DCC	1 A 2 R 21 P	13 buildings	1.40	1.10	1,000 - 7,250	1,000 - 6,250	Positive

Summary description of valuation methodologies are disclosed under property, plant and equipment and note no. 21.3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

24. INTANGIBLE ASSETS

ACCOUNTING POLICY

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with infinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash generating unit level. The useful life of an intangible asset with an infinite life is reviewed annually to determine whether infinite life assessment continues to be supportable. If not, the change in the useful life assessment from infinite to finite is made on a prospective basis.

Goodwill

Goodwill is initially measured at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Lease rights

Lease rights acquired as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. Leased rights are amortised on a straight-line basis over their estimated useful life.

Present Value of acquired In-force Business (PVIB)

The present value of future profits on a portfolio of long term life insurance contracts as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent actuary. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

The PVIB is amortised over the average useful life of the related contracts in the portfolio. The amortisation charge and any impairment losses would be recognised in the consolidated income statement as an expense.

Purchased software

Purchased software is recognised as an intangible asset and is amortised on a straight line basis over its useful life.

Software licenses

Software license costs are recognised as an intangible asset and amortised over the period of the related license.

Brand name

Brands acquired as part of a business combination, are capitalised as Brands if they meet the definition of an intangible asset and are tested for impairment annually or more frequently if events or changes in the circumstances indicate that the carrying value may be impaired.

A summary of the policies applied to the group's intangible assets is as follows:

Intangible	Useful life	Acquired/ internally generated	Impairment testing
Goodwill	Infinite	Acquired	annually or when an indication of impairment exists
Lease rights	Over the remaining lease period	Acquired	when an indication of impairment exists
Purchased software	3 - 5 years	Acquired	when an indication of impairment arises
Present Value of acquired In-force Business (PVIB)	16 years	Acquired	when an indication of impairment exists
Brand name	Infinite	Acquired	annually or when an indication of impairment exists

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

In Rs. '000	Goodwill	Lease right	PVIB	Brand name	Others*	GROUP		COMPANY	
						Total		Computer Software	
As at 31 March						2023	2022	2023	2022
Cost / carrying value									
At the beginning of the year	4,763,210	892,406	1,980,620	1,509,085	1,722,578	**10,867,899**	11,092,965	**4,929**	7,914
Additions	-	-	-	-	27,800	**27,800**	29,790	**4,226**	3,127
Impairment/ derecognition	-	-	-	-	(3,127)	**(3,127)**	(272,144)	**(3,127)**	(6,112)
Exchange translation difference	-	-	-	-	(1,212)	**(1,212)**	17,288	**-**	-
At the end of the year	4,763,210	892,406	1,980,620	1,509,085	1,746,039	**10,891,360**	10,867,899	**6,028**	4,929
Accumulated amortisation and impairment									
At the beginning of the year	-	245,514	1,310,099	-	851,073	**2,406,686**	2,349,326	**3,096**	6,939
Amortisation	-	22,484	123,789	-	162,420	**308,693**	308,837	**4,694**	2,269
Impairment/ derecognition	-	-	-	-	(3,127)	**(3,127)**	(261,428)	**(3,127)**	(6,112)
Exchange translation difference	-	-	-	-	(1,353)	**(1,353)**	9,951	**-**	-
At the end of the year	-	267,998	1,433,888	-	1,009,013	**2,710,899**	2,406,686	**4,663**	3,096
Carrying value									
As at 31 March 2023	4,763,210	624,408	546,732	1,509,085	737,026	**8,180,461**		**1,365**	
As at 31 March 2022	4,763,210	646,892	670,521	1,509,085	871,505		8,461,213		1,833

* Other intangible assets include purchased software and software licenses, other license fee and franchise fee paid on acquiring operational rights.

NOTES TO THE FINANCIAL STATEMENTS

Goodwill and brand names

Goodwill and brand names acquired through business combinations have been allocated to six cash generating units (CGU's) for impairment testing as follows:

In Rs. '000	Goodwill		Brand name	
As at 31 March	2023	2022	2023	2022
Information Technology	**14,087**	14,087	**-**	-
Retail	**1,358,790**	1,358,790	**998,180**	998,180
Leisure	**182,207**	182,207	**4,169**	4,169
Financial Services	**817,742**	817,742	**-**	-
Healthcare Services	**2,358,921**	2,358,921	**506,736**	506,736
Others	**31,463**	31,463	**-**	-
	4,763,210	4,763,210	**1,509,085**	1,509,085

Present Value of acquired In-force Business (PVIB)

Upon acquiring a controlling stake in Softlogic Life Insurance PLC (previously known as Asian Alliance Insurance PLC), the Group recognised in the consolidated financial statements intangible assets representing the present value of future profits on SLI's portfolio of long term life insurance contracts at the acquisition date, known as the present value of acquired in-force business (PVIB). PVIB recognised at the acquisition date is being amortised over the life of the business acquired and reviewed annually for any impairment in value.

24.1 Accounting judgements, estimates and assumptions

Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market in an arm's length transaction of similar assets, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The recoverable amount of all CGUs have been determined based on the higher of fair value less costs to sell and its Value in Use (VIU) calculation. VIU is determined by discounting the future cash flows generated from continuing use of the unit. The recoverability of quoted entities determined based on share price existed as at reporting date. The key assumptions used are given below:

Business growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year, based on industry growth rates. Cash flows beyond a five year period are extrapolated using zero growth rate.

Inflation

Budgeted cost inflation is the inflation rate, based on projected economic conditions.

Discount rate

The discount rate used is the risk free rate increased by an appropriate risk premium.

Margin

Budgeted gross margins are the gross margins achieved in the year preceding, adjusted for projected market conditions and business plans.

25. INVESTMENT IN SUBSIDIARIES

ACCOUNTING POLICY

Investments in subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses.

In Rs. '000 As at 31 March	Note	COMPANY 2023	 2022
Quoted investments	25.1	**10,556,485**	10,523,713
Unquoted investments	25.2	**17,677,804**	17,677,804
		28,234,289	28,201,517

25.1 Group quoted investments

In Rs. '000 As at 31 March	GROUP No of shares	 Effective holding %	COMPANY No of shares	 Holding %	 2023	 2022
Asiri Hospital Holdings PLC	641,981,927	55.65	627,025,050	55.12	**6,962,642**	6,929,870
Asiri Surgical Hospital PLC	422,555,413	44.50	-	-	**-**	-
Odel PLC	265,920,868	97.72	-	-	**-**	-
Softlogic Capital PLC	755,960,543	77.36	755,960,543	77.36	**3,513,032**	3,513,032
Softlogic Finance PLC	586,700,575	73.75	5,657,598	1.15	**79,251**	79,251
Softlogic Life Insurance PLC	194,121,310	40.06	175,550	0.05	**1,560**	1,560
					10,556,485	10,523,713

Group quoted investments

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Market Value				
Asiri Hospital Holdings PLC	**15,985,350**	24,037,936	**15,612,924**	23,477,053
Asiri Surgical Hospital PLC	**5,281,943**	6,338,331	**-**	-
Odel PLC	**4,467,471**	5,079,089	**-**	-
Softlogic Capital PLC	**8,391,162**	4,686,955	**8,391,162**	4,686,955
Softlogic Finance PLC	**4,576,264**	4,423,089	**44,129**	53,181
Softlogic Life Insurance PLC	**16,383,839**	8,424,865	**14,816**	7,619
	55,086,029	52,990,265	**24,063,031**	28,224,808

NOTES TO THE FINANCIAL STATEMENTS

25.2 Group unquoted investments

In Rs. '000 As at 31 March	GROUP Number of shares	Effective holding %	COMPANY Number of shares	Holding %	2023	2022
Asiri A O I Cancer Centre (Pvt) Ltd	2,700,000	22.25	-	-	**-**	-
Asiri Central Hospitals Ltd	10,925,927	52.58	-	-	**-**	-
Asiri Diagnostic Services (Asia) Pte Ltd	1	55.65	-	-	**-**	-
Asiri Diagnostics Services (Pvt) Ltd	273,221	37.03	-	-	**-**	-
Asiri Hospital Galle (Pvt) Ltd	44,000,002	55.65	-	-	**-**	-
Asiri Hospital Matara (Pvt) Ltd	25,999,999	55.65	-	-	**-**	-
Asiri Laboratories (Pvt) Ltd	100,000	55.65	-	-	**-**	-
Asiri Myanmar Ltd	1	55.65	-	-	**-**	-
Asiri Port City Hospital (Pvt) Ltd	1	55.65	-	-	**-**	-
Central Hospital Ltd	214,539,804	55.50	-	-	**-**	-
Ceysand Resorts Ltd - Voting Shares	17,087,669	99.90	-	-	**-**	-
- Non Voting Shares	134,250	96.58	-	-	**-**	-
Cotton Collection (Pvt) Ltd	5,100,100	97.72	-	-	**-**	-
Dai-Nishi Securities (Pvt) Ltd	49,999,998	99.99	-	-	**-**	-
Future Automobiles (Pvt) Ltd	19,300,000	100.00	19,300,000	100.00	**195,675**	195,675
Odel Apparel Holdings (Pvt) Ltd	1	97.72	-	-	**-**	-
Odel Apparel Lanka (Pvt) Ltd	1	97.72	-	-	**-**	-
Odel Apparels (Pvt) Ltd	2	97.72	-	-	**-**	-
Odel Information Technology Services (Pvt) Ltd	1	97.72	-	-	**-**	-
Odel Lanka (Pvt) Ltd	27,000,002	97.72	-	-	**-**	-
Odel Properties (Pvt) Ltd	1,081,002	97.72	-	-	**-**	-
Odel Properties One (Pvt) Ltd	311,331,100	97.72	-	-	**-**	-
Odel Restaurants (Pvt) Ltd	100,000	97.72	-	-	**-**	-
Silk Route Foods (Pvt) Ltd	5,100	51.00	-	-	**-**	-
SML Holdings (Pvt) Ltd	99,999	99.99	-	-	**-**	-
Softlogic Australia (Pty) Ltd - Ordinary Shares	1,900,002	100.00	1,900,002	100.00	**162,256**	162,256
- Preference Shares	256,578	100.00	256,578	100.00	**31,687**	31,687
Softlogic Asset Management (Pvt) Ltd	5,000,002	77.36	-	-	**-**	-
Softlogic Automobiles (Pvt) Ltd	5,000,000	100.00	5,000,000	100.00	**50,000**	50,000
Softlogic B P O Services (Pvt) Ltd	5,100,000	100.00	5,100,000	100.00	**51,000**	51,000
Softlogic Brands (Pvt) Ltd	716,368	97.72	-	-	**-**	-
Softlogic City Hotels (Pvt) Ltd	230,569,836	99.92	-	-	**-**	-
Softlogic Communication Services (Pvt) Ltd	100	100.00	-	-	**-**	-
Softlogic Communications (Pvt) Ltd	10,442,153	100.00	-	-	**-**	-
Softlogic Computers (Pvt) Ltd	200,000	100.00	200,000	100.00	**2,354**	2,354
Softlogic Corporate Services (Pvt) Ltd	2,725,002	100.00	2,725,002	100.00	**10,394**	10,394
Softlogic Destination Management (Pvt) Ltd	100,000	100.00	100,000	100.00	**1,000**	1,000
Softlogic Healthcare Holdings (Pvt) Ltd	100,000	100.00	100,000	100.00	**1,000**	1,000
Softlogic Healthy Concepts (Pvt) Ltd	1	60.00	-	-	**-**	-
Softlogic Information Technologies (Pvt) Ltd	436,496	100.00	436,496	100.00	**4,906**	4,906
Softlogic International (Pvt) Ltd	669,808	100.00	-	-	**-**	-
Softlogic JSM Entertainment (Pvt) Ltd	1	100.00	-	-	**-**	-
Softlogic Mobile Distribution (Pvt) Ltd	1,000,000	100.00	-	-	**-**	-
Softlogic Pharmaceuticals (Pvt) Ltd	2,500,000	100.00	-	-	**-**	-
Softlogic Properties (Pvt) Ltd	483,421,208	99.92	483,421,208	99.92	**4,438,214**	4,438,214
Softlogic Restaurants (Pvt) Ltd	154,500,000	100.00	-	-	**-**	-
Softlogic Retail (Pvt) Ltd	489,345,616	99.99	-	-	**-**	-
Softlogic Retail Holdings (Pvt) Ltd	871,812,380	100.00	871,812,380	100.00	**12,948,893**	12,948,893
Softlogic Retail One (Pvt) Ltd	100,000	100.00	100,000	100.00	**1,000**	1,000
Softlogic Rewards (Pvt)Ltd	100,000	100.00	100,000	100.00	**1,000**	1,000
Softlogic Solar (Pvt) Ltd	100	100.00	100	100.00	**1**	1
Softlogic Stockbrokers (Pvt) Ltd	19,700,000	77.36	-	-	**-**	-
Softlogic Supermarkets (Pvt) Ltd	82,100,000	100.00	-	-	**-**	-
Suzuki Motors Lanka Ltd	13,959,994	99.99	-	-	**-**	-
					17,899,380	17,899,380
Less - Impairment of investments (Note 25.3)					**(221,576)**	(221,576)
					17,677,804	17,677,804

25.3 Accounting judgements, estimates and assumptions

Impairment of investments

An impairment assessment was carried out as at 31 March 2023 and it was concluded that the net realisable value of all investments included under quoted and unquoted investments exceed their carrying value except for the investments made in Future Automobiles (Pvt) Ltd, Softlogic Solar (Pvt) Ltd, Softlogic Healthcare Holdings (Pvt) Ltd and Softlogic Australia (Pty) Ltd.

Movement in provision for impairment of investments in subsidiaries

In Rs. '000 As at 31 March	COMPANY 2023	 2022
At the beginning of the year	**221,576**	220,576
Provision for impairment	**-**	1,000
At the end of the year	**221,576**	221,576

26. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

ACCOUNTING POLICY

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

Associate companies of the Group which have been accounted for under the equity method of accounting are:

Name of the company	Country of incorporation	Effective holding %
Gerry's Softlogic (Pvt) Ltd	Pakistan	-
Jendo Innovations (Pvt) Ltd	Sri Lanka	20.70
Nextage (Pvt) Ltd	Sri Lanka	50.00
Sabre Travel Network Lanka (Pvt) Ltd	Sri Lanka	40.00
Softlogic Manufacturing (Pvt) Ltd	Sri Lanka	20.00

The considerations assessed in determining significant influence a similar to those in determining control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group's share of the results of operations of associates. OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's shares of profit or loss of associates is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate venture and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

The accounting policies of associate companies conform to those of the Group.

The equity method of accounting has been applied for associates using their financial statements for the corresponding financial period or a matching 12 month period. In the case of associates whose reporting date is different to Group's reporting date, adjustments are made for significant transactions or events up to 31 March.

NOTES TO THE FINANCIAL STATEMENTS

In Rs. '000 As at 31 March	Note	GROUP 2023	2022	COMPANY 2023	2022
Investments in equity accounted investees	26.1	**64,083**	44,274	**41,000**	41,000
		64,083	44,274	**41,000**	41,000

26.1 Group investments in equity accounted investees

In Rs. '000 As at 31 March	Note	GROUP 2023	2022	COMPANY 2023	2022
Investments in associates					
Unquoted					
Gerry's Softlogic (Pvt) Ltd		**-**	-	**2,700**	2,700
Nextage (Pvt) Ltd		**1,790**	2,378	**1,250**	1,250
Jendo Innovations (Pvt) Ltd		**28,576**	28,509	**30,000**	30,000
Sabre Travel Network Lanka (Pvt) Ltd		**13,908**	25,993	**9,750**	9,750
Softlogic Manufacturing (Pvt) Ltd		**-**	-	**-**	-
		44,274	56,880	**43,700**	43,700
Less: impairment of investment in Gerry's Softlogic (Pvt) Ltd		**-**	-	**(2,700)**	(2,700)
		44,274	56,880	**41,000**	41,000
Share of profit accruing to the group	26.2	**38,960**	(12,574)	**-**	-
Share of OCI accruing to the group	26.2	**849**	(32)	**-**	-
Share of dividend of equity accounted investees		**(20,000)**	-	**-**	-
		64,083	44,274	**41,000**	41,000

26.2 Summarised financial information of equity accounted investees

In Rs. '000 As at 31 March	Equity accounted investees 2023	2022
Group share of:		
Revenue	**81,635**	24,659
Operating expenses	**(50,099)**	(37,233)
Other income	**7,424**	-
Profit/ (loss) for the year	**38,960**	(12,574)
Group share of:		
Share of other comprehensive income/ (loss) of equity accounted investees	**849**	(32)
Net share of other comprehensive income/ (loss) for the year	**849**	(32)
Group share of:		
Total assets	**90,795**	94,435
Total liability	**(43,843)**	(67,292)
Net assets	**46,952**	27,143
Deferred tax on undistributable profits	**(5,917)**	(5,917)
Goodwill	**23,048**	23,048
	64,083	44,274
Contingent liabilities	**Nil**	Nil
Capital commitments	**Nil**	Nil
Adjustment on losses exceeding interest in equity accounted investees	**2,265**	-

27. NON - CURRENT FINANCIAL ASSETS

In Rs. '000 As at 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Other quoted equity investments	27.1	**1,271,166**	1,463,152	**-**	-
Other unquoted equity investments	27.2	**385,640**	371,050	**-**	-
Other non equity investments	27.3	**31,764,614**	24,313,677	**1,562,784**	1,658,170
		33,421,420	26,147,879	**1,562,784**	1,658,170

27.1 Other quoted equity investments

In Rs. '000 As at 31 March	Number of shares	GROUP 2023	 2022
ACL Cables PLC	1,232	**102**	35
National Development Bank PLC	26,734,158	**1,200,364**	1,399,099
Seylan Bank PLC	2,099,988	**69,930**	63,200
Seylan Bank PLC - Non Voting Shares	34,206	**770**	818
		1,271,166	1,463,152

27.2 Other unquoted equity investments

In Rs. '000 As at 31 March	Number of shares	GROUP 2023	 2022
Cargills Bank PLC (previously known as Cargills Bank Ltd)	34,000,000	**355,640**	341,050
Digital Health (Pvt) Ltd	3,000,000	**30,000**	30,000
		385,640	371,050

27.3 Other non equity investments

In Rs. '000 As at 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Debentures		**6,947,664**	7,794,651	**-**	-
Fixed deposits		**249,967**	-	**-**	-
Government securities		**22,748,874**	13,506,216	**-**	-
Investment in Securitised Borrowings		**459,422**	732,143	**-**	-
Loans and advances	32	**1,354,956**	2,279,436	**-**	-
Loans to executives		**3,700**	1,200	**-**	-
Loans to subsidiaries		**-**	-	**1,562,784**	1,658,170
Placement with banks and financial institutions		**31**	31	**-**	-
		31,764,614	24,313,677	**1,562,784**	1,658,170

NOTES TO THE FINANCIAL STATEMENTS

28. RENTAL RECEIVABLE ON LEASE ASSETS AND HIRE PURCHASE

ACCOUNTING POLICY

Initial recognition and measurement

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised. Amounts receivable under finance leases are included under "Rentals receivable on leased assets". Leasing balances are stated in the statement of financial position after deduction of initial rentals received, unearned lease income and the provision for impairment losses.

28.1 Receivable from one to five years

In Rs. '000 As at 31 March	GROUP					
	2023			2022		
	Rental receivable on lease assets	Rental receivable on hire purchase	Total	Rental receivable on lease assets	Rental receivable on hire purchase	Total
Rental receivables	**10,021,136**	**-**	**10,021,136**	14,432,716	-	14,432,716
Unearned income	**(2,444,979)**	**-**	**(2,444,979)**	(4,007,764)	-	(4,007,764)
Impairment	**(481,774)**	**-**	**(481,774)**	(206,258)	-	(206,258)
	7,094,383	**-**	**7,094,383**	10,218,694	-	10,218,694

28.2 Receivable within one year

In Rs. '000 As at 31 March	GROUP					
	2023			2022		
	Rental receivable on lease assets	Rental receivable on hire purchase	Total	Rental receivable on lease assets	Rental receivable on hire purchase	Total
Rental receivables	**843,503**	**79,186**	**922,689**	1,177,878	94,844	1,272,722
Unearned income	**(34,299)**	**-**	**(34,299)**	(80,232)	-	(80,232)
Impairment	**(125,483)**	**(36,452)**	**(161,935)**	(112,137)	(36,163)	(148,300)
	683,721	**42,734**	**726,455**	985,509	58,681	1,044,190
Total rental receivable	**7,778,104**	**42,734**	**7,820,838**	11,204,203	58,681	11,262,884

28.3 Accounting judgements, estimates and assumptions

Impairment of rental receivables

For rental receivables on lease assets and hire purchases, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

28.3.1 Analysis of rental receivable on lease assets and hire purchase on maximum exposure to credit risk

In Rs. '000 As at 31 March	Stage 1	Stage 2	Stage 3	Total 2023
Gross rental receivables - subject to collective impairment	3,013,038	2,078,717	3,372,792	**8,464,547**
Allowance for expected credit losses (ECL)	(19,569)	(75,555)	(548,585)	**(643,709)**
	2,993,469	2,003,162	2,824,207	**7,820,838**

In Rs. '000 As at 31 March	Stage 1	Stage 2	Stage 3	Total 2022
Gross rental receivables - subject to collective impairment	6,487,354	3,762,232	1,367,856	11,617,442
Allowance for expected credit losses (ECL)	(37,045)	(131,673)	(185,840)	(354,558)
	6,450,309	3,630,559	1,182,016	11,262,884

28.3.2 Movement in allowance for expected credit losses (ECL)

In Rs. '000 As at 31 March	Stage 1	Stage 2	Stage 3	Total 2023
Balance as at 01 April 2022	37,045	131,673	185,840	354,558
Charge to income statement	(17,476)	(56,118)	362,745	289,151
	19,569	75,555	548,585	643,709

In Rs. '000 As at 31 March	Stage 1	Stage 2	Stage 3	Total 2022
Balance as at 01 April 2021	23,632	36,128	145,841	205,601
Charge to income statement	13,413	95,545	35,802	144,760
Transfers/ movements	-	-	4,197	4,197
	37,045	131,673	185,840	354,558

29. OTHER NON-CURRENT ASSETS

In Rs. '000 As at 31 March	Note	GROUP 2023	 2022
Rent advances		**813,531**	833,398
Deferred expenditure		**1,259**	1,020
Work-in-progress - Odel Mall project	29.1	**14,942,242**	6,825,996
		15,757,032	7,660,414

29.1 Work-in-progress - Odel Mall project

Odel Properties One (Pvt) Ltd, a fully own subsidiary of Odel PLC is engaged in the development and construction of an integrated complex with an approximate area of 641,100 sq. ft., comprising of retail and associate facilities, offices, residential units, cinemas and a car park.

Work-in-progress - Odel Mall project includes advances paid to contractors, directly attributable cost incurred on the project and borrowing cost capitalised. The amount of borrowing costs capitalised during the year ended 31 March 2023 was Rs. 1,317.34 Mn (2022 – Rs. 383.17 Mn).

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of work-in-progress (WIP) - Odel Mall project

In Rs. '000 As at 31 March	GROUP 2023	 2022
At the beginning of the year	**6,825,996**	4,840,704
Additions during the period	**2,307,201**	2,161,312
Transfer of apartments work-in-progress to inventories	**-**	(176,020)
Transfer of property, plant and equipment to other non-current assets	**5,809,045**	-
At the end of the year	**14,942,242**	6,825,996

Odel Mall Project - Construction work-in-progress segregation and classification

The Group has segregated the cost incurred for the Odel Mall project under the Odel Mall portion and apartment portion separately in the financial statements. Odel Mall cost portion of the project will be categorised under Property, Plant and Equipment and investment property and currently it is under Other non-current assets as capital work in progress. Apartment cost portion of the project will be categorised under current assets as inventory work in progress.

The cost segregation is based on following guidelines;

» net floor area

» element of work

» functional allocation

Upon completion of the project, the total project cost will be allocated in the following percentages under each asset category. As estimated at this juncture, the final project cost allocation will be done in an absolute manner once the project is at near completion.

Asset category	Type	Cost percentage
Property, plant and equipment and investment properties	Office premises and retail space	88%
Inventory	Apartments	12%
		100%

Current status of Odel Mall project

Currently the superstructure of phase One of Odel Mall Project is completed up to the sixth floor including five basements. The Group is anticipated to complete this whole project within a period of 24 months from the mid of FY 2024/25.

The progress of the project is currently slow down due to a combination of adverse economic condition prevailed in the country and industry conditions such as;

» Supply Chain Disruptions : The adverse economic condition in the country including restrictions on importation continuously interrupted the continuous supply of construction materials and other required project equipment. Therefore, the delay in continuous supply of essential materials significantly impacted the smooth progression of Mall construction project.

» Financing Challenges : Significant upward movement in interest rates and liquidity shortage in the country adversely impacted to the project funding strategy. As a result of adverse socio-economic instability prevailed in the country, the project funding institutions have become more cautious about the project viability and takes additional time to confirm the required funding for the project construction.

» Project Reassessment : Considering the prevailed socio-economic challenges in the country, the Group has taken opportunities to reassess the viability of the Odel Mall Project. Changes in socio-economic condition in the country and consumer behaviour including purchasing power were mainly assessed in the project viability. Further, this reassessment includes revised estimated project cost to complete, alternative financing strategies available and expected profitability including occupancy level etc.

Transfer of property, plant and equipment to other non-current assets

Group land with a carrying value of Rs. 5,809.05 Mn as at 31 March 2023 has been transferred to other non-current assets, details of which are disclosed in note 21.11.

Other non-current assets pledged as securities

Group other non-current assets with a carrying value of Rs. 5,400.00 Mn have been pledged as security for term loans obtained, details of which are disclosed in note 52.

Revaluation of land component in other non-current assets

Accounting judgements, estimates and assumptions

The Group uses the revaluation model of measurement of land included under other non-current assets. The Group engaged independent expert valuers, to determine the fair value of its land. Fair value is determined by reference to market-based evidence of transaction prices for similar properties.

Details of group's land included under other non-current assets stated at valuations are indicated below:

Company	Property	Method of valuation	Extent	Range of estimates for significant unobservable inputs Per perch value - Rs. Mn. 2023	2022	Correlation to fair value
Property valuations by Mr. G W G Abeygunawardene (Chartered Valuation Surveyor)						
Odel PLC	Dr. C W W. Kannangara Mw., Colombo 07	OMV/ DCC	1 A 3 R 27.58 P	20.50 - 22.00	20.50 - 22.00	Positive

30. INVENTORIES

ACCOUNTING POLICY

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is:

» Manufactured finished goods - cost of direct materials and direct labour and an appropriate proportion of fixed overheads based on normal operating capacity

» Purchased finished goods - at actual cost on first-in first-out basis or weighted average cost

» Apartment inventory and apartment inventory in WIP - actual cost

» Other stock - actual cost

In Rs. '000 As at 31 March	Note	GROUP 2023	2022	Company 2023	2022
Finished goods		**5,875,106**	9,886,652	**-**	-
Apartment inventory work-in-progress - Odel Mall project		**1,978,716**	1,755,996		
Other stocks		**3,097,282**	2,553,895	**281**	-
		10,951,104	14,196,543	**281**	-
Less - provision for write-down of inventories	30.1	**(764,364)**	(725,346)	**-**	-
		10,186,740	13,471,197	**281**	-

30.1 Movement in provision for write-down of inventories

In Rs. '000 As at 31 March	GROUP 2023	2022
At the beginning of the year	**725,346**	637,670
Provision for write-down of inventories	**58,612**	128,888
Written off during the year	**(19,594)**	(41,212)
At the end of the year	**764,364**	725,346

NOTES TO THE FINANCIAL STATEMENTS

31. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial receivables are recognised as other receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Reinsurance receivables

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

In Rs. '000 As at 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Trade receivables	31.1	**6,051,128**	7,513,078	**679,662**	1,538,184
Reinsurance receivables		**712,689**	412,528	**-**	-
Loans to executives		**119,817**	23,411	**9,060**	4,509
Other receivables	31.2	**1,390,119**	1,556,861	**24,369**	764,317
		8,273,753	9,505,878	**713,091**	2,307,010

31.1 Trade receivables

In Rs. '000 As at 31 March	Note	Gross	Unearned income	GROUP 2023	 2022	COMPANY 2023	 2022
Hire purchase debtors		2,148,110	(92,816)	**2,055,294**	2,808,845	**-**	-
Trade receivables		6,491,612	-	**6,491,612**	7,173,573	**1,014,219**	1,687,983
		8,639,722	(92,816)	**8,546,906**	9,982,418	**1,014,219**	1,687,983
Less - provision for impairment of trade receivables	31.3.1			**(2,495,778)**	(2,469,340)	**(334,557)**	(149,799)
		8,639,722	(92,816)	**6,051,128**	7,513,078	**679,662**	1,538,184

31.2 Other receivables

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Other receivables	**1,438,233**	1,604,975	**72,483**	812,431
Less - provision for impairment of other receivables	**(48,114)**	(48,114)	**(48,114)**	(48,114)
	1,390,119	1,556,861	**24,369**	764,317

31.3 Accounting judgements, estimates and assumptions

Impairment of receivables

The Group assesses the evidence of impairment of receivables at both an individual asset and at a collective level. All individually significant receivables are individually assessed for impairment by considering objective evidence i.e. significant financial difficulties or default in payments of a customer. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Receivables that are not individually significant are collectively assessed for impairment.

Collective assessment is carried out by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

31.3.1 Movement in provision for trade receivables

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	**2,469,340**	1,695,807	**149,799**	149,799
Provision for impairment of trade receivables	**92,420**	780,727	**184,758**	-
Written offs during the year	**(65,982)**	(7,194)	**-**	-
At the end of the year	**2,495,778**	2,469,340	**334,557**	149,799

32. LOANS AND ADVANCES

ACCOUNTING POLICY

Initial recognition and measurement

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Policyholders loans are granted up to 90% of the surrender value of a life insurance policy at a rate equivalent to the market rate.

Subsequent measurement

Loans and advances are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the income statement. The losses arising from impairment are recognised in 'impairment charge for loans and advances' in the income statement.

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In Rs. '000 As at 31 March	Gross	Unearned income	GROUP 2023	2022
Consumer loan receivables	13,315	(130)	**13,185**	16,660
Factoring receivables	149,004	-	**149,004**	733,919
Gold loan receivables	4,565,628	-	**4,565,628**	2,903,406
Other loan receivables	5,860,110	(861,933)	**4,998,177**	5,524,414
Personal loan receivables	857,509	(101,779)	**755,730**	723,395
Revolving loan receivables	700,563	(1,790)	**698,773**	889,215
SME loan receivables	1,113,500	(5,717)	**1,107,783**	1,207,768
Gross loan receivable	13,259,629	(971,349)	**12,288,280**	11,998,777
Less - Allowance for impairment			**(3,451,604)**	(2,677,045)
	13,259,629	(971,349)	**8,836,676**	9,321,732
Policyholders loans	224,191	-	**274,514**	224,191
	13,483,820	(971,349)	**9,111,190**	9,545,923
Loans and advances				
Receivable within one year			**7,756,234**	7,266,487
Receivable after one year (Note - 27.3)			**1,354,956**	2,279,436
			9,111,190	9,545,923

32.1 Accounting judgements, estimates and assumptions

32.1.1 Impairment of loans and advances

Analysis of loan receivables on maximum exposure to credit risk

In Rs. '000 As at 31 March	Stage 1	Stage 2	Stage 3	Total 2023
Gross loan receivables				
- subject to collective impairment (excluding policyholders loans)				
Consumer loan receivables	387	139	12,659	**13,185**
Factoring receivables	84,650	11,657	52,697	**149,004**
Gold loan receivables	2,981,733	952,692	631,203	**4,565,628**
Other loan receivables	1,003,762	53,245	3,941,170	**4,998,177**
Personal loan receivables	185,413	7,392	562,925	**755,730**
Revolving loan receivables	40	-	698,733	**698,773**
SME loan receivables	1,351	1,525	1,104,907	**1,107,783**
Gross loan receivable	4,257,336	1,026,650	7,004,294	**12,288,280**
Less - Allowance for expected credit losses (ECL)	(15,485)	(19,682)	(3,416,437)	**(3,451,604)**
	4,241,851	1,006,968	3,587,857	**8,836,676**

In Rs. '000 As at 31 March	Stage 1	Stage 2	Stage 3	Total 2022
Gross loan receivables				
- subject to collective impairment (excluding policyholders loans)				
Consumer loan receivables	3,982	75	12,603	16,660
Factoring receivables	204,603	150,013	379,303	733,919
Gold loan receivables	2,053,037	495,891	354,478	2,903,406
Other loan receivables	542,494	101,459	4,880,461	5,524,414
Personal loan receivables	156,319	2,412	564,664	723,395
Revolving loan receivables	189,887	10,525	688,803	889,215
SME loan receivables	66,362	9,107	1,132,299	1,207,768
Gross loan receivable	3,216,684	769,482	8,012,611	11,998,777
Less - Allowance for expected credit losses (ECL)	(33,678)	(73,733)	(2,569,634)	(2,677,045)
	3,183,006	695,749	5,442,977	9,321,732

32.1.2 Overview of the expected credit loss (ECL) principles

Movement in allowance for expected credit losses (ECL)

In Rs. '000 As at 31 March	Stage 1	Stage 2	Stage 3	Total 2023
Balance as at 01 April 2022	33,678	73,733	2,569,634	**2,677,045**
Charge/ (reversal) to income statement	(18,193)	(54,051)	846,803	**774,559**
	15,485	19,682	3,416,437	**3,451,604**

In Rs. '000 As at 31 March	Stage 1	Stage 2	Stage 3	Total 2022
Balance as at 01 April 2021	41,138	102,005	1,716,546	1,859,689
Charge/ (reversal) to income statement	(7,460)	(28,272)	940,585	904,853
Transfers / movements	-	-	(87,497)	(87,497)
	33,678	73,733	2,569,634	2,677,045

The Group established a policy to perform as assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 1 When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2 When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3 Loans considered credit-impaired. The Group records an allowance for the LTECLs.

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POCI Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

The Calculation of Expected Credit Loss (ECL)

The Group calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows.

Probability of Default (PD)

The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD)

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

Loss Given Default (LGD)

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method are summarised below.

Stage 1 The 12mECL is calculated as the portion of LTECLs that represent the ECLs result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage 2 When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan Commitments

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

Financial Guarantee contracts

The Group's liability under each guarantee is measured at the higher of the initially recognised fair value less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability - weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

33. OTHER CURRENT ASSETS

ACCOUNTING POLICY

The Group classifies all non-financial current assets under other current assets. Other current assets comprise mainly advances, deposits, prepayments and tax refunds and receivables.

Advances and deposits are carried at historical value less a provision for impairment. Prepayments are amortised over the period during which they are utilised and are carried at historical value less amortisation and impairments if any.

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
Prepayments, advances & non-cash receivables	**2,498,508**	2,673,024	**38,484**	49,434
Tax refunds & receivables	**769,872**	822,701	**48,679**	48,679
Other receivables	**328,902**	502,147	**-**	-
	3,597,282	3,997,872	**87,163**	98,113

34. SHORT TERM INVESTMENTS

In Rs. '000	Note	GROUP		COMPANY	
As at 31 March		2023	2022	2023	2022
Quoted equities at market value	34.1	**15,276**	96,282	**14,768**	5,471
Unquoted equity investments	34.2	**104,600**	100,300	**104,600**	100,300
Other investments (more than 3 months and less than 1 year)	34.3	**1,335,929**	4,681,226	**-**	-
		1,455,805	4,877,808	**119,368**	105,771
Other investments (less than 3 months)					
Commercial papers		**1,056,302**	920,790	**-**	679,075
Fixed deposits		**729,333**	1,289,575	**-**	-
Government securities		**3,908,917**	4,874,234	**-**	-
Investment in Unit Trust		**3,064,600**	3,102,095	**-**	-
		8,759,152	10,186,694	**-**	679,075
		10,214,957	15,064,502	**119,368**	784,846

NOTES TO THE FINANCIAL STATEMENTS

34.1 Quoted equities at market value

In Rs. '000 As at 31 March	GROUP Number of shares	2023	2022	COMPANY Number of shares	2023	2022
ACL Cables PLC	528	**42**	10	-	**-**	-
Aitken Spence PLC	-	**-**	5,397	-	**-**	-
Ceylinco Insurance PLC	89	**205**	205	-	**-**	-
DFCC Bank PLC	296	**24**	24	-	**-**	-
Expolanka Holdings PLC	-	**-**	40,118	-	**-**	-
John Keells Holdings PLC	334	**49**	11,152	-	**-**	-
Lanka IOC PLC	63,200	**10,839**	5,196	63,200	**10,839**	1,947
Lanka Tiles PLC	997	**62**	62	-	**-**	-
LOLC Holdings PLC	-	**-**	22,525	-	**-**	-
National Development Bank PLC	1,393	**63**	81	-	**-**	-
Renuka City Hotel PLC	50	**12**	12	-	**-**	-
Richard Pieris and Company PLC	210	**2**	2	-	**-**	-
Richard Pieris Exports PLC	200	**49**	49	-	**-**	-
Sampath Bank PLC	56,316	**2,957**	2,579	56,316	**2,957**	2,579
Seylan Bank PLC	145	**5**	5	159	**5**	5
Seylan Bank PLC - Non Voting Shares	37,918	**967**	940	42,981	**967**	940
Teejay Lanka PLC	-	**-**	7,925	-	**-**	-
		15,276	96,282		**14,768**	5,471

34.2 Unquoted equity investments

In Rs. '000 As at 31 March	GROUP Number of shares	2023	2022	COMPANY Number of shares	2023	2022
Cargills Bank PLC (previously known as Cargills Bank Ltd)	10,000,000	**104,600**	100,300	10,000,000	**104,600**	100,300
		104,600	100,300		**104,600**	100,300

34.3 Other investments

In Rs. '000 As at 31 March	GROUP 2023	2022
More than 3 months and less than 1 year		
Debentures maturing within a year	**912,247**	560,452
Fixed deposits	**32,920**	901,673
Government securities	**33,497**	3,036,774
Investment in securitised papers	**351,051**	-
Investment in Unit Trust	**249**	182,327
Placement with banks and financial institutions	**5,965**	-
	1,335,929	4,681,226

35. CASH AND CASH EQUIVALENTS

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Favourable balances				
Cash in hand and at bank	**5,260,169**	9,123,612	**1,564,616**	1,485,572
	5,260,169	9,123,612	**1,564,616**	1,485,572
Unfavourable balances				
Bank overdrafts	**9,382,693**	6,689,573	**236,206**	150,329
	9,382,693	6,689,573	**236,206**	150,329

36. STATED CAPITAL

As at 31 March	2023 Number of shares	 Value of shares Rs. '000	2022 Number of shares	 Value of shares Rs. '000
Fully Paid Ordinary Shares				
At the beginning of the year	**1,192,543,209**	**12,119,235**	1,192,543,209	12,119,235
	1,192,543,209	**12,119,235**	1,192,543,209	12,119,235

NOTES TO THE FINANCIAL STATEMENTS

37. OTHER COMPONENTS OF EQUITY

In Rs. '000 As at 31 March	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Restricted regulatory reserve	37.1	**309,613**	309,613	**-**	-
Revaluation reserve	37.2	**13,311,383**	12,448,948	**-**	-
Foreign currency translation reserve	37.3	**(136,714)**	(141,749)	**-**	-
Fair value reserve of financial assets at FVOCI	37.4	**(1,552,983)**	(1,339,562)	**(20,400)**	(24,700)
Statutory reserve fund	37.5	**263,436**	263,436	**-**	-
Other reserves	37.6	**(1,689,786)**	(1,670,898)	**-**	-
Cash flow hedge reserve	37.7	**(4,443,631)**	(4,025,654)	**-**	-
Non distributable regulatory loss allowance reserve	37.8	**1,289,904**	-	**-**	-
		7,351,222	5,844,134	**(20,400)**	(24,700)

37.1 Restricted regulatory reserve reflects the equity holders share of one-off surplus attributable to policyholder non-participating fund to shareholder fund of Softlogic Life Insurance PLC. This reserve has been made as per the direction No. 16 dated 20 March 2018 issued by the 'Insurance Regulatory Commission of Sri Lanka (IRCSL) on 'Identification and Treatment of one-off surplus.'

37.2 Revaluation reserve consists of the net surplus on the revaluation of property.

37.3 Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and net equity investments of other currency denominated associates into Sri Lankan Rupees (Rs.).

37.4 Fair value reserve of financial assets at FVOCI includes changes on fair value of financial instruments designated as financial assets at FVOCI.

37.5 Statutory reserve fund reflects the profit transfer made by Softlogic Finance PLC in compliance with the Central Bank direction No. 01 of 2003.

37.6 Other reserve is used to recognise goodwill or gains from purchases on subsequent acquisitions of further equity interests in subsidiaries and gains or losses arising from partial and deemed acquisitions/disposals in its subsidiaries.

37.7 Cash flow hedge reserve reflects the effective portion of the gain/ (loss) on the hedging instrument.

37.8 As per Section 7.1.3 of Central Bank, Finance Business Act Direction No. 01 of 2020, Softlogic Finance PLC shall maintain a Non-Distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of its retained earnings, where the loss allowance for expected credit loss falls below the regulatory provision. Accordingly, the company has created a RLAR and the amount of the RLAR as of 31 March 2023 was to Rs. 1,748.97 Mn. the equity holders share of non distributable regulatory loss allowance reserve as at reporting date is amounting to Rs. 1,289.90 Mn.

38. INSURANCE CONTRACT LIABILITIES

ACCOUNTING POLICY

The Directors agree to the long term insurance business provisions on the recommendation of the actuary following valuation of the life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the Appointed Actuary.

In Rs. '000 As at 31 March	Note	GROUP 2023	GROUP 2022
Insurance contract liabilities	38.1	**24,462,094**	22,559,124
		24,462,094	22,559,124

38.1 Movement in life insurance fund

In Rs. '000 As at 31 March	Note	GROUP 2023	 2022
At the beginning of the year		**22,559,124**	17,947,994
Increase in life fund		**6,211,266**	7,240,850
Transfer to shareholders		**(4,263,000)**	(2,527,000)
Increase in insurance contract liabilities	38.2	**1,948,266**	4,713,850
Tax on policyholder bonus & Unit link seed capital		**(45,296)**	(102,720)
At the end of the year		**24,462,094**	22,559,124

38.2 Change in life insurance contract liabilities

The results of Softlogic Life Insurance PLC life business segment is consolidated line by line into the Group's consolidated income statement.

The change in life insurance contract liabilities represents the transfer to the Life Fund, the difference between all income and expenditure attributable to life policyholders during the year.

In Rs. '000 For the year ended 31 March	GROUP 2023	 2022
Revenue from insurance contracts	**20,472,418**	19,165,724
Total benefits and claims expenses	**(14,788,416)**	(10,781,208)
Underwriting results	**5,684,002**	8,384,516
Operating expenses including distribution and administration expenses	**(4,399,557)**	(4,569,185)
Net finance income	**4,926,821**	3,425,519
Profit attributable to shareholders	**(4,263,000)**	(2,527,000)
Change in insurance contract liabilities	**1,948,266**	4,713,850

NOTES TO THE FINANCIAL STATEMENTS

38.3 Recommendation of surplus transfer

The valuation of the life insurance fund as at 31 March 2023 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India (Pvt) Limited, who recommended:

» no transfer to shareholders from the participating life fund

» transfer of a sum of Rs. 4,263.00 Mn to non-participating life insurance fund / insurance contract liabilities to the shareholders' fund (2022 - Rs. 2,527.00 Mn), as recommended by the Appointed Actuary was permitted by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

Measurement

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000, with effect from 01 January 2016. For periods up to 31 December 2015, the Company used the Net Premium Valuation (NPV) methodology to calculated insurance liabilities in accordance with the Solvency Margin (Long Term Insurance) Rules 2002.

The value of the life insurance liabilities are determined as follows:

Life insurance liabilities = Best Estimate Long term Liability (BEL) + Risk Margin for adverse deviation (RM)

The best estimate liability is measured sum of the present value of all future best estimate cash flows calculated using the risk free interest rate yield curve issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL). Further a discounted cash flow approach equivalent to Gross Premium Valuation (GPV) methodology has been used to calculate liabilities as at 31 March 2023.

Measurement is usually based on the prospective method, by determining the difference between the present value of future benefits and future premiums. The actuarial assumptions used for the calculation include, in particular, assumptions relating to:

» Mortality rates
» Lapse ratios
» Morbidity rates
» Dividend rates
» Expense assumptions
» Participating fund yield
» Expense inflation
» Bonus rates

Assumptions are estimated on a realistic basis at the time the insurance contracts are concluded and they include adequate provision for adverse deviations to make allowance for the risks of change and random fluctuations. Further in valuing the policy liability, provisions for reinsurance have been allowed in accordance with applicable reinsurance terms as per current reinsurance arrangements.

Details of key assumptions used and basis of arriving for same are summarised in the following table:

Assumption	Basis of estimation
Risk free rate	Top down approach has been used and discount rate assumptions are disclosed below. Insurance contract liabilities shall be measured in term of SLFRS 4 by applying current market interest rates where any changes to be recognised in income statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability. *Methodology* Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.
Mortality rates	Based on 67/70 Mortality rates table was used
Morbidity rates	Based on the loss ratios (loss ration is calculated as the ratio of settled and pending claims to earned premiums)
Expenses	Based on the expense investigation carried out as at 31 March 2023 on expenses incurred during 2022/23. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been made on the basis of inputs from various departments heads of each cost center to determine a reasonable activity based split of expenses. These have been further identified as either being premium or policy-count driven base on the nature of expenses to determine a unit cost loading for use in the valuation.
Expense inflation	The best estimate expense inflation has been assumed to be 5.0% p.a. The expense inflation assumption has remained unchanged since previous valuation. The assumption is also inline with the long term inflation target of Central Bank of Sri Lanka which is in the range of 4 % to 6%.
Persistency ratio	Discontinuance assumption are based on the experience investigation. The discontinuance assumptions are set with reference to actual experience and vary by policy duration.
Bonus rate	Bonus rate scale assumed has been arrived based on bonus declared as at 31 December 2022, based on the Company management's views on policyholder reasonable expectations. This assumes that company is expecting to maintain the current bonus levels into the future and is unchanged from the previous valuation.
Participating fund yield	Based on the weighted average of projected asset mix on expected yields for various asset types

Derecognition

The liability is derecognised when the contract is expired, discharged or cancelled.

38.4 Valuation of life insurance fund

Long duration contract liabilities included in the life insurance fund result primarily consist of traditional participating and non-participating life insurance products. The actuarial reserves have been established by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India (Pvt) Limited as at 31 March 2023.

Details of the calculation of policy liabilities and net cash flows are provided in the following table for each class of products.

Details of product category	Basis of determinants of policy liability	Basis of calculating net cash flows
Individual traditional non-participating products	Discounting "net cash flows" at the risk free interest rate curve	Future premium income (-) death benefit outgo (+) rider benefit outgo (+) surrender benefit outgo (+) maturity benefit outgo (+) commission expenses outgo (+) policy expenses outgo (+) reinsurance recoveries (-) reinsurance premium outgo (+) reinsurance commissions (-)
Individual traditional participating products	Max (guaranteed benefit liability, total benefit liability)	Same as above

NOTES TO THE FINANCIAL STATEMENTS

Details of product category	Basis of determinants of policy liability	Basis of calculating net cash flows
Individual universal non-participating products	Discounting "net cash flows" at the risk free interest rate curve	Future premium income (-) death benefit outgo inclusive of dividend accumulations (+) rider benefit outgo (+) surrender benefit Outgo inclusive of dividend accumulations (+) maturity benefit outgo inclusive of dividend accumulations (+) commission expense outgo (+) policy expense outgo (+) reinsurance recoveries (-) reinsurance premium outgo (+) reinsurance commission (-)
Group traditional non-participating products - Group term (life) and per day insurance	Net cash flow	Future premium income (-) death benefit outgo (+) rider benefit outgo (+) commission expenses outgo (+) policy expense outgo (+) reinsurance recoveries (-) reinsurance premium outgo (+) reinsurance commission (-)
Group traditional non-participating products - Group Hospitalisation cover	Policy liability has been set equal to Unearned Premium Reserve (UPR)	Not applicable

38.5 Solvency Margin

In the opinion of the appointed actuary, the Company maintains a Capital Adequacy Ratio (CAR) of 250% and Total Available Capital (TAC) of Rs. 31,901.00 Mn as at 31 March 2023, which exceed the minimum requirement of 120% and Rs. 500.00 Mn respectively as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

38.6 Liability Adequacy Test (LAT)

ACCOUNTING POLICY

Measurement

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequate test as laid out under SLFRS 4 – Insurance Contracts. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses.

In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claim handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the income statement by setting up a provision for liability adequacy.

Valuation

Liability Adequacy Test for life insurance contract liability was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India (Pvt) Limited as at 31 December 2022. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability.

Based on the actuarial assessment assets are adequate as compared to the discounted cash flows reserves and in contrast to the reserves as at 31 December 2022.

Liability Adequacy Test (LAT) in respect of the Insurance Contract Liabilities as required by SLFRS 4 - Insurance Contracts are carried out annually. Hence no additional provision was required against the LAT as at 31 March 2023.

38.7 Surplus created due to change in valuation method - one off surplus zeroed at product level

ACCOUNTING POLICY

Insurance contract liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01 January 2016. However period up to 31 December 2015, the Company used the Net Premium Valuation (NPV) methodology to calculate insurance liability in accordance with Solvency Margin (Long Term Insurance) Rules 2002.

A one off unallocated surplus was created with the migration to the new regime effective 01 January 2016.

Measurement

The surplus created due to change in Valuation Method of Policy Liabilities from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) is measured based on the difference in the policy liability valuation by the independent Actuary based on NPV and GPV bases valuation as at 31 December 2015 according to the Direction 16 "Identification and Treatment of One-Off Surplus" issued by IRCSL. According to the Direction 16, the Company has determined the One-off Surplus as the difference between NPV Solvency basis liability and GPV Distribution basis liability for both Participating business and other than Participating business.

Valuation

Details of one-off adjustment as at 01 January 2016 are as follows:

In Rs. '000 Description	Participating fund	Non-Participating fund	Total
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One off Surplus as at 01 January 2016	1,056,535	798,004	1,854,539

38.7.1 Transfer of one-off surplus from policy holder fund to shareholder fund

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20 March 2018 on "Guidelines/ directions for Identification and Treatment of One-off Surplus" and has instructed all life insurance companies to comply with the new direction. Based on the new guidelines life insurance companies are directed to transfer one off surplus attributable to policyholder non-participating fund to shareholder fund as at the reporting year ended 31 March 2018. The transfer has been presented as a separate line item in the Income Statement as "change in contract liability due to transfer of one off surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under equity in accordance with above Direction. As required by the said direction, the company received the approval for this transfer on 29 March 2018.

Further distribution of one off surplus to shareholders, held as part of the "Restricted Regulatory Reserve", is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The one off surplus in the shareholder fund will remain invested in government debt securities and deposits as disclosed in note 38.7.2 as per the directions of the IRCSL

One-off surplus in respect of participating business is held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Shareholder fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000". Please refer note 38.7.2 for details of assets supporting the restricted regulatory reserve as at 31 March 2023.

NOTES TO THE FINANCIAL STATEMENTS

Movement of one-off surplus after transfer

In Rs. '000 Description	Participating fund	Non-Participating fund	Total
Value of Insurance Contract Liability based on Independent Actuary -NPV as at 31 December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance Contract Liability based on Independent Actuary -GPV as at 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus Created due to Change in Valuation method from NPV to GPV - One off Surplus as at 01 January 2016	1,056,535	798,004	1,854,539
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve as at 31 December 2017	-	(798,004)	(798,004)
Surplus Created due to Change in Valuation method from NPV to GPV - One off Surplus as at 31 December 2017	1,056,535	-	1,056,535
Surplus Created due to Change in Valuation method from NPV to GPV - One off Surplus as at 31 March 2018	1,056,535	-	1,056,535
Surplus Created due to Change in Valuation method from NPV to GPV - One off Surplus as at 31 March 2019	1,056,535	-	1,056,535
Surplus Created due to Change in Valuation method from NPV to GPV - One off Surplus as at 31 March 2020	1,056,535	-	1,056,535
Surplus Created due to Change in Valuation method from NPV to GPV - One off Surplus as at 31 March 2021	1,056,535	-	1,056,535
Surplus Created due to Change in Valuation method from NPV to GPV - One off Surplus as at 31 March 2022	1,056,535	-	1,056,535
Surplus Created due to Change in Valuation method from NPV to GPV - One off Surplus as at 31 March 2023	1,056,535	-	1,056,535

Distribution of one off surplus

The distribution of one off surplus to shareholders as dividends shall remain restricted until the company develops appropriate policies and procedures for effective management of its business, as listed below.

» expense allocation policy setting out basis of allocation of expenses between the shareholder fund and the policyholder fund as well as between different lines of business within the policyholder fund, particularly participating and non-participating

» dividend declaration policy for universal life business

» bonus policy for the participating business, which should include treatment of one off surplus for the purpose of bonus declaration

» assets and liability management policy

» policy on internal target Capital Adequacy Ratio

» considerations for transfer of funds from policyholder fund to shareholder fund.

These policies should be approved by the Board of Directors of the Softlogic Life Insurance PLC and must also comply with any relevant guidance issued by IRCSL from time to time. Further IRCSL will reconsider the distribution of one off surplus when the Risk Based Capital rules are revised.

The IRCSL will permit distribution of one off surplus subject to yearly distribution caps on a case by case basis.

38.7.2 Composition of investments supporting the Restricted Regulatory Reserve as at 31 March 2023

		Face value Rs.	Market value as at 31 March 2023 Rs. '000
Government Securities			
Treasury Bonds -	LKB00628A153	100,000,000	**82,063**
	LKB00628A153	110,000,000	**90,270**
	LKB00628A153	100,000,000	**82,063**
	LKB00628A153	100,000,000	**82,063**
	LKB00931E153	100,000,000	**81,530**
	LKB00931E153	100,000,000	**81,530**
	LKB00931E153	120,000,000	**97,836**
	LKB00931E153	100,000,000	**81,530**
	LKB00931E153	100,000,000	**81,530**
	LKB00931E153	100,000,000	**81,530**
	LKB01528I017	100,000,000	**60,529**
Total market value of the assets			**902,474**

38.8 Direction 18 - Unclaimed benefits of Long Term Insurance Business

Unclaimed benefits of long term insurance business are recorded in the life insurance fund.
There was no transfer of any unclaimed benefit to shareholders and recorded in the life fund as unclaimed benefits if any.

38.9 Taxation on surplus distributed to the life insurance policyholder who shares the profits

In terms of the Section 67 of Inland Revenue Act no. 24 of 2017, surplus distributed to the life insurance policyholders who shares the profits of a person engaged in the business of life insurance in a given year, as provided in the "Regulation of Insurance Industry Act no. 43 of 2000", shall be deemed as gains and profits of that person from the business and subject to tax at a rate of 24% till 30 September 2022.
However with the introduction of the Inland Revenue (Amendment) Ac No. 45 of 2023, which is effective from 01 October 2022, applicable tax rate is 30%.

As recommended by the Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI of Messrs. Towers Watson India (Pvt) Ltd, Softlogic Life Insurance PLC has declared a bonus of Rs. 436.00 Mn (2022 - Rs. 428.00 Mn) to life insurance policyholders who participating in the profit of life insurance business. Accordingly, there is Rs. 45.29 Mn (2022 - Rs. 102.72 Mn) unit link seed capital & tax amount is arising from policyholder who shares the profits of a person engaged in the business of life insurance.

NOTES TO THE FINANCIAL STATEMENTS

38.10 Sensitivity to assumptions used

Change in key assumptions used in valuing the insurance contract liabilities would have the following effect to the Group financials:

In Rs. '000 As at 31 March	2023	2022
Effect on the change of the insurance contract liability:		
Increase by 10% in mortality rate	**569,755**	685,573
Decrease by 10% in mortality rate	**(567,437)**	(551,914)
Effect on the change of the insurance contract liability:		
Increase by 10% in morbidity rate	**247,125**	249,567
Decrease by 10% in morbidity rate	**(180,811)**	(136,075)
Effect on the change of the insurance contract liability:		
Increase by 50 basis point in risk free discount rate	**(1,362,824)**	(1,352,638)
Decrease by 50 basis point in risk free discount rate	**1,498,763**	1,497,602
Effect on the change of the insurance contract liability:		
Increase by 1% in expense ratio	**859,751**	610,523
Decrease by 1% in expense ratio	**(852,135)**	(651,360)

39. INTEREST BEARING BORROWINGS

In Rs. '000	Note	GROUP		COMPANY	
As at 31 March		2023	2022	2023	2022
Long term bank borrowings	39.1	**49,000,859**	43,551,448	**10,906,408**	9,387,092
Debentures	39.2	**1,436,007**	1,433,577	**-**	-
Subordinated debt	39.3	**5,190,804**	4,573,116	**-**	-
Securitisations	39.4	**5,403,092**	5,019,458	**2,783,050**	3,642,520
		61,030,762	54,577,599	**13,689,458**	13,029,612
Repayable within one year		**18,129,698**	15,608,025	**8,856,901**	7,438,756
Repayable after one year		**42,901,064**	38,969,574	**4,832,557**	5,590,856
		61,030,762	54,577,599	**13,689,458**	13,029,612

39.1 Long term bank borrowings

Movement in long term bank borrowings

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
At the beginning of the year	**42,884,182**	39,552,416	**9,199,750**	9,308,695
Additions	**7,244,585**	5,710,606	**2,538,527**	1,959,557
Repayments	**(5,011,503)**	(6,279,425)	**(1,781,285)**	(2,068,502)
Exchange translation difference	**1,161,447**	3,900,585	**-**	-
	46,278,711	42,884,182	**9,956,992**	9,199,750
Unamortised loan processing cost	**(12,185)**	(9,430)	**(11,284)**	(7,629)
Finance charges	**2,734,333**	676,696	**960,700**	194,971
At the end of the year	**49,000,859**	43,551,448	**10,906,408**	9,387,092

Security pledged and interest rates pertaining to interest bearing borrowings are disclosed in note 52 to the financial statements.

39.2 Debentures

Movement in debentures

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	**1,400,000**	2,400,000	**-**	1,000,000
Repayments	**-**	(1,000,000)	**-**	(1,000,000)
	1,400,000	1,400,000	**-**	-
Unamortised loan processing cost	**(11,494)**	(11,494)	**-**	-
Finance charges	**47,501**	45,071	**-**	-
At the end of the year	**1,436,007**	1,433,577	**-**	-

Details regarding the debentures are as follows;

In Rs. '000	Annual interest rate	Interest payment frequency	Allotment date	Maturity date	Face value	Amortised cost as at 31-03-2023	Amortised cost as at 31-03-2022
GROUP							
Listed debentures							
Softlogic Capital PLC							
Listed, secured, Type "A" debentures	14.75%	Semi Annually	19-12-2019	19-12-2023	250,060	**259,792**	259,289
Listed, secured, Type "B" debentures	14.50%	Monthly	19-12-2019	19-12-2024	459,880	**460,545**	459,828
Listed, secured, Type "C" debentures	15.00%	Semi Annually	19-12-2019	19-12-2024	690,050	**715,660**	714,450
Listed, secured, Type "D" debentures	13.50%	Semi Annually	19-12-2019	19-12-2024	10	**10**	10
						1,436,007	1,433,577

39.3 Subordinated debt

Softlogic Life Insurance PLC entered into a long-term financing agreement with Finnish Fund for Industrial Cooperation Ltd ("FinnFund") and Norwegian Investment Fund for Developing Countries for USD 15.00 Mn Tier II Subordinated debt transaction to provide funding to future development of business objectives of the Company. The facility was signed on 24 August 2020.

Movement in subordinated debt

In Rs. '000 As at 31 March	GROUP 2023	 2022
At the beginning of the year	**4,408,050**	2,997,449
Exchange translation difference	**322,380**	1,410,601
	4,730,430	4,408,050
Finance charges	**460,374**	165,066
At the end of the year	**5,190,804**	4,573,116

39.4 Securitisations

Movement in securitisations

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	**4,763,431**	4,332,371	**3,416,967**	2,664,716
Additions	**3,847,825**	3,189,151	**1,867,100**	2,493,636
Repayments	**(4,162,522)**	(2,758,091)	**(2,940,451)**	(1,741,385)
	4,448,734	4,763,431	**2,343,616**	3,416,967
Unamortised loan processing cost	**(28,653)**	(38,063)	**(28,653)**	(38,063)
Finance charges	**983,011**	294,090	**468,087**	263,616
At the end of the year	**5,403,092**	5,019,458	**2,783,050**	3,642,520

NOTES TO THE FINANCIAL STATEMENTS

Nature of the facility	Interest rate	Repayment term	Outstanding balance 2023 Rs. '000	Outstanding balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Softlogic Holdings PLC						
HNB Securitisation Fund - 5	Fixed rate	16 monthly instalments commencing from March 2022	**183,554**	1,237,692	238.62	Mortgage over inter company receivables of Softlogic Holdings PLC
HNB Securitisation Fund - 6	Fixed rate	14 monthly instalments commencing from March 2022	**60,081**	763,503	78.11	
HNB Securitisation Fund - 7	Fixed rate	9 monthly instalments commencing from July 2022	**115,205**	779,631	149.77	
HNB Securitisation Fund - 8	Fixed rate	18 monthly instalments commencing from July 2022	**214,172**	397,250	278.42	
HNB Securitisation Fund - 9	Fixed rate	19 monthly instalments commencing from March 2023	**1,200,073**	-	1,560.09	
HNB Securitisation Fund - 10	Fixed rate	18 monthly instalments commencing from March 2023	**1,009,963**	-	1,312.95	
HNB Securitisation Fund - 4			**-**	464,444		
			2,783,048	3,642,520		
Softlogic Finance PLC						
HNB Securitisation Fund - 8	Fixed rate	24 monthly instalments commencing after a grace period of 7 months commencing from July 2021	**23,359**	143,487	33.00	Mortgage over lease and vehicle loan receivables of Softlogic Finance PLC
HNB Securitisation Fund - 9	Fixed rate	24 monthly instalments commencing after a grace period of 7 months commencing from September 2021	**46,256**	208,421	60.00	Mortgage over lease receivables of Softlogic Finance PLC
HNB Securitisation Fund - 10	Fixed rate	24 monthly instalments commencing after a grace period of 7 months commencing from November 2021	**59,230**	207,378	80.00	Mortgage over lease receivables of Softlogic Finance PLC
HNB Securitisation Fund - 11	Fixed rate	15 monthly instalments commencing after a grace period of 12 months commencing from February 2022	**64,181**	151,894	83.00	Mortgage over lease receivables of Softlogic Finance PLC
HNB Securitisation Fund - 6			**-**	179,753		
HNB Securitisation Fund - 7			**-**	486,005		
			193,026	1,376,938		
Softlogic Capital PLC						
HNB Securitisation Fund - 1	Fixed rate	18 monthly instalments commencing from June 2021	**1,235,782**	-	1,714.24	Mortgage over inter company receivables of Softlogic Capital PLC
HNB Securitisation Fund - 2	Fixed rate	16 monthly instalments commencing from March 2022	**843,191**	-	1,220.36	
NDB Securitisation Fund - 1	Fixed rate	14 monthly instalments commencing from March 2022	**348,045**	-	595.09	
			2,427,018	-		
			5,403,092	5,019,458		

39.5 Derivative financial instruments

In Rs. '000 As at 31 March	GROUP			
	2023		2022	
	Asset	Liability	Asset	Liability
Foreign currency cash flow hedges	**4,447,603**	**-**	4,029,260	-

Cash flow hedge

The risk management objective of the cash flow hedge is to hedge the risk of variation in the foreign currency exchange rates associated with USD denominated forecast sales.

The risk management strategy is to use the foreign currency variability (gains/losses) arising from revaluation of the foreign currency loan attributable to change in the spot foreign exchange on LKR conversion of USD denominated forecast sales. The effective portion of the gain or loss on the hedging instrument is recognised in the statement of comprehensive income and any ineffective portion is recognised immediately in the income statement.

The amount recognised in the statement of comprehensive income is transferred to the income statement when the hedge transaction occurs (when the forecasted revenue is realised). If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in the statement of comprehensive income is transferred to the income statement.

Ceysand Resorts Ltd

Hedging instrument - Foreign currency borrowing of USD 7.50 Mn in February 2013, maturing in March 2027, and foreign currency borrowing of USD 2.50 Mn in October 2013, maturing in March 2027

Hedged item - USD denominated sales expected to occur in March and September of 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026 and 2027

The cash flow hedge has a notional amount of USD 10.00 Mn and cash flows are expected to occur as 17 equal semi-annual instalments at 15 March and 15 September of 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026 and 2027 in USD 588,235 capital and interest repayments at 15 March and 15 September of each year.

Softlogic City Hotels (Pvt) Ltd

Hedging instrument - Foreign currency borrowing of USD 36.40 Mn obtained in May 2015, maturing in July 2030

Hedged item - USD denominated sales expected to occur in each month of 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029 and upto 2030 July from April 2017

The cash flow hedge has a notional amount of USD 29.01 Mn and cash flows are expected to occur as 96 monthly instalments of 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029 and 2030 in total of USD 29.01 Mn capital and interest repayments at 25 of each month till July 2030.

In respect of the cash flow hedge instrument, the following balance has been recognised in the statement of comprehensive income as the fair value loss on the hedging instrument.

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In Rs. '000 As at 31 March	GROUP 2023	 2022
Net change in fair value on derivative financial instruments	**(256,113)**	(3,161,777)

On the hedged instrument the following attributable to the hedged risk has been recognised in the Group income statement.

In Rs. '000 For the year ended	GROUP 2023	 2022
Under finance expenses		
Realised exchange loss on foreign currency borrowings	**62,338**	-
Unrealised exchange loss on foreign currency borrowings	**742,392**	738,808
	804,730	738,808

40. PUBLIC DEPOSITS

In Rs. '000 As at 31 March	GROUP 2023	 2022
Deposits maturing after one year	**3,094,921**	2,516,825
Deposits maturing within one year	**9,335,694**	13,065,182
	12,430,615	15,582,007

41. EMPLOYEE BENEFIT LIABILITIES

ACCOUNTING POLICY

Defined benefit plan - Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

As per the payment of Gratuity Act No. 12 of 1983, this liability only arises upon completion of 5 years of continued service.

The defined benefit obligation plan of the Group was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

The gratuity liability is not externally funded.

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	**1,710,208**	1,594,029	**140,555**	113,372
Current service cost	**221,492**	195,402	**12,455**	14,568
Interest cost on benefit obligation	**218,036**	107,245	**19,725**	7,612
(Gain) / loss arising from changes in assumptions	**(387,312)**	826	**(42,934)**	10,004
Acquisition of subsidiary	**930**	-	**-**	-
Transfers from/ (to) related companies	**-**	-	**(90)**	(37)
Payments	**(206,360)**	(187,294)	**(2,033)**	(4,964)
At the end of the year	**1,556,994**	1,710,208	**127,678**	140,555

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd.

Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund benefits in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Accounting judgements, estimates and assumptions

The employee benefit liability of the Group is based on the actuarial valuation carried out by an independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. Given the complexity of the valuation, the underlying assumptions and the long term nature of the liability, the defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were as follows:

As at 31 March	2023	2022
Discount rate (%)	**17.00 - 24.00**	10.50 - 15.00
Future salary increases (%)	**6.00 - 15.00**	10.00 - 15.00

41.1 Sensitivity to assumptions used

If there is a one percentage point changes in the assumptions, it would have the following effect:

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
Effect on the defined benefit obligation liability:				
Increase by one percentage point in discount rate	**(42,289)**	(56,438)	**(2,128)**	(4,024)
Decrease by one percentage point in discount rate	**42,249**	61,013	**2,238**	4,312
Effect on the defined benefit obligation liability:				
Increase by one percentage point in salary increment rate	**51,854**	68,288	**2,828**	4,619
Decrease by one percentage point in salary increment rate	**(51,992)**	(64,228)	**(2,728)**	(4,387)

41.2 Maturity analysis of the payments

The following payments are expected on account of employees benefit liabilities in future years.

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
- within the next 12 months	**459,030**	370,063	**78,398**	15,785
- between 1 and 2 years	**483,571**	567,032	**24,222**	85,382
- between 3 and 5 years	**371,149**	409,237	**15,846**	16,277
- between 6 and 10 years	**187,607**	263,715	**7,040**	16,137
- beyond 10 years	**55,637**	100,161	**2,172**	6,974
Total expected payments	**1,556,994**	1,710,208	**127,678**	140,555

41.3 Weighted average durations of service

The Group's and the Company's weighted average durations of service is 3.34 years (2022 - 3.81 years) and 2.00 years (2022 - 3.32 years) respectively.

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42. OTHER DEFERRED LIABILITIES

ACCOUNTING POLICY

Deferred revenue

Deferred revenue is the money received for goods or services which have not yet been delivered. According to the revenue recognition principle, it is recorded as a liability until delivery is made, at which time it is converted to revenue.

Warranty

Provisions for warranty related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience and revised annually.

In Rs. '000		GROUP		COMPANY	
As at 31 March	Note	2023	2022	2023	2022
42.1 Within one year					
Deferred revenue		**128,582**	115,962	**21,622**	21,622
Warranty provision		**54,047**	50,185	**-**	-
Total within one year	**46**	**182,629**	166,147	**21,622**	21,622
42. 2 After one year					
Deferred revenue		**146**	226	**-**	-
Total after one year		**146**	226	**-**	-
Total other deferred liabilities		**182,775**	166,373	**21,622**	21,622

43. OTHER NON-CURRENT FINANCIAL LIABILITIES

In Rs. '000	GROUP	
As at 31 March	2023	2022
Advances received	**431,295**	431,295
Retention payable	**341,488**	302,411
Security deposits	**5,123**	5,123
	777,906	738,829

44. TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payable are classified as current liabilities if payment is due within one year.

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
Trade and other payables	**9,465,555**	22,207,416	**112,021**	57,446
Trade and other payables - Related party	**-**	-	**1,888,231**	130,694
Contract liabilities	**20,254**	10,277	**-**	-
Unit trust fund liability	**2,437**	1,529	**-**	-
Dividend payable	**88,227**	754,324	**-**	-
Reinsurance payables	**2,461,440**	1,729,783	**-**	-
Sundry creditors including accrued expenses	**8,373,140**	4,454,021	**-**	-
	20,411,053	29,157,350	**2,000,252**	188,140

45. OTHER CURRENT FINANCIAL LIABILITIES

In Rs. '000 As at 31 March	GROUP 2023	 2022	COMPANY 2023	 2022
Short term loans	**37,363,930**	25,714,525	**20,006,690**	10,013,021
Commercial papers	**15,964,719**	11,964,304	**6,142,039**	12,661,645
	53,328,649	37,678,829	**26,148,729**	22,674,666

46. OTHER CURRENT LIABILITIES

ACCOUNTING POLICY

The Group classifies all non-financial current liabilities under other current liabilities. These include non-refundable deposits and other tax payables. These liabilities are recorded at amounts expected to be set-off at the reporting date.

In Rs. '000 As at 31 March	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Advances received		**257,342**	552,209	**-**	-
Taxes payables		**824,100**	397,436	**48,982**	16,176
Other liabilities		**949,535**	1,141,750	**124,666**	25,214
Other deferred liabilities	43	**182,629**	166,147	**21,622**	21,622
Suspense account	46.1	**125,053**	125,053	**-**	-
		2,338,659	2,382,595	**195,270**	63,012

46.1 In the prior year, omissions and errors that have occurred in previous periods were identified by a subsidiary of the Group. This resulted in a restatement of comparative amounts of YE 2021/2022 financial statements of that subsidiary and of the Group. The adjustments also resulted in a suspense account (representing unidentified balances recorded as a liability) amounting to Rs. 125 Mn that was brought forward to the current year. The suspense account balance remains outstanding as of the reporting date.

The nature and amount of the restatement is more fully disclosed in Note 49 to the audited financial statements for YE 31 March 2022 approved by the Board on 20 November 2023 included in FY 2021/2022 Annual Report published in the Colombo Stock Exchange.

47. RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties

The Group and the Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group Directory under the Supplementary Information section of the Annual Report.

Governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transaction Review Committee" and Group directory.

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per 31 March 2022 audited financial statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2022 audited financial Statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

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47.1 Amounts due from related parties

In Rs. '000 As at 31 March	Note	GROUP 2023	2022	COMPANY 2023	2022
Subsidiaries	47.3	**-**	-	**16,539,914**	15,233,653
Equity accounted investees	47.4	**244**	2,430	**-**	2,264
Key Management Personnel		**109,689**	1,900,027	**-**	-
		109,933	1,902,457	**16,539,914**	15,235,917

47.2 Amounts due to related parties

In Rs. '000 As at 31 March	Note	GROUP 2023	2022	COMPANY 2023	2022
Subsidiaries	47.3	**-**	-	**26,310**	20,252
Equity accounted investees	47.5	**26,927**	26,927	**26,927**	26,927
Key Management Personnel		**1,992**	1,992	**1,992**	1,992
		28,919	28,919	**55,229**	49,171

47.3 Subsidiaries

In Rs. '000	COMPANY			
	Amount due to		Amount due from	
As at 31 March	2023	2022	2023	2022
Ceysand Resorts Ltd	**-**	349	**-**	-
Future Automobiles (Pvt) Ltd	**3,009**	-	**62,302**	59,637
Softlogic Australia (Pty) Ltd	**-**	-	**18,196**	18,882
Softlogic Automobiles (Pvt) Ltd	**-**	-	**504**	400
Softlogic B P O Services (Pvt) Ltd	**-**	-	**274,996**	250,721
Softlogic Brands (Pvt) Ltd	**-**	-	**241**	153
Softlogic City Hotels (Pvt) Ltd	**-**	-	**974,452**	974,452
Softlogic Communication Services (Pvt) Ltd	**1,495**	285	**-**	-
Softlogic Communications (Pvt) Ltd	**5,687**	-	**-**	-
Softlogic Computers (Pvt) Ltd	**-**	561	**-**	-
Softlogic Corporate Services (Pvt) Ltd	**1,253**	1,251	**-**	-
Softlogic Destination Management (Pvt) Ltd	**-**	-	**9,341**	7,906
Softlogic Healthcare Holdings Ltd	**-**	-	**26,867**	25,867
Softlogic Information Technologies (Pvt) Ltd	**4,211**	80	**-**	-
Softlogic International (Pvt) Ltd	**10,633**	7,007	**-**	-
Softlogic Mobile Distribution (Pvt) Ltd	**-**	5,242	**60,640**	-
Softlogic Pharmaceuticals (Pvt) Ltd	**-**	5,477	**-**	-
Softlogic Properties (Pvt) Ltd	**-**	-	**573,975**	572,945
Softlogic Restaurants (Pvt) Ltd	**-**	-	**7,218**	7,589
Softlogic Retail (Pvt) Ltd	**22**	-	**-**	-
Softlogic Retail Holdings (Pvt) Ltd	**-**	-	**1,100,000**	1,096,863
Softlogic Rewards (Pvt)Ltd	**-**	-	**13,087**	18,601
Softlogic Solar (Pvt) Ltd	**-**	-	**34,613**	34,613
Softlogic Supermarkets (Pvt) Ltd	**-**	-	**-**	54
	26,310	20,252	**3,156,432**	3,068,683
Less - Provision for impairment	**-**	-	**(478,250)**	(439,055)
	26,310	20,252	**2,678,182**	2,629,628

Subsidiaries

In Rs. '000	COMPANY			
	Loans received		Loans given	
As at 31 March	2023	2022	2023	2022
Asiri Hospital Holdings PLC	**-**	-	**627,831**	-
Ceysand Resorts Ltd	**-**	-	**-**	10,234
Cotton Collection (Pvt) Ltd	**-**	-	**3,563**	6,881
Future Automobiles (Pvt) Ltd	**-**	-	**1,220,397**	1,134,519
Odel PLC	**-**	-	**2,917,144**	1,861,273
Odel Properties One (Pvt) Ltd	**-**	-	**-**	18
Softlogic Automobiles (Pvt) Ltd	**-**	-	**171,992**	147,639
Softlogic Brands (Pvt) Ltd	**-**	-	**761,424**	962,362
Softlogic City Hotels (Pvt) Ltd	**-**	-	**1,005,646**	505,924
Softlogic Destination Management (Pvt) Ltd	**-**	-	**54,564**	46,709
Softlogic Properties (Pvt) Ltd	**-**	-	**68,639**	68,639
Softlogic Restaurants (Pvt) Ltd	**-**	-	**79,087**	63,421
Softlogic Retail (Pvt) Ltd	**-**	-	**955,791**	4,265,438
Softlogic Retail Holdings (Pvt) Ltd	**-**	-	**7,055,083**	3,341,504
Softlogic Supermarkets (Pvt) Ltd	**-**	-	**110,175**	683,134
	-	-	**15,031,336**	13,097,695
Less - Provision for impairment	**-**	-	**(1,169,604)**	(493,670)
	-	-	**13,861,732**	12,604,025
	26,310	20,252	**16,539,914**	15,233,653

Interest rate for the loans given to subsidiaries - Company Average Borrowing Cost plus Margin

Repayment terms of loans given to subsidiaries - On demand

47.4 Amounts due from related parties

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
Equity accounted investees				
Associates				
Jendo Innovations (Pvt) Ltd	**2,736**	2,264	**2,736**	2,264
Sabre Travel Network Lanka (Pvt) Ltd	**244**	166	**-**	-
	2,980	2,430	**2,736**	2,264
Less - Provision for impairment	**(2,736)**	-	**(2,736)**	-
	244	2,430	**-**	2,264

47.5 Amounts due to related parties

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
Equity accounted investees				
Associates				
Jendo Innovations (Pvt) Ltd	**26,927**	26,927	**26,927**	26,927
	26,927	26,927	**26,927**	26,927

NOTES TO THE FINANCIAL STATEMENTS

47.6 Transactions with related parties

In Rs. '000	GROUP		COMPANY	
For the year ended 31 March	2023	2022	2023	2022
Subsidiaries				
(Purchases)/ sales of goods	**-**	-	**(6,063)**	(1,383)
(Receiving)/ rendering of services	**-**	-	**576,385**	837,007
(Purchases)/ sale of property plant & equipment	**-**	-	**(18,819)**	(12,562)
Loans given/ (obtained)	**-**	-	**(7,426,501)**	(5,328,282)
Interest received/ (paid)	**-**	-	**(548,409)**	862,453
Rent received/ (paid)	**-**	-	**112,451**	66,121
Dividend received	**-**	-	**767**	1,712,285
Guarantee charges received/ (paid)	**-**	-	**275,639**	250,692
Guarantees given/ (received) - as at 31 March	**-**	-	**37,346,400**	35,060,323
Equity Accounted Investees				
Associates				
(Purchases)/ sale of property plant & equipment	**7,796**	9	**-**	-
(Receiving)/ rendering of services	**7,779**	3,998	**5,855**	5,588
Dividend received	**17,000**	-	**17,000**	-
Interest received/ (paid)	**471**	157	**471**	157
Key Management Personnel				
Advances given/ (received)	**107,697**	1,572,321	**(1,992)**	(1,992)
Guarantees given/ (obtained)	**(150,000)**	(150,000)	**-**	-
Loans given/ (customer deposits received)	**(9,470)**	2,560	**-**	-
Interest received / (paid) on advances given/ (customer deposits received)	**2,238**	275,585	**-**	-
Other advances given / (received)	**98,518**	-	**-**	-
Close family Members of KMP				
(Receiving)/ rendering of services	**-**	-	**-**	-

47.7 Compensation of Key Management Personnel

Key management personnel include members of the Board of Directors of Softlogic Holdings PLC and its subsidiary companies.

In Rs. '000	GROUP		COMPANY	
For the year ended 31 March	2023	2022	2023	2022
Short term employee benefits	**575,561**	453,724	**62,945**	55,858
Post-employment benefits	**45,902**	68,338	**7,912**	6,455
	621,463	522,062	**70,857**	62,313

48. OPERATING SEGMENT INFORMATION

ACCOUNTING POLICY

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The operating segments represent this business structure.

The Group is thus organised into business units based on their products and services and has seven operating business segments as follows:

Information Technology

The information Technology operating segment comprises the areas of software development, hardware and system software solutions, market specific ICT solutions and office automation solutions.

Leisure and Property

The leisure and Property operating segment comprises one five star hotel, one four star hotel, destination management and development/ sale of residential apartments.

Retail

The Retail operating segment comprises Consumer Electronics and Durables, Branded Apparels & Fashion, Telecommunication, and Quick Service Restaurants.

Automobiles

The Automobile operating segment deals in branded motor vehicles and ancillary services.

Financial Services

The Financial Services operating segment offers a complete range of financial solutions including some banking related services, insurance, stock broking, debt trading, fund management, management of Unit Trust and leasing.

Healthcare Services

The Healthcare Services operating segment comprises a leading private hospital chain providing private healthcare and laboratory services.

Others

This sector consists of Softlogic Holdings PLC and other companies that are not categorised under the above sectors, which provides ancillary services to Group companies.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocations and performance assessments.

Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Transactions between operating segments are carried out in the ordinary course of business on arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

48.1 Revenue and profit

In Rs. '000	Information Technology		Leisure & Property		Retail		Automobiles	
For the year ended 31 March	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Continuing operations								
Revenue								
Total revenue	**9,065,149**	7,799,947	**2,281,237**	1,276,819	**36,817,677**	59,104,067	**1,769,982**	588,674
Inter group	**(1,128,186)**	(1,091,603)	**(53,930)**	(51,237)	**(1,208,908)**	(1,267,882)	**(45,993)**	(84,479)
Total external revenue	**7,936,963**	6,708,344	**2,227,307**	1,225,582	**35,608,769**	57,836,185	**1,723,989**	504,195
Results from operating activities	**1,163,698**	945,422	**(649,209)**	(647,485)	**1,354,876**	897,600	**259,994**	(182,284)
Finance income	**186,406**	39,094	**15,304**	10,247	**1,912,189**	842,684	**1,819**	2,821
Finance expenses	**(1,002,155)**	(825,349)	**(2,640,796)**	(1,404,948)	**(14,902,421)**	(8,346,554)	**(503,767)**	(92,583)
Change in insurance contract liabilities	**-**	-	**-**	-	**-**	-	**-**	-
Change in fair value of investment property	**134,500**	12,700	**-**	-	**77,486**	689,380	**-**	-
Share of profit/ (loss) of equity accounted investees	**-**	-	**-**	-	**-**	-	**-**	-
Profit/ (loss) before taxation	**482,449**	171,867	**(3,274,701)**	(2,042,186)	**(11,557,870)**	(5,916,890)	**(241,954)**	(272,046)
Taxation	**41,573**	(34,543)	**(60,614)**	176,332	**485,277**	(125,249)	**2,944**	(10,720)
Profit/ (loss) for the year	**524,022**	137,324	**(3,335,315)**	(1,865,854)	**(11,072,593)**	(6,042,139)	**(239,010)**	(282,766)
Depreciation of property, plant & equipment (PPE)	**30,148**	38,262	**567,152**	569,143	**1,391,292**	1,276,362	**24,677**	27,953
Amortisation of ROU assets	**20,172**	34,971	**4,482**	3,247	**1,263,911**	1,271,804	**14,046**	13,710
Amortisation/ impairment of intangible assets	**76,106**	77,159	**2,208**	7,296	**43,677**	51,019	**-**	-
Retirement benefit obligations and related cost	**42,641**	25,875	**14,579**	10,833	**100,190**	69,449	**3,766**	1,848
Purchase and construction of PPE	**25,123**	46,038	**72,578**	20,475	**2,245,682**	2,070,465	**8,817**	1,014
Additions to intangible assets	**8,181**	8,717	**835**	1,297	**8,700**	7,040	**-**	-

Financial Services		Healthcare Services		Others		Total		Eliminations/ Consolidation adjustments		Group	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
24,760,049	22,745,454	25,357,306	23,071,791	795,919	1,016,441	100,847,319	115,603,193	-	-	100,847,319	115,603,193
(150,386)	(147,973)	(571,034)	(720,821)	(789,512)	(1,010,523)	(3,947,949)	(4,374,518)	-	-	(3,947,949)	(4,374,518)
24,609,663	22,597,481	24,786,272	22,350,970	6,407	5,918	96,899,370	111,228,675	-	-	96,899,370	111,228,675
(4,813,713)	3,369,762	5,904,158	5,807,038	(2,431,547)	(808,238)	788,257	9,381,815	1,062,652	645,926	1,850,909	10,027,741
7,677,789	4,177,890	2,453,114	269,518	3,770,542	3,441,853	16,017,163	8,784,107	(7,992,725)	(4,076,243)	8,024,438	4,707,864
(2,730,931)	(899,698)	(5,160,826)	(1,303,126)	(9,792,988)	(3,308,667)	(36,733,884)	(16,180,925)	7,782,679	2,452,537	(28,951,205)	(13,728,388)
(1,948,266)	(4,713,850)	-	-	-	-	(1,948,266)	(4,713,850)	-	-	(1,948,266)	(4,713,850)
-	-	-	-	117,445	117,005	329,431	819,085	(251,945)	(661,165)	77,486	157,920
-	-	-	-	38,960	(12,574)	38,960	(12,574)	-	-	38,960	(12,574)
(1,815,121)	1,934,104	3,196,446	4,773,430	(8,297,588)	(570,621)	(21,508,339)	(1,922,342)	600,661	(1,638,945)	(20,907,678)	(3,561,287)
(1,668,817)	(742,124)	(1,507,370)	(954,675)	(79,632)	(48,945)	(2,786,639)	(1,739,924)	37,021	23,425	(2,749,618)	(1,716,499)
(3,483,938)	1,191,980	1,689,076	3,818,755	(8,377,220)	(619,566)	(24,294,978)	(3,662,266)	637,682	(1,615,520)	(23,657,296)	(5,277,786)
170,914	187,973	1,573,355	1,399,955	26,495	27,795	3,784,033	3,527,443	(353)	(18,983)	3,783,680	3,508,460
343,127	334,557	146,542	155,751	28,158	14,555	1,820,438	1,828,595	-	-	1,820,438	1,828,595
35,727	35,496	9	43	4,694	2,268	162,421	173,281	146,272	146,272	308,693	319,553
70,377	55,134	174,984	116,733	32,991	22,775	439,528	302,647	-	-	439,528	302,647
159,018	98,377	1,449,925	1,276,432	25,693	21,280	3,986,836	3,534,081	-	-	3,986,836	3,534,081
5,859	9,609	-	-	4,225	3,127	27,800	29,790	-	-	27,800	29,790

NOTES TO THE FINANCIAL STATEMENTS

48.2 Segment assets and liabilities

In Rs. '000	Information Technology		Leisure & Property		Retail		Automobiles	
As at 31 March	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Property, plant and equipment	**69**	81,505	**13,242,695**	12,844,590	**12,388,403**	11,084,945	**176,021**	184,208
Right of use assets	**52,604**	53,270	**51,320**	46,302	**5,692,000**	6,186,105	**55,619**	69,665
Investment property	**347,200**	212,700	**-**	-	**6,826,046**	6,748,560	**-**	-
Intangible assets	**299,188**	366,972	**2,182**	3,555	**310,031**	345,009	**-**	-
Non-current financial assets	**-**	-	**-**	-	**153,802**	1,235	**-**	-
Rental receivable on lease assets and hire purchase	**-**	-	**-**	-	**-**	-	**-**	-
Other non-current assets	**6,247**	6,292	**9,144,858**	6,837,646	**725,250**	743,943	**9,125**	9,125
Segment non-current assets	**774,316**	720,739	**22,441,055**	19,732,093	**26,095,532**	25,109,797	**240,765**	262,998
Investments in equity accounted investees								
Goodwill								
Intangible assets through business combinations								
Deferred tax assets								
Total non-current assets	**774,316**	720,739	**22,441,055**	19,732,093	**26,095,532**	25,109,797	**240,765**	262,998
Inventories	**588,213**	1,125,144	**1,672,485**	1,435,305	**5,696,787**	8,919,452	**117,670**	106,538
Trade and other receivables	**2,113,263**	1,555,733	**261,512**	182,640	**1,956,464**	3,663,862	**77,813**	53,246
Loans and advances	**-**	-	**-**	-	**-**	-	**-**	-
Rental receivable on lease assets and hire purchase	**-**	-	**-**	-	**-**	-	**-**	-
Other current assets	**161,770**	152,340	**243,275**	136,721	**1,816,654**	2,125,651	**3,354**	29,194
Short term investments	**215,850**	916,282	**387**	387	**372,316**	380,905	**1,500**	1,500
Cash in hand and at bank	**152,283**	625,121	**100,825**	252,503	**746,612**	9,000,934	**4,088**	23,596
	3,231,379	4,374,620	**2,278,484**	2,007,556	**10,588,833**	24,090,804	**204,425**	214,074
Amounts due from related parties	**898,692**	300,508	**7,133**	193	**6,457,982**	3,788,515	**-**	-
Total current assets	**4,130,071**	4,675,128	**2,285,617**	2,007,749	**17,046,815**	27,879,319	**204,425**	214,074
Total assets								

	Financial Services		Healthcare Services		Others		Total		Eliminations/ Consolidation adjustments		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	1,044,530	1,107,473	33,205,836	29,612,479	84,075	84,877	60,210,637	55,000,077	600,877	6,135,895	60,811,514	61,135,972
	653,070	684,408	1,080,698	1,183,092	215,968	243,576	7,801,279	8,466,418	(8,505)	(8,984)	7,792,774	8,457,434
	103,237	103,237	-	-	1,057,150	939,705	8,333,633	8,004,202	(6,081,110)	(5,829,165)	2,252,523	2,175,037
	124,258	154,126	-	9	1,366	1,833	737,025	871,504	-	-	737,025	871,504
	34,181,166	26,468,667	4,940,066	386,327	1,562,784	1,974,907	40,837,818	28,831,136	(7,416,398)	(2,683,257)	33,421,420	26,147,879
	7,094,383	10,218,694	-	-	-	-	7,094,383	10,218,694	-	-	7,094,383	10,218,694
	1,000	1,000	61,506	62,408	-	-	9,947,986	7,660,414	5,809,046	-	15,757,032	7,660,414
	43,201,644	38,737,605	39,288,106	31,244,315	2,921,343	3,244,898	134,962,761	119,052,445	(7,096,090)	(2,385,511)	127,866,671	116,666,934
							64,083	44,274	-	-	64,083	44,274
							4,763,210	4,763,210	-	-	4,763,210	4,763,210
							2,680,226	2,826,499	-	-	2,680,226	2,826,499
							2,737,200	3,027,670	-	-	2,737,200	3,027,670
	43,201,644	38,737,605	39,288,106	31,244,315	2,921,343	3,244,898	145,207,480	129,714,098	(7,096,090)	(2,385,511)	138,111,390	127,328,587
	866,153	823,172	1,202,072	1,011,848	281	-	10,143,661	13,421,459	43,079	49,738	10,186,740	13,471,197
	3,962,528	3,820,633	814,824	696,868	755,840	2,330,082	9,942,244	12,303,064	(1,668,491)	(2,797,186)	8,273,753	9,505,878
	7,757,968	7,268,582	-	-	-	-	7,757,968	7,268,582	(1,734)	(2,095)	7,756,234	7,266,487
	726,455	1,044,190	-	-	-	-	726,455	1,044,190	-	-	726,455	1,044,190
	1,083,587	931,936	488,474	535,024	87,176	96,615	3,884,290	4,007,481	(287,008)	(9,609)	3,597,282	3,997,872
	11,842,074	14,225,988	395,385	182,078	119,566	786,782	12,947,078	16,493,922	(2,732,121)	(1,429,420)	10,214,957	15,064,502
	1,534,035	1,205,356	1,157,268	656,668	1,565,058	1,514,697	5,260,169	13,278,875	-	(4,155,263)	5,260,169	9,123,612
	27,772,800	29,319,857	4,058,023	3,082,486	2,527,921	4,728,176	50,661,865	67,817,573	(4,646,275)	(8,343,835)	46,015,590	59,473,738
	7,731	1,143	6,223,648	4,238,997	16,535,106	14,948,764	30,130,292	23,278,120	(30,020,359)	(21,375,663)	109,933	1,902,457
	27,780,531	29,321,000	10,281,671	7,321,483	19,063,027	19,676,940	80,792,157	91,095,693	(34,666,634)	(29,719,498)	46,125,523	61,376,195
							225,999,637	220,809,791	(41,762,724)	(32,105,009)	184,236,913	188,704,782

NOTES TO THE FINANCIAL STATEMENTS

48.2 Segment assets and liabilities (Contd.)

In Rs. '000	Information Technology		Leisure & Property		Retail		Automobiles	
As at 31 March	2023	2022	2023	2022	2023	2022	2023	2022
Insurance contract liabilities	-	-	-	-	-	-	-	-
Interest bearing borrowings	2,500	30,000	18,747,094	14,635,222	6,251,890	4,608,727	-	-
Lease liability	40,506	32,508	59,334	51,895	4,594,234	4,982,303	57,700	73,022
Public deposits	-	-	-	-	-	-	-	-
Employee benefit liabilities	156,669	188,880	41,766	47,351	356,928	356,045	12,535	13,505
Other deferred liabilities	-	-	-	-	146	226	-	-
Other non-current financial liabilities	31,687	31,687	2,686,113	2,713,736	62,853	62,853	-	-
Segment non-current liabilities	231,362	283,075	21,534,307	17,448,204	11,266,051	10,010,154	70,235	86,527
Deferred tax liabilities								
Total non-current liabilities	231,362	283,075	21,534,307	17,448,204	11,266,051	10,010,154	70,235	86,527
Trade and other payables	977,974	3,518,527	3,036,038	1,323,864	10,346,833	18,728,017	106,100	86,272
Income tax liabilities	96,963	91,343	(414)	(414)	319,710	308,298	-	-
Other current financial liabilities	2,188,759	411,586	55,550	47,453	32,648,984	23,046,141	2,554,143	1,282,158
Current portion of interest bearing borrowings	30,000	33,200	1,374,604	2,180,947	2,123,707	2,643,263	-	-
Current portion of lease liability	16,351	26,081	1,713	1,264	1,389,826	1,410,417	19,163	15,735
Other current liabilities	270,494	526,042	147,950	256,139	877,258	661,448	85,342	15,162
Public deposits	-	-	-	-	-	-	-	-
Bank overdrafts	125,280	31,391	677,263	568,364	3,343,630	2,510,970	27,532	8,555
Segment current liabilities	3,705,821	4,638,170	5,292,704	4,377,617	51,049,948	49,308,554	2,792,280	1,407,882
Amounts due to related parties	332,450	296,275	1,724,620	1,737,741	5,462,524	5,850,126	353,349	222,840
Total current liabilities	4,038,271	4,934,445	7,017,324	6,115,358	56,512,472	55,158,680	3,145,629	1,630,722
Total liabilities								
Total segment assets	4,904,387	5,395,867	24,726,672	21,739,842	43,142,347	52,989,116	445,190	477,072
Total segment liabilities	4,269,633	5,217,520	28,551,631	23,563,562	67,778,523	65,168,834	3,215,864	1,717,249

	Financial Services		Healthcare Services		Others		Total		Eliminations/ Consolidation adjustments		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	24,462,094	22,559,124	-	-	-	-	24,462,094	22,559,124	-	-	24,462,094	22,559,124
	8,644,708	8,140,403	4,422,317	5,964,366	4,832,555	5,590,856	42,901,064	38,969,574	-	-	42,901,064	38,969,574
	380,393	505,789	279,812	264,874	184,976	203,880	5,596,955	6,114,271	(997)	(1,584)	5,595,958	6,112,687
	3,094,921	2,516,825	-	-	-	-	3,094,921	2,516,825	-	-	3,094,921	2,516,825
	276,146	263,083	582,589	698,920	130,361	142,424	1,556,994	1,710,208	-	-	1,556,994	1,710,208
	-	-	-	-	-	-	146	226	-	-	146	226
	-	-	751,989	-	-	-	3,532,642	2,808,276	(2,754,736)	(2,069,447)	777,906	738,829
	36,858,262	33,985,224	6,036,707	6,928,160	5,147,892	5,937,160	81,144,816	74,678,504	(2,755,733)	(2,071,031)	78,389,083	72,607,473
							6,997,084	3,266,142	-	-	6,997,084	3,266,142
	36,858,262	33,985,224	6,036,707	6,928,160	5,147,892	5,937,160	88,141,900	77,944,646	(2,755,733)	(2,071,031)	85,386,167	75,873,615
	5,032,150	4,202,640	3,724,616	3,448,779	2,003,262	189,317	25,226,973	31,497,416	(4,815,920)	(2,340,066)	20,411,053	29,157,350
	931,127	50,767	521,813	347,728	1,991	1,056	1,871,190	798,778	-	-	1,871,190	798,778
	9,097,741	5,072,894	9,418,864	5,679,139	26,104,121	22,657,052	82,068,162	58,196,423	(28,739,513)	(20,517,594)	53,328,649	37,678,829
	3,247,443	1,496,685	2,497,043	1,815,174	8,856,901	7,438,756	18,129,698	15,608,025	-	-	18,129,698	15,608,025
	315,657	246,335	115,652	87,709	38,356	37,495	1,896,718	1,825,036	(667)	(584)	1,896,051	1,824,452
	873,923	797,808	90,891	72,141	195,935	63,048	2,541,793	2,391,788	(203,134)	(9,193)	2,338,659	2,382,595
	9,336,026	13,065,182	-	-	-	-	9,336,026	13,065,182	(332)	-	9,335,694	13,065,182
	793,848	381,191	4,178,827	3,038,773	236,313	150,329	9,382,693	6,689,573	-	-	9,382,693	6,689,573
	29,627,915	25,313,502	20,547,706	14,489,443	37,436,879	30,537,053	150,453,253	130,072,221	(33,759,566)	(22,867,437)	116,693,687	107,204,784
	49,225	5,277	26,867	26,867	53,976	47,920	8,003,011	8,187,046	(7,974,092)	(8,158,127)	28,919	28,919
	29,677,140	25,318,779	20,574,573	14,516,310	37,490,855	30,584,973	158,456,264	138,259,267	(41,733,658)	(31,025,564)	116,722,606	107,233,703
							246,598,164	216,203,913	(44,489,391)	(33,096,595)	202,108,773	183,107,318
	70,982,175	68,058,605	49,569,777	38,565,798	21,984,370	22,921,838	225,999,637	220,809,791			184,236,913	188,704,782
	66,535,402	59,304,003	26,611,280	21,444,470	42,638,747	36,522,133	246,598,164	216,203,913			202,108,773	183,107,318

NOTES TO THE FINANCIAL STATEMENTS

49. CONTINGENT LIABILITIES

ACCOUNTING POLICY

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only if it is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

» the amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or

» the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18)

Contingent assets are disclosed where inflow of economic benefit is probable.

As at reporting date, there were no significant contingent liabilities at the date of the statement of financial position which require adjustment to or disclosure in the financial statements, other than disclosed below.

No provision has been made in respect of the contingent liabilities stated below for the reasons given.

49.1 Asiri Surgical Hospital PLC

A dispute has arisen with the Department of Inland Revenue on the tax exemption applicable as per the agreement between Asiri Surgical Hospital PLC and the Board of Investment of Sri Lanka (BOI) in terms of the agreement entered between Asiri Surgical Hospital PLC and the Board of Investment of Sri Lanka (BOI) in year 2000.

Since there is litigation in the Court of Appeal in CA (Writ) 386/2016 with regard to this matter, in accordance with Paragraph 92 of LKAS 37, the group is unable to provide further information on this and associated risks, in order not to impair the outcome and/ or prejudice the subsidiary's position in this matter.

The aforesaid matter is coming up for argument in July 2024.

49.2 Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospital Ltd

Pending litigations against Asiri Hospital Holdings PLC , Asiri Surgical Hospital PLC and Central Hospital Ltd with a maximum liability of Rs. 67.20 Mn, Rs. 13.20 Mn and Rs. 134.00 Mn respectively exist as at 31 March 2023 (2022 - Asiri Hospital Holdings PLC : Rs. 66.00 Mn, Asiri Surgical Hospital PLC : Rs. 13.20 Mn and Central Hospital Ltd - Rs. 104.00 Mn).

Although there can be no assurance, the Directors of respective companies believe, based on the information currently available, that the resolution of such legal processes are not likely to have a material adverse effect on the companies or the Group.

49.3 Asiri Central Hospitals Ltd

H.C. (Civil) 417/2015/MR - Krishnan Thangaraj Vs. Asiri Central Hospitals Ltd, Oraz International Property Developers and Construction (Pvt) Ltd and H.G. Shalika Perera relating to a permanent injunction restraining the payment of any commission on the sale of the land and premises bearing assessment No. 37, Horton Place, Colombo 07 to P.P.M. Edwards.

An enjoining order was issued restraining above at the first instance.

49.4 Softlogic Finance PLC

District Court of Colombo DMR 3743/19 - customer of Softlogic Finance PLC has filed a case against the Company claiming damages of Rs. 100.00 Mn for the reputational loss and mental agony suffered. When the matter was called on 7 June 2023, the plaintiff withdrawn the case.

District Court of Colombo DMR 3689/21 - customer of Softlogic Finance PLC has filed a case against the Company claiming damages of Rs. 70.00 Mn for the Deed of Transfer executed over his property in favour of Softlogic Finance PLC.

49.5 Softlogic Life Insurance PLC (SLI)

Value Added Tax (VAT)

The Company has received tax assessments on Value Added Tax in April 2013 for the taxable period ended 31 December 2010 amounting to Rs. 71.30 Mn.

Out of received VAT assessments, 8 assessments issued for the taxable period ended 31 December 2010 was determined infavour of Commissioner General of Inland Revenue (CGIR) and case is stated for the opinion of the Honourable Court of Appeal and the Company is awaiting the final decision. The total exposure of this appeal is Rs. 46.50 Mn including the penalty.

Remaining 3 assessments issued for the taxable period ended 31 December 2010 was determined in favour of the Company and case is stated for the opinion of the Honourable Court of Appeal and the Company is awaiting the final decision. The total exposure of this appeal is Rs. 24.80 Mn including the penalty.

Value Added Tax on Financial Services

The Company has received tax assessments on Value Added Tax on Financial Services in July 2018, August 2019, February 2020 and December 2021 for the taxable period ended 31 December 2014, 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 amounting to Rs. 68.70 Mn, Rs. 28.00 Mn, Rs. 102.4 Mn, 72.60 Mn and Rs. 147.70 respectively.

The Company has appealed to the Tax Appeals Commission on the assessment determined in favour of CGIR for the taxable period ended 31 December 2014 and awaits the final decision.

The Company has filed an appeal in to CGIR for the taxable periods ended 31 December 2016, 31 December 2017, 31 December 2018 respectively in September 2019, February 2020 and January 2022 respectively on the basis that the underlying computation includes items which are out of scope of the Value Added Tax Act. The Company is awaiting the CGIR determination. Further, the Company has requested a Administrative Review for the assessment issued for the taxable period ended 31 December 2019.

Nation Building Tax on Financial Services

The Company has received tax assessments on Nation Building Tax for the taxable period ended 31 December 2017, 31 December 2018 and 31 December 2019 amounting to Rs. 13.70 Mn, 9.70 Mn and Rs. 18.00 Mn respectively.

The assessment determined in favour of CGIR for the taxable period ended 31 December 2017 and the CGIR has confirmed that the amount of tax in default along with the penalty has been written off as per the provisions in the Finance Act.

The Company has filed an appeal for the assessment received for the taxable period ended 31 December 2018 and 31 December 2019 on the basis that the underlying computation includes items which are out of scope of the Nation Building Tax Act. The Company is awaiting the CGIR determination.

Life Insurance Taxation

The tax assessment raised for the year of assessment 2010/11 amounting to Rs. 0.68 Mn was determined in favour of the Company by the Tax Appeals Commission and the CGIR has transmitted this case to the Court of Appeal being dissatisfied with the said determination and awaits final decision.

The Tax assessment raised for the year of assessment 2011/12 and 2012/13 amounting to Rs. 10.10 Mn and Rs. 12.40 Mn was determined in favour of CGIR and the Company has transmitted this case to the Court of Appeal being dissatisfied with the said determination and awaits final decision.

The Commissioner General of Inland Revenue has issued it's determination notices on the appeals filed the Company for Life Insurance taxation for the year of assessment 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 681.70 Mn including the penalty. The Company has appealed to the Tax Appeals Commission and awaits the final decision.

The Company has received tax assessments for Life Insurance taxation for the year of assessment 2017/18, 2019/20 and 2020/21 amounting to Rs. 533.40 Mn, Rs. 1,114.00 Mn and Rs. 931.23 Mn (including the penalty) respectively. The Company has lodged a valid appeal against the assessment issued for the year of assessment 2017/18 and awaits the CGIR determination. Further the Company is in the process of submitting a Petition of Appeal with Tax Appeal Commission and filling an appeal to the CGIR against the assessment issued for the year of assessment 2019/20 and 2020/21 respectively.

Economic Service Charge

The Company has received a tax assessment on Economic Service Charge in August 2020 for the taxable period ended 31 December 2017 amounting to Rs. 7.30 Mn.

The Company has filed an appeal on the basis that the underlying computation includes items which are out of scope of the Economic Service Charge Act. The Company is awaiting the CGIR determination.

Based on the information available and the advice of the tax consultants, the Directors of the Company are confident that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions and therefore the resolution of this contingency is unlikely to have a material adverse effect on the company or the Group.

NOTES TO THE FINANCIAL STATEMENTS

50. CAPITAL AND OTHER COMMITMENTS

50.1 Capital commitments

In Rs. '000 As at 31 March	GROUP 2023	 2022
Capital commitments approved but not provided for	**3,539,192**	3,226,696
Capital commitments approved but not contracted	**14,401,000**	8,310,000

50.2 Guarantees issued and in-force, and commitments for unutilised facilities

In Rs. '000	GROUP		COMPANY	
As at 31 March	2023	2022	2023	2022
Guarantees issued and in-force	**256,974**	433,047	**40,738,962**	38,140,140
Commitment for unutilised facilities	**388,741**	759,541	**-**	-

51. EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the date of the statement of financial position, which require disclosure in the financial statements other than the following.

51.1 Softlogic Holdings PLC

Rights issue announcement

The Board of Directors of the Company has resolved on 7 March 2024 to raise up to Rs. 10.00 Bn by 31 of March 2025 by way of equity infusion as follows:

i) to raise up to Rs. 2,981,358,020.00 by way of a Rights Issue

ii) to raise up to Rs. 1,878,255,550.50 by issuing warrants attached to the rights shares subscribed

iii) to raise remaining equity of up to Rs. 5,140,386,429.50 in a manner to be decided by the Board of Directors of the Company upon completion of aforesaid item No. (i) and (ii)

51.2 Softlogic Retail Holdings (Pvt) Ltd

The Directors of Softlogic Retail Holdings (Pvt) Ltd, a subsidiary of Softlogic Holdings PLC, announced that the company acquired the 100% stake in Footwear Retailers Ltd (formerly known as "Bata Shoe Company of Ceylon Ltd") on 14 September 2023 for a consideration of Rs. 293.00 Mn. With the acquisition of Footwear Retailers Ltd, Softlogic Retail Holdings (Pvt) Ltd has been granted the manufacturing license and distribution rights and the exclusive retail franchise rights for "Bata" and Bata products in Sri Lanka.

51.3 Softlogic Finance PLC

Rights issue announcement

The Directors of Softlogic Finance PLC, a subsidiary of Softlogic Holdings PLC, announced to issue 380,756,752 ordinary shares by way of a Rights Issue at a price of Rs. 6.60 per share and the Rights Issue was as approved by the shareholders. Total number of shares subscribed was 353,362,388 and the said shares were listed on 27 March 2024.

Caps Imposed by CBSL

As per the latest letter received from Central Bank of Sri Lanka dated 10 April 2023, the caps imposed on Total Deposits and Total Lending Portfolio have been downsized to Rs. 10.50 Bn and Rs. 13.50 Bn respectively by 30 June 2023. Further, Rs. 5.60 Bn cap has been imposed on borrowings through commercial papers (with accrued interest payable) with immediate effect.

51.4 Odel PLC

Rights issue announcement

The Directors of Odel PLC, a subsidiary of Softlogic Holdings PLC, announced that the Company will issue 272,129,431 ordinary shares by way of a Rights Issue at a price of Rs. 12.50 per share.

The proceeds from the aforesaid Rights Issue will be used for the purpose of settle/ reduce the existing borrowings of Odel PLC.

51.5 Information Technology Sector

Establishing a holding company for Information Technology Sector

A holding company for Information Technology sector was established in September 2023 and the shareholding of Softlogic Information Technologies (Private) Limited and Softlogic Computers (Private) Limited were transferred from Softlogic Holding PLC to Softlogic IT Holdings (Private) Limited for a consideration of Rs. 4,060.32 Mn and Rs. 1,377.58 Mn respectively.

51.6 Asiri Port City Hospital (Pvt) Ltd

By virtue of powers vested in Honourable President Ranil Wickremesinghe by section 53 of the Colombo Port City Economic Commission Act No. 11 of 2021 (the "Act") in his capacity as Minister of Investment Promotion, having considered the recommendations of the Colombo Port City Economic Commission and upon the approval of the Cabinet Ministers, by its decision No. 23/2530/631/033 dated 01 January 2024, the approval was granted to designate Asiri Port City Hospital (Private) Limited as a Business of Strategic Importance. Asiri Port City Hospital (Private) Limited was granted a number of exemptions or incentives under the enactments specified in Schedule II of the Act.

NOTES TO THE FINANCIAL STATEMENTS

51.7 Re-negotiating the debt repayment plans with the lending institutions and restructuring the debts

The Group negotiations with the lending institutions to obtain capital and interest moratoriums and interest rebates/ waive-offs for the purpose of minimising the cash outflows on its financing activities has resulted the following approved debt restructuring. Moreover, negotiations are in progress with other lending institutions to obtain further concessions to the Group entities.

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Restructured facility amount Rs. '000
Softlogic Holdings PLC	Sampath Bank PLC	Term loan	Fixed rate for first 12 months and thereafter AWPLR plus margin	13 bi-annual installments commencing after 18 month capital grace period from March 2024	865,896
		Term loan	Fixed rate for first 12 months and thereafter AWPLR plus margin	13 bi-annual installments commencing after 18 month capital grace period from March 2024	1,000,000
		Term loan	Concessionary fixed rate	13 bi-annual installments commencing after 18 month capital grace period from March 2024	125,339
		Term loan	Concessionary fixed rate	13 bi-annual installments commencing after 18 month capital grace period from March 2024	164,853
		Term loan	Interest free	Repayable by way of a bullet payment after 96 months from March 2024 if above loans amounting to Rs. 875.00 Mn and Rs. 125.34 Mn loans are not duly settled	130,588
		Term loan	Interest free	Repayable by way of a bullet payment after 96 months from March 2024 if loans amounting to Rs. 1,000.00 Mn and Rs. 164.85 Mn loans are not duly settled	180,814
	Seylan Bank PLC	Term loan	AWPLR plus margin	60 monthly installments commencing after 12 month capital grace period from March 2024	2,213,343
		Term loan	AWPLR plus margin	60 monthly installments commencing after 12 month capital grace period from March 2024	1,998,900
		Term loan	AWPLR plus margin	60 monthly installments commencing after 12 month capital grace period from March 2024	201,657
		Term loan	AWPLR plus margin	60 monthly installments commencing after 12 month capital grace period from March 2024	1,278,100
	DFCC Bank	Term loan	AWPLR	14 bi-annual installments commencing after 12 month capital grace period from April 2024	1,343,680
		Term loan	Interest free	14 bi-annual installments commencing after 12 month capital grace period from April 2024	240,000
		Term loan	Interest free	Repayable by way of a bullet payment after 14 bi-annual installments commencing after 12 month capital grace period from April 2024 if above loans amounting to Rs. 1,343.68 Mn and Rs. 240.00 Mn loans are not duly settled	240,000
	People's Bank	Term loan	AWPLR plus margin	20 quarterly installments commencing from July 2024	2,501,860
		Term loan	Interest free	Bullet payment from the divestment of group assets or any other cashflow	769,710
Softlogic Capital PLC	DFCC Bank	Term loan	AWPLR plus margin	6 annual installments commencing from March 2024	1,284,000
Softlogic Mobile Distribution (Pvt) Ltd	Sampath Bank PLC	Term loan	Fixed rate for first 12 months and thereafter AWPLR	54 monthly installments commencing after 6 month capital grace period from February 2024	1,186,000

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Restructured facility amount Rs. '000
Softlogic Retail (Pvt) Ltd	Pan Asia Banking Corporation PLC	Term loan	AWPLR plus margin	84 monthly installments commencing after 12 month capital grace period from February 2024	1,337,000
		Term loan	Interest free	Repayable by way of a bullet payment after 96 monthly installments commencing after 12 month capital grace period from February 2024 if above loan amounting to Rs. 1,337.00 Mn loan is not duly settled	144,000
	Sampath Bank PLC	Working capital loans	AWPLR plus margin	Bullet payment after July 2024	1,678,288
Future Automobiles (Pvt) Ltd	Sampath Bank PLC	Term loan	Fixed rate for first 12 months and thereafter AWPLR	Bullet payment within a period of 12 months from the divestment of group assets or any other cashflow	965,000
		Term loan	Concessionary fixed rate	Bullet payment within a period of 12 months from the divestment of group assets or any other cashflow	139,000
		Term loan	Concessionary fixed rate	Bullet payment within a period of 12 months from the divestment of group assets or any other cashflow	175,000
Softlogic Supermarkets (Pvt) Ltd	Bank of Ceylon	Term loan	AWPLR plus margin	75 monthly installments commencing after 6 month repayment holiday from February 2023	208,333
		Term loan	AWPLR plus margin	75 monthly installments commencing after 5 month repayment holiday from February 2023	273,788
		Term loan	AWPLR plus margin	12 monthly installments commencing from June 2023	53,022
Odel PLC	Bank of Ceylon	Term loan	AWPLR plus margin	12 monthly installments commencing from August 2023	27,930
		Term loan	AWPLR plus margin	66 monthly installments commencing after 12 month capital grace period and 6 month repayment holiday from February 2023	227,501
		Term loan	Fixed rate	26 monthly installments commencing after 9 month capital grace period and 6 month repayment holiday from February 2023	82,169
	Union Bank of Colombo PLC	Term loan	AWPLR plus margin	47 monthly installments commencing from October 2023	842,662
		Term loan	AWPLR plus margin	6 equal monthly installments commencing from October 2023	47,100
Softlogic Brands (Pvt) Ltd	Bank of Ceylon	Term loan	AWPLR plus margin	81 monthly installments commencing after 7 month capital grace period from December 2023	179,030
Odel Properties One (Pvt) Ltd	Hatton National Bank PLC Sampath Bank PLC Bank of Ceylon	Syndicated loan	AWPLR plus margin	84 monthly installments commencing from December 2025	5,400,000
					27,504,563

NOTES TO THE FINANCIAL STATEMENTS

52. SECURITY AND REPAYMENT TERMS OF INTEREST BEARING BORROWINGS

52.1 Security and repayment terms

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Softlogic Holdings PLC	Seylan Bank PLC	Term loan	AWPLR plus margin	07 monthly instalments commencing from February 2022	**2,991**	15,202	5,005.38	a) Primary concurrent mortgage for Rs. 70.00 Mn over land and building at No. 14, De Fonseka Place Colombo - 05
		Term loan	AWPLR plus margin	07 monthly instalments commencing from February 2022	**6,964**	35,453		b) Secondary concurrent mortgage for Rs. 30.00 Mn over land and building at No. 14, De Fonseka Place Colombo - 05
		Term loan	AWPLR plus margin	60 monthly instalments commencing from March 2022	**2,027,140**	750,000		c) Additional mortgage for Rs. 380.00 Mn over land and building at No. 14, De Fonseka Place Colombo - 05
		Term loan	AWPLR plus margin	42 monthly instalments commencing from February 2022	**175,268**	170,249		d) 105,440,000 shares of Asiri Hospital Holdings PLC, 170,187,477 shares of Softlogic Capital PLC and 63,200 shares of Lanka IOC PLC owned by Softlogic Holdings PLC
		Term loan	AWPLR plus margin	46 monthly instalments commencing from February 2022	**191,515**	210,951		
		Term loan			**-**	33,566		
	Commercial Bank of Ceylon PLC	Term loan	AWPLR plus margin	01 installment, To be settled by April 2023	**102,509**	210,276	941.73	a) Primary mortgage for Rs. 750.00 Mn over 100,000,000 shares of Softlogic Capital PLC owned by Softlogic Holdings PLC
		Term loan	AWPLR plus margin	14 monthly instalments commencing from May 2023	**83,340**	101,860		b) 7,700,000 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC
		Term loan	AWPLR plus margin	16 equal monthly installements commencing from March 2023	**553,492**	605,991	983.00	a) Primary mortgage for Rs. 500.00 Mn over 25,000,000 shares of Odel PLC owned by Softlogic Retail Holdings (Pvt) Ltd
		Term loan	AWPLR plus margin	14 monthly instalments commencing from May 2023	**74,800**	91,600		b) Primary mortgage for Rs. 483.00 Mn over 25,700,000 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
	Hatton National Bank PLC	Term loan	AWPLR plus margin	16 equal quarterly instalments commencing from December 2022	**748,438**	672,557	2,783.68	111,794,301 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC
	Nations Trust Bank PLC	Term loan	AWPLR plus margin	8 equal quarterly instalments commencing from August 2021	**277,194**	305,365	1,083.50	Rs.1,000.00 Mn worth of 37,398,004 shares of Asiri Hospital Holdings PLC and 7,522,861 shares of Softlogic Capital PLC owned by Softlogic Holdings PLC
	Sampath Bank PLC	Term loan	AWPLR plus margin	30 monthly instalments commencing from February 2022	**279,651**	385,243	7,381.24	a) 151,166,182 shares of Softlogic Capital PLC owned by Softlogic Holdings PLC b) 48,250,000 shares of Softlogic Life Insurance PLC owned by Softlogic Capital PLC c) Corporate guarantees from Softlogic Capital PLC for Rs. 1,631.00 Mn
		Term loan	Fixed rate	21 monthly instalments commencing from February 2022	**17,396**	45,229		
	People's Bank	Term loan	AWPLR plus margin	17 equal monthly instalments commencing from January 2024	413,543	502,749	9,788.16	a) 28,467,691 shares of Asiri Hospital Holdings PLC, 198,286,577 shares of Softlogic Capital PLC, 175,550 shares of Softlogic Life Insurance PLC and 2,373,680 shares of Softlogic Finance PLC and owned by Softlogic Holdings PLC b) 49,702,271 shares of Odel PLC owned by Softlogic Retail Holdings (Pvt) Ltd c) Corporate guarantee from Softlogic Retail (Pvt) Ltd for Rs. 2,000.00 Mn d) Corporate guarantee from Softlogic Retail (Pvt) Ltd for Rs. 2,000.00 Mn e) Corporate guarantee from Softlogic Retail (Pvt) Ltd for Rs. 2,000.00 Mn
		Term loan	AWPLR plus margin	6 monthly instalments commencing from January 2024	404,590	646,712		
		Term loan	AWPLR plus margin	54 monthly instalments commencing from February 2023	1,908,935	2,002,127		

NOTES TO THE FINANCIAL STATEMENTS

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
	Bank of Ceylon	Term loan	AWPLR plus margin	84 monthly instalments commencing from June 2023	557,901	683,079	1,555.58	a) 62,894,000 shares of Odel PLC owned by Softlogic Retail Holdings (Pvt) Ltd b) 29,700,000 shares of Odel PLC owned by Softlogic Retail Holdings (Pvt) Ltd
		Term loan	AWPLR plus margin	78 monthly instalments commencing from June 2023	268,915	332,073		
		Term loan	Fixed rate	44 monthly instalments commencing from June 2023	121,671	-		
		Term loan	Fixed rate	45 monthly instalments commencing from June 2023	249,714	-		
		Term loan			-	4,881		
		Term loan			-	21,430		
		Term loan			-	111,551		
		Term loan			-	55,485		
	DFCC Bank PLC	Term loan	AWPLR plus margin	37 equal monthly instalments commencing from January 2024	390,833	424,718	737.94	43,925,000 shares of Odel PLC owned by Softlogic Retail Holdings (Pvt) Ltd
		Term loan	AWPLR plus margin	56 equal monthly instalments commencing from January 2024	940,529	968,746	1,743.00	70,000,000 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC
	National Development Bank PLC	Term loan	AWPLR plus margin	16 equal quarterly instalments commencing from January 2024	1,109,079	-	1,642.01	65,944,100 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC
					10,906,408	9,387,093		

52. INTEREST BEARING BORROWINGS

52.2 Security and repayment terms

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Softlogic Retail Holdings (Pvt) Ltd	Hatton National Bank PLC	Term loan	AWPLR plus margin	60 monthly instalments commencing after a grace period of 6 months commencing from July 2021	**132,998**	167,000	175.00	Corporate guarantee from Softlogic Holdings PLC for Rs.175.00 Mn
		Term loan	AWPLR plus margin	20 monthly instalments commencing from March 2021	**4**	88,461	3,707.87	a) 62,588,236 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC b) Corporate guarantee from Softlogic Holdings PLC for Rs.1,074.71 Mn c) Corporate guarantee from Softlogic Retail (Pvt) Ltd for Rs.1,074.71 Mn
		Term loan	AWPLR plus margin	20 monthly instalments commencing from March 2021	**13,284**	81,499		
Softlogic Retail (Pvt) Ltd	Commercial Bank of Ceylon PLC	Term loan	AWPLR plus margin	60 equal monthly instalments commencing from February 2020	**642,000**	750,000	642.00	a) Mortgage bond for Rs. 1,540.00 Mn over credit and debit card sales receivables including installment sales of all outlets of the Softlogic Retail (Pvt) Ltd
		Term loan			**-**	50,000		b) Supplementary mortgage bond over credit and debit card sales including installment sales of all outlets of the Softlogic Retail (Pvt) Ltd
		Term loan			**-**	7,523		c) Floating mortgage bond for Rs. 100.00 Mn over credit and debit card sales including installment sales of all outlets of the Softlogic Retail (Pvt) Ltd routed through the acquiring and participating banks d) Floating mortgage bond for Rs. 300.00 Mn over credit and debit card sales including installment sales of all outlets of the Softlogic Retail (Pvt) Ltd routed through the acquiring and participating banks
	DFCC Bank PLC	Term loan	AWPLR plus margin	36 equal monthly instalments commencing from May 2019	**23,417**	57,671	300.00	Primary floating mortgage bond for Rs. 300 Mn over property situated at No. 402, Galle Road, Colombo - 03 owned by Softlogic Retail (Pvt) Ltd

NOTES TO THE FINANCIAL STATEMENTS

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
	National Development Bank PLC	Term loan	Fixed Rate	30 equal monthly instalments commencing from October 2022	**1,389,346**	-	2,988.55	a) Corporate guarantee from Softlogic Retail Holdings (Pvt) Ltd for Rs. 1,000.00 Mn b) Primary Concurrent Mortgage over stocks and book debts with National Development Bank PLC being Rs.500 Mn c) Rs.1,488.55 Mn worth shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC
Softlogic City Hotels (Pvt) Ltd	Commercial Bank of Ceylon PLC	Term Loan	LIBOR plus margin	96 monthly instalments commencing from August 2022	**10,138,020**	9,398,309	22,255.58	a) Mortgage over freehold property bearing Asst. Nos. 24, 24A, 24B, 24C, 20/14, 20/20 at Dharmapala Mawatha, Kollupitiya owned by Softlogic Properties (Pvt) Ltd and other project assets of Hotel b) Corporate guarantee from Softlogic Holdings PLC for USD 36.40 Mn
		Term loan	LIBOR plus margin	61 monthly instalments commencing from August 2022	**516,388**	476,534		
		Term loan	-	80 monthly instalments commencing from August 2022	**1,010,320**	-		
	Bank of Ceylon	Term loan	Fixed Rate	24 monthly instalments after 12 months moratorium period commencing from July 2022	**20,067**	20,536	23.50	Corporate guarantee from Softlogic Holdings PLC for Rs. 23.50 Mn
		Term loan	Fixed Rate	24 monthly instalments after 12 months moratorium period commencing from July 2022	**23,892**	24,127	25.00	Corporate guarantee from Softlogic Holdings PLC for Rs. 25.00 Mn
Ceysands Resorts Ltd	Nations Trust Bank PLC	Term loan	3 months LIBOR plus margin	10 equal bi annual instalments commencing from April 2020	**2,352,017**	1,969,286	6,125.36	a) Mortgage for USD 9.20 Mn over leasehold rights of hotel lands and building b) Corporate guarantee from Softlogic Holdings PLC for USD 9.20 Mn c) Assignment of AMEX receivables
		Term loan	3 months LIBOR plus margin	10 equal bi annual instalments commencing from September 2020	**51,084**	124,122		
		Term loan	Fixed Rate	18 monthly instalments commencing after a grace period of 6 months from December 2020	**6,250**	25,832		
Suzuki Motors Lanka Ltd	DFCC Bank PLC	Term loan	AWPLR plus margin	15 equal monthly instalments commencing from January 2024	**47,137**	56,843	187.00	a) Primary mortgage for Rs. 100.00 Mn over land at No. 371, New Nuge Road, Peliyagoda b) Corporate guarantee from Softlogic Retail (Pvt) Ltd for Rs. 87.00 Mn

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Softlogic Restaurants (Pvt) Ltd	Union Bank of Colombo PLC	Term loan	AWPLR plus margin	34 monthly instalments commencing from October 2020	**39,881**	68,924	375.53	a) Corporate guarantee from Softlogic Holdings PLC for Rs. 200.00 Mn b) Mortgage over stock of kitchen equipment, fixtures & fittings and appliances located at Panadura, Nugegoda, Ja Ela, Kelaniya, Malabe, Kandy, Moratuwa and Kotahena Burger King outlets
	Commercial Bank of Ceylon PLC	Term loan	AWPLR plus margin	60 monthly instalments commencing after a grace period of 6 months from December 2020	**78,812**	98,500	78.81	Supplementary mortgage bond over credit and debit card sales receivables of all outlets of the Softlogic Restaurants (Pvt) Ltd
		Term loan			-	17,777		
		Term loan			-	37,200		
	Hatton National Bank PLC	Term loan	AWPLR plus margin	60 equal monthly instalments commencing from April 2017	**22,520**	45,500	120.00	Corporate guarantee from Softlogic Holdings PLC for Rs. 120.00 Mn
		Term loan			-	284		
	Bank of Ceylon	Term loan	AWPLR plus margin	48 monthly instalments commencing after a grace period of 12 months from February 2019	**236,000**	296,000	500.00	Corporate guarantee from Softlogic Holdings PLC for Rs. 500.00 Mn
		Term loan	Fixed rate	22 monthly instalments commencing after a grace period of 9 months from July 2022	**110,586**	164,771		
		Term loan			-	12,266		
	National Development Bank PLC	Term loan	AWPLR plus margin	60 monthly instalments commencing after a grace period of 12 months from September 2022	**218,191**	145,808	568.19	a) Mortgage bond over cash flow collected of all outlets of the Burger king, Baskin Robins, Crystal Jade, Delifrance outlet located one galle face mall Burger king Rajagiriya in to the DSRA b) Corporate guarantee from Softlogic Retail Holdings for Rs. 350 Mn C) Mortgage over cash collection of proposed 2 burger king outlets 4 popayes outlets and credit card collection of proposed 1 burger king and 4 Popeyes outlet

NOTES TO THE FINANCIAL STATEMENTS

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Softlogic BPO Services (Pvt) Ltd	Sampath Bank PLC	Term loan	AWPLR plus margin	48 monthly instalments commencing from November 2019	**32,500**	52,000	120.00	Corporate guarantee from Softlogic Holdings PLC for Rs. 120.00 Mn
		Term loan			-	2,000		
	Sanasa Development Bank PLC	Term loan			-	9,200		
Softlogic Supermarkets (Pvt) Ltd	Bank of Ceylon	Term loan	AWPLR plus margin	60 equal monthly instalments commencing after a grace period of 12 months commencing from October 2018	**217,264**	291,666	675.06	a) 10,420,000 shares of Odel PLC owned by Softlogic Retail Holdings (Pvt) Ltd b) Corporate guarantee from Softlogic Holdings PLC for Rs. 500.00 Mn
		Term loan	AWPLR plus margin	60 equal monthly instalments commencing after a grace period of 12 months commencing from October 2018	**286,180**	357,122	605.00	a) 6,250,000 shares of Odel PLC owned by Softlogic Retail Holdings (Pvt) Ltd b) Corporate guarantee from Softlogic Holdings PLC for Rs. 500.00 Mn
	National Development Bank PLC	Term loan	AWPLR plus margin	10 equally semi-annual instalments commencing after a grace period of 29 months from May 2023	**997,463**	938,000	1,997.46	a) Credit Card Receivables of Glomark Malabe and Buthgamuwa outlets b) Mortgage over the cash flows collected from the Glomark Malabe and Buthgamuwa outlets c) Corporate guarantee from Softlogic Retail Holdings (Pvt) Ltd for Rs. 1,000.00 Mn
		Term loan	AWPLR plus margin	84 monthly instalments commencing after a grace period of 24 months commencing from September 2023	**1,197,177**	587,000	2,322.18	a) Credit Card Receivables of Glomark Thalawathugoda and Kandana outlets b) Mortgage over the cash flows collected from the Glomark Thalawathugoda and Kandana outlets c) Corporate guarantee from Softlogic Retail Holdings (Pvt) Ltd for Rs. 1,125.00 Mn

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Softlogic Capital PLC	National Development Bank PLC	Term loan	AWPLR plus margin	3 annual instalments commencing after a grace period of 47 months commencing from October 2024	**876,017**	800,000	5,064.00	60,000,000 shares of Softlogic Life Insurance PLC owned by Softlogic Capital PLC
		Term loan	AWPLR plus margin	Full repayment after a grace period of 36 months commencing on October 2023	**272,771**	250,000		
	DFCC Bank PLC	Term loan	AWPLR plus margin	24 equal monthly instalments commencing after a grace period of 24 months commencing from August 2023	**1,177,901**	1,100,000	5,908.00	70,000,000 shares of Softlogic Life Insurance PLC owned by Softlogic Capital PLC
Softlogic Finance PLC	Hatton National Bank PLC	Term loan			**-**	100,709		
Softlogic Stockbrokers (Pvt) Ltd	Seishin Limited	Term loan	Fixed Rate	3 annual instalments commencing from January 2024	**318,609**	-		
	People's Bank	Term loan			**-**	2,778		
Asiri Hospital Holdings PLC	Commercial Bank of Ceylon PLC	Term loan	AWPLR plus margin	96 monthly instalments commencing from April 2015	**179,845**	450,016	3,218.39	74,454,026 shares of Central Hospitals Ltd owned by Asiri Hospital Holdings PLC
		Term loan	AWPLR plus margin	96 monthly instalments commencing from April 2015	**40,121**	100,448	550.00	Corporate guarantee from Asiri Surgical Hospital PLC for Rs. 550.00 Mn
		Term loan	AWPLR plus margin	90 monthly instalments after a grace period of 40 months from December 2015	**343,354**	420,420	2,750.60	Primary mortgage bond for Rs. 2750.60 Mn over leasehold right of Kandy Hospital Property situated at 907 Peradeniya Road Kandy, more fully depicted as lot 1&2 in plan No 3856A owned by the company
		Term loan	AWPLR plus margin	96 monthly instalments after a grace period of 24 months from September 2016	**1,245,467**	1,457,600		
		Term loan	AWPLR plus margin	60 monthly instalments commencing from June 2022	**47,029**	-	53.90	Primary Mortgage bond for Rs. 53.9 Mn over Medical Equipment
		Term loan	AWPLR plus margin	60 monthly instalments commencing from June 2022	**55,997**	-	64.20	Primary Mortgage bond for Rs. 64.2 Mn over Medical Equipment
		Term loan	AWPLR plus margin	48 monthly instalments commencing from June 2023	**33,606**	-	33.90	Primary Mortgage bond for Rs. 33.9 Mn over Medical Equipment
		Term loan			**-**	20,700	-	

NOTES TO THE FINANCIAL STATEMENTS

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
	Sampath Bank PLC	Term loan	AWPLR plus margin	120 monthly instalments commencing from December 2015	**194,763**	261,183	194.76	Securitisation of all future credit/ debit card receivables of Asiri Hospital Holdings PLC
		Term loan	AWPLR plus margin	108 monthly instalments commencing after 12 months of grace period from March 2019	**304,281**	353,400	1,502.92	a) Third party primary mortgage bond for Rs. 450.00 Mn over hospital property at No. 10, Wackwella Road, Galle owned by Asiri Hospital Galle (Pvt) Ltd b) Additional security over 100.0% of ordinary shares of Asiri Hospital Galle (Pvt) Ltd owned by Asiri Hospital Holdings PLC
	National Development Bank PLC	Term loan	AWPLR plus margin	06 equal Quarterly instalments commencing from January 2023	**191,745**	-	225.00	Corporate guarantee from Asiri Surgical Hospital PLC for Rs. 225 Mn
Asiri Surgical Hospital PLC	Commercial Bank of Ceylon PLC	Term loan	AWPLR plus margin	96 monthly instalments commencing from April 2015	**21,250**	85,186	306.00	a) Primary concurrent mortgage bond for Rs. 125.00 Mn over hospital property at No. 181, Kirula Road, Narahenpita owned by Asiri Hospital Holdings PLC
		Term loan	AWPLR plus margin	60 equal monthly instalments commencing from March 2023	**344,243**	-		b) Corporate guarantee from Asiri Hospital Holdings PLC for Rs. 181 Mn
	DFCC Bank PLC	Term loan	AWPLR plus margin	72 monthly instalments commencing after 12 months of grace period from March 2020	**907,328**	984,661	1,200.00	Corporate guarantee from Asiri Hospital Holdings PLC for Rs. 1,200.00 Mn
	Sampath Bank PLC	Term loan	AWPLR plus margin	60 monthly instalments commencing after 6 months of grace period from December 2020	**533,493**	680,853		
		Term loan	AWPLR plus margin	60 monthly instalments commencing after 6 months of grace period from February 2021	**140,970**	176,900		

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Asiri A O I Cancer Centre (Pvt) Ltd	Hatton National Bank PLC	Term loan	AWPLR plus margin	48 equal monthly instalments commencing after 12 months grace period from August 2019	**77,500**	138,600	240.00	Corporate Guarantee from Asiri Surgical Hospital PLC for Rs. 240.00 Mn
Central Hospitals Ltd	Sampath Bank PLC	Term Loan	AWPLR plus margin	96 monthly instalments commencing from December 2015	**6,776**	47,528	326.00	Corporate guarantee from Asiri Hospital Holdings PLC for Rs. 326.00 Mn
		Term Loan	AWPLR plus margin	120 monthly instalments commencing from December 2015	**334,429**	449,200	334.43	Securitisation of all future credit/ debit card receivables of Central Hospitals Ltd
		Term Loan	AWPLR	60 monthly instalments commencing after 3 months of grace period from July 2021	**677,523**	849,250	677.52	Securitisation of all future credit/ debit card receivables of Central Hospitals Ltd
	Commercial Bank of Ceylon PLC	Term loan	AWPLR plus margin	54 monthly instalments commencing after 4 months of grace period from April 2019	**431,323**	667,978	1,250.00	Primary mortgage for Rs. 1,250.00 Mn over the premises at No. 907, Peradeniya Road, Kandy (Asiri Kandy Hospital) owned by Asiri Hospital Holdings PLC
		Term loan	AWPLR plus margin	30 monthly instalments commencing after 3 months of grace period from August 2022	**266,488**	-	300.00	Corporate guarantee for Rs. 300.00 Mn from Asiri surgical Hospital PLC
	Bank of Ceylon	Term Loan			**-**	57,002		
Asiri Hospital Matara (Pvt) Ltd	Nations Trust Bank PLC	Term loan	AWPLR plus margin	24 monthly instalments commencing from May 2019	**15,715**	32,264	15.72	Assignment over AMEX receivables
Asiri Hospital Galle (Pvt) Ltd	Sampath Bank PLC	Term Loan	AWPLR plus margin	108 monthly instalments commencing after 12 months of grace period from March 2020	**173,891**	181,000	200.00	Additional mortgage for Rs. 200.00 Mn over the premises at No. 10, Wackwella Road, Galle owned by Asiri Hospital Galle (Pvt) Ltd
		Term Loan	AWPLR plus margin	108 monthly instalments commencing after 24 months of grace period from October 2021	**229,731**	235,350	244.35	a) Primary mortgage for Rs. 158.00 Mn over the premises at No. 10, Wackwella Road, Galle owned by Asiri Hospital Galle (Pvt) Ltd b) Additional mortgage for Rs. 86.35 Mn over the premises at No. 10, Wackwella Road, Galle owned by Asiri Hospital Galle (Pvt) Ltd
	Seylan Bank PLC	Term Loan	AWPLR plus margin	48 monthly instalments commencing after 12 months of grace period from December 2019	**122,497**	130,000	150.00	Corporate guarantee from Asiri Hospital Holdings PLC for Rs. 150.00 Mn

NOTES TO THE FINANCIAL STATEMENTS

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Odel PLC	Bank of Ceylon	Term loan	AWPLR plus margin	60 monthly instalments commencing after a grace period of 6 months from August 2018	**227,501**	265,833	450.00	First and additional legal mortgage over the premises at No. 475/32, Kotte Road, Rajagiriya owned by Odel Properties (Pvt) Ltd
	Hatton National Bank PLC	Term loan	AWPLR plus margin	48 monthly instalments commencing from June 2019	**801,596**	801,596	801.60	Primary mortgage over credit card receivables
	Union Bank of Colombo PLC	Term loan	AWPLR plus margin	60 monthly instalments commencing after a grace period of 6 months from October 2019	**842,614**	894,197	1,047.10	Primary mortgage over premises at Kaduwela Road, Thalangama owned by Odel Lanka (Pvt) Ltd
		Term loan	TB Rate plus margin	6 monthly instalments commencing from July 2022	**47,100**	47,100		
	State Bank of India	Term loan	AWPLR plus margin	48 monthly instalments commencing after a grace period of 6 months from August 2020	**180,306**	260,456	530.31	a) Primary Mortgage of merchant fee receivables b) Corporate guarantee from Softlogic Holdings PLC for Rs. 350.00 Mn
	Indian Bank	Term loan	AWPLR plus margin	48 monthly instalments commencing after a grace period of 6 months from August 2020	**128,790**	186,040	378.79	a) Primary Mortgage of merchant fee receivables b) Corporate guarantee from Softlogic Holdings PLC for Rs. 250.00 Mn
	DFCC Bank PLC	Term loan	AWPLR plus margin	60 equal monthly instalments commencing after a grace period of 12 months from June 2022	**313,840**	213,840	800.64	32,154,341 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC
Softlogic Brands (Pvt) Ltd	Bank of Ceylon	Term loan	AWPLR plus margin	60 monthly instalments commencing after a grace period of 6 months from August 2018	**181,590**	263,154	450.00	First and additional legal mortgage over the premises at No. 29 A, Jayatilake Mw, Panadura 966 owned by Odel PLC

Company	Lending institution	Nature of facility	Interest Rate	Repayment Term	Outstanding Balance 2023 Rs. '000	Outstanding Balance 2022 Rs. '000	Carrying value of collaterals Rs. Mn.	Security
Odel Properties One (Pvt) Ltd	Hatton National Bank PLC Sampath Bank PLC Bank of Ceylon	Syndicated loan	AWPLR plus margin	84 monthly instalments commencing after a grace period of 54 months from December 2025	**6,003,655**	4,777,423	13,851.32	a) Primary concurrent mortgage for Rs. 5,400.00 Mn over the project premises at Dr. C W W Kannangara Mw., Colombo - 07 owned by Odel PLC b)Further and additional security over 100.0% of ordinary shares of Odel Properties One (Pvt) Ltd owned by Odel PLC c) Corporate guarantee from Softlogic Holdings PLC for Rs. 5,400.00 Mn
					49,000,859	43,551,520		

INVESTOR INFORMATION

GENERAL

Stated Capital as at 31 March 2023 was Rs. 12,119,234,553.00.

STOCK EXCHANGE LISTING

The ordinary shares of Softlogic Holdings PLC were listed in the Colombo Stock Exchange of Sri Lanka on 20 June 2011 and the trading commenced on 12 July 2011.

PUBLIC SHAREHOLDING

» Public Holding Percentage was 13.09% as at 31 March 2023.

» The number of public shareholders as at 31 March 2023 was 10,062.

» Float adjusted market capitalisation as at 31 March 2023 was Rs 2,482 Mn.

» Minimum public holding percentage - The Company is in compliance with option 1 of the Listing Rules 7.13.1 (b) which requires 7.5% minimum public holding percentage and 200 minimum public shareholders.

DISTRIBUTION OF SHAREHOLDING

There were 10,076 registered shareholders as at 31st March 2023

No of Shares held			No of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	-	1,000	6,566	65.17	3,637,313	0.30
1,001	-	10,000	2,867	28.45	9,789,935	0.82
10,001	-	100,000	531	5.27	16,281,821	1.37
100,001	-	1,000,000	81	0.80	21,621,593	1.81
Over		1,000,000	31	0.31	1,141,212,547	95.70
			10,076	100.00	1,192,543,209	100.00

Analysis Report of Shareholders as at 31st March 2023

Category	No of Shareholders	% of Shareholders	Total Holdings	% of Total Holding
Individual	9,811	97.37	447,850,865	37.55
Institutions	265	2.63	744,692,344	62.45
Total	10,076	100.00	1,192,543,209	100.00
Resident	10,021	99.45	815,896,961	68.42
Non- Resident	55	0.55	376,646,248	31.58
Total	10,076	100.00	1,192,543,209	100.00

TWENTY MAJOR SHAREHOLDERS

The 20 major Shareholders as at 31st March 2023

Name		Shares	%
01	Mr. Asoka Kariyawasam Pathirage	493,125,865	41.35
02	Samena Ceylon Holdings Limited	247,432,455	20.75
03	Mr. Haresh Kumar Kaimal	80,439,792	6.75
04	Mr. Ranjan Janaka Perera	75,437,508	6.33
05	Mr. Govinda Waduge Don Hemantha Udaya Gunawardena	71,333,852	5.98
06	Standard Chartered Bank DIFC Branch S/A Samena Special Situations Fund III L.P.	53,653,654	4.50
07	Pemberton Asian Opportunities Fund	47,095,949	3.95
08	Standard Chartered Bank DIFC Branch S/A Samena Special Situations Fund II L.P.	15,000,000	1.26
09	Employee's Provident Fund	7,230,500	0.61
10	Mr. Samir Jimmy Fancy	7,225,323	0.61
11	Mrs. Arunthathi Selliah	4,700,000	0.39
12	Mr. Nihal Samarasuriya	4,426,601	0.37
13	Mrs. Abiramipillai Kailasapillai	4,200,000	0.35
14	Dr. Karunamuni Manjula Prasanna Karunaratne	3,950,000	0.33
15	Miss. Sivamalar Subramaniam	3,800,000	0.32
16	Arunodhaya Industries (Private) Limited	3,557,864	0.30
17	Arunodhaya (Private) Limited	3,000,000	0.25
18	Mr. Kailasapillai Aravinthan	2,867,550	0.24
19	Mr. Savantha Rishad Sproule De Saram & Mrs. S.T.T. Jayasundera	2,427,552	0.20
20	Dr. Sivakumar Selliah	2,053,232	0.17

SHARE TRADING INFORMATION

	2022/2023	2021/2022
Highest (Rs)	39.8	90
Lowest (Rs)	14.5	10.40
Closing (Rs)	15.9	37.60
Turnover (Rs)	747,329,007.2	6,591,319,767
Number of Shares traded	28,360,457	155,151,089
Number of Trades (Rs)	14,310	40,915

EQUITY INFORMATION

	2022/2023	2021/2022
Loss per share (Rs)	20.19	6.85
Net Liabilities per share (Rs)	26.9	7.07

CORPORATE DIRECTORY

	Name of the Company	Date of Registration	Registered office
	Softlogic Holdings PLC	**25/2/1998**	**No. 14, De Fonseka Place, Colombo 05**
1	Asiri AOI Cancer Centre (Private) Limited	17/03/2017	No. 21, Kirimandala Mawatha, Colombo 05
2	Asiri Central Hospitals Ltd	07/09/1992	No. 114, Norris Canal Road, Colombo 10
3	Asiri Diagnostic Services (Asia) Pte. Limited	05/10/2019	8 Temasek Boulevard, No. 35 -03, Suntec Tower three, Singapore (038988)
4	Asiri Diagnostics Services (Pvt) Ltd	19/09/1995	No. 181, Kirula Road, Colombo 05
5	Asiri Hospital Galle (Private) Limited	29/05/2007	No. 181, Kirula Road, Colombo 05
6	Asiri Hospital Holdings PLC	29/09/1980	No. 181, Kirula Road, Colombo 05
7	Asiri Hospital Matara (Pvt) Ltd	17/04/2007	No. 26, Esplanade Road, Uyanwatta, Matara
8	Asiri Laboratories (Pvt) Ltd	08/03/2016	No. 181, Kirula Road, Colombo 05
9	Asiri Myanmar Ltd	04/11/2019	Pan Hlaing Street, Unit 1, Level 8, Uniteam Marine Office Building, No 84, Pan Hlaing Street, Sanchuang Township, Yangon, Myanmar
10	Asiri Surgical Hospital PLC	30/03/2000	No. 21, Kirimandala Mawatha, Colombo 05
11	Central Hospital Ltd	14/09/2006	No. 114, Norris Canal Road, Colombo 10
12	Ceysand Resorts Ltd	06/03/1973	No. 14, De Fonseka Place, Colombo 05
13	Cotton Collection (Pvt) Ltd	29/04/1993	No. 475/32, Kotte Road, Rajagiriya
14	Dai-Nishi Securities (Pvt) Ltd	26/07/1993	No. 14, De Fonseka Place, Colombo 05
15	Digital Health (Private) Limited	14/08/2015	No. 475, Union Place, Colombo 02
16	Future Automobiles (Pvt) Ltd	06/12/2010	No. 14, De Fonseka Place, Colombo 05
17	Jendo Innovations (Pvt) Ltd	22/06/2015	No. 14, De Fonseka Place, Colombo 05
18	Nextage (Pvt) Ltd	11/04/2012	No. 79, C W W Kannangara Mawatha, Colombo 07
19	Odel Apparels (Pvt) Ltd	10/10/1991	No. 475/32, Kotte Road, Rajagiriya
20	Odel Information Technology Services (Pvt) Ltd	30/11/2007	No. 475/32, Kotte Road, Rajagiriya
21	Odel Lanka (Pvt) Ltd	04/07/2006	No. 475/32, Kotte Road, Rajagiriya
22	Odel PLC	31/10/1990	No. 475/32, Kotte Road, Rajagiriya
23	Odel Properties (Pvt) Ltd	10/10/1991	No. 475/32, Kotte Road, Rajagiriya
24	Odel Properties One (Pvt) Ltd	10/06/2016	No. 475/32, Kotte Road, Rajagiriya
25	Odel Restaurants (Private) Limited	19/02/2018	No. 475/32, Kotte Road, Rajagiriya
26	Sabre Travel Network Lanka (Pvt) Ltd	21/01/1999	No. 14, De Fonseka Place, Colombo 05
27	Silk Route Foods (Private) Limited	10/10/2014	No. 14, De Fonseka Place, Colombo 05
28	SML Holdings (Private) Limited	27/04/2000	No. 371, New Nuge Road, Peliyagoda
29	Softlogic Asset Management (Pvt) Ltd	24/05/2006	Level 16, One Galle Face Tower, Colombo 02
30	Softlogic Australia (Pty) Ltd	05/01/2000,	Unit 2, Building B, 18-24 Ricketts Road, Mount Waverley, Vic 3149
31	Softlogic Automobiles (Pvt) Ltd	02/04/2012	No. 14, De Fonseka Place, Colombo 05
32	Softlogic BPO Services (Private) Limited	13/12/2013	No. 14, De Fonseka Place, Colombo 05

Name of the Company		Date of Registration	Registered office
33	Softlogic Brands (Pvt) Ltd	08/11/1993	No. 14, De Fonseka Place, Colombo 05
34	Softlogic Capital PLC	21/04/2005	Level 16, One Galle Face Tower, Colombo 02
35	Softlogic City Hotels (Pvt) Ltd	30/06/2011	No. 14, De Fonseka Place, Colombo 05
36	Softlogic Communication Services (Pvt) Ltd	16/09/2009	No. 14, De Fonseka Place, Colombo 05
37	Softlogic Communications (Pvt) Ltd	30/10/2000	No. 14, De Fonseka Place, Colombo 05
38	Softlogic Computers (Pvt) Ltd	13/09/1995	No. 14, De Fonseka Place, Colombo 05
39	Softlogic Corporate Services (Pvt) Ltd	24/06/2005	No. 14, De Fonseka Place, Colombo 05
40	Softlogic Destination Management (Pvt) Ltd	22/03/2012	No. 14, De Fonseka Place, Colombo 05
41	Softlogic Finance PLC	24/08/1999	No. 13, De Fonseka Place, Colombo 04
42	Softlogic Healthcare Holdings Ltd	28/08/2018	No. 181, Kirula Road, Colombo 05
43	Softlogic Information Technologies (Pvt) Ltd	02/09/1992	No. 14, De Fonseka Place, Colombo 05
44	Softlogic International (Pvt) Ltd	09/01/1997	No. 14, De Fonseka Place, Colombo 05
45	Softlogic Life Insurance PLC	21/04/1999	Level 16, One Galle Face Tower, Colombo 02
46	Softlogic Mobile Distribution (Private) Limited	30/09/2014	No. 14, De Fonseka Place, Colombo 05
47	Softlogic Pharmaceuticals (Private) Limited	30/11/2005	No. 14, De Fonseka Place, Colombo 05
48	Softlogic Properties (Pvt) Ltd	04/01/2005	No. 14, De Fonseka Place, Colombo 05
49	Softlogic Restaurants (Private) Limited	05/08/2013	No. 14, De Fonseka Place, Colombo 05
50	Softlogic Retail (Private) Limited	06/09/1969	No. 14, De Fonseka Place, Colombo 05
51	Softlogic Retail Holdings (Private) Limited	09/03/2018	No. 14, De Fonseka Place, Colombo 05
52	Softlogic Retail One (Private) Limited	04/07/2014	No. 14, De Fonseka Place, Colombo 05
53	Softlogic Rewards (Private) Limited	05/11/2018	No. 14, De Fonseka Place, Colombo 05
54	Softlogic Solar (Pvt) Ltd	14/11/2002	No. 14, De Fonseka Place, Colombo 05
55	Softlogic Stockbrokers (Pvt) Ltd	26/11/2010	Level 16, One Galle Face Tower, Colombo 02
56	Softlogic Supermarkets (Pvt) Ltd	27/08/2014	No. 14, De Fonseka Place, Colombo 05
57	Suzuki Motors Lanka Limited	12/09/1985	No. 371, New Nuge Road, Peliyagoda
58	Softlogic JSM Entertainment (Pvt) Ltd	13/08/2021	No 14, De Fonseka Place, Colombo 05
59	Asiri Port City Hospital (Pvt) Ltd	04/05/2022	No 14, De Fonseka Place, Colombo 05
60	Softlogic Manufacturing (Pvt) Ltd	06/05/2022	No 14, De Fonseka Place, Colombo 05
61	Odel Apparel Holdings (Pvt) Ltd	27/06/2022	475/32, Kotte Road, Rajagiriya
62	Odel Apparel Lanka (Pvt) Ltd	01/07/2022	475/32, Kotte Road, Rajagiriya
63	Softlogic Healthy Concepts (Pvt) Ltd	13/08/2022	No 14, De Fonseka Place, Colombo 05
64	Softlogic Investments (Pvt) Ltd	02/05/2023	No 14, De Fonseka Place, Colombo 05
65	Softlogic Ventures (Pvt) Ltd	02/05/2023	No 14, De Fonseka Place, Colombo 05
66	Asiri Academy of Health Sciences (Pvt) Ltd	07/09/2023	No 181, Kirula Road, Colombo 05
67	Footwear Retailer (Pvt) Ltd	18/04/2023	No. 100, General Sir John Kotalawala Road, Ratmalana

NOTES

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held on Friday the 17th May 2024 at 10 a.m. at the Auditorium of Central Hospital Limited (4th Floor) No. 114 Norris Canal Road Colombo 10 for the following purposes:

1. Ordinary Business

1.1 To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company and of the Group for the year ended 31st March 2023 together with the Report of the Auditors thereon.

1.2 To re-elect Mr. R. Rassool who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.

1.3 To re-elect Mr. R.J. Perera who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.

1.4 To re-elect Mr. S. Saraf who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.

1.5 To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

1.6 To authorise the Directors to determine and make donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.

1.7 To discuss matters pertaining to the suspension of trade of the securities of the Company with effect from 8th December 2023 and the remedial action intended to be adopted by the Company to ensure compliance with Rule 7.5 (a) of the Listing Rules of the CSE.

2. Special Business

To consider and if thought fit, to pass the following resolution as a Special Resolution:

(2.1) "IT IS HEREBY RESOLVED THAT to re-number the existing Article 59 of the Articles of Association as Article 59 (i) and

(2.2) FURTHER RESOLVED THAT to amend the Articles of Association by the inclusion of a new Article as Article 59 (ii) immediately after Article 59 (i) as follows:

59 (ii) A meeting of shareholders may be held either—

(i) by a number of shareholders who constitute a quorum, being assembled together at the place date, and time appointed for the meeting; (hereinafter sometimes referred to as the physical General meeting); or

(ii) by means of audio, or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting, (hereinafter sometimes referred to as Electronic General Meeting); or

(iii) by a General Meeting held both physically and electronically (called Hybrid General Meetings);"

By Order of the Board,
SOFTLOGIC HOLDINGS PLC

SOFTLOGIC CORPORATE SERVICES (PVT) LTD.
Company Secretaries

16 April 2024
Colombo

Notes

1. A Shareholder who is entitled to participate, speak and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Attendance Registration Process for the Annual General Meeting available on the Corporate Website of the Company and the Website of the Colombo Stock Exchange.

FORM OF PROXY

*I/We .... of

....

being *member/members of SOFTLOGIC HOLDINGS PLC, do hereby appoint ....

....

(holder of N.I.C No. ....) of ....

....or (whom falling)

Mr. A.K. Pathirage	whom failing
Mr. G.W.D.H.U. Gunawardena	whom failing
Mr. R.J. Perera	whom failing
Mr. H.K. Kaimal	whom failing
Mr. M.P.R. Rassool	whom failing
Prof. A.S. Dharmasiri	whom failing
Mr. A. Russell Davison	whom failing
Mr. J.D.N. Kekulawala	whom failing
Mr. S. Saraf	

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on Friday the 17th May 2024 at 10 am and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		For	Against
1.	**Ordinary Business**		
1.1	To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company and of the Group for the year ended 31st March, 2023 together with the Report of the Auditors thereon.		
1.2	To re-elect Mr. R. Rassool who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.		
1.3	To re-elect Mr. R.J. Perera who retires by rotation in terms of Article 87 of the Articles of Association as a Director of the Company.		
1.4	To re-elect Mr. S. Saraf who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company		
1.5	To re-appoint Messrs. Ernst & Young, as Auditors and to authorise the Directors to determine their remuneration		
1.6	To authorise the Directors to determine and make Donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.		
1.7	To discuss matters pertaining to the suspension of trade of the securities of the Company with effect from 8th December 2023 and the remedial action intended to be adopted by the Company to ensure compliance with Rule 7.5 (a) of the Listing Rules of the CSE		

		For	Against
2.	**Special Business**		
2.1	To consider and if thought fit to pass the Special Resolution set out under 2.1 of the Notice of Meeting for the Amendments to the Articles of Association		
2.2.	To consider and if thought fit to pass the Special Resolution set out under 2.2 of the Notice of Meeting for the Amendments to the Articles of Association		

....

Signature Date

Notes

1. *Please delete the inappropriate words.
2. A proxy need not be a shareholder of the Company.
3. Instructions as to completion are noted on the reverse hereof.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, Softlogic Corporate Services (Pvt) Ltd, No.14, De Fonseka Place, Colombo 05, marked "SOFTLOGIC HOLDINGS PLC – Annual General Meeting" or email corporateservices@softlogic.lk not later than 48 hours before the time appointed for the Meeting.

3. In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Attendance Registration Process for the Annual General Meeting available on the Corporate Website of the Company and the Website of the Colombo Stock Exchange.

4. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a Company or Corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or Corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

5. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

CORPORATE INFORMATION

NAME OF COMPANY

Softlogic Holdings PLC

LEGAL FORM

Company was incorporated on 25th February 1998 under the name of Softlogic Holdings (Private) Limited and re-registered on 17th December 2007 under the Companies Act No. 7 of 2007. Changed to a Public Limited Liability Company on 10th December 2008. The shares of the Company were listed on the Colombo Stock Exchange on 20th June 2011 and the name of the Company was changed to Softlogic Holdings PLC on 25th August 2011.

COMPANY REGISTRATION NO

PV 1536 PB/PQ

REGISTERED OFFICE OF THE COMPANY

14, De Fonseka Place,
Colombo 05
Sri Lanka

CONTACT DETAILS

14, De Fonseka Place,
Colombo 05
Sri Lanka

Tel : +94 11 5575 000
Fax : +94 11 2508 291
E-mail : info@softlogic.lk
Web : www.softlogic.lk

CONTACT FOR MEDIA

Softlogic Holdings PLC
14, De Fonseka Place,
Colombo 05
Sri Lanka

Tel : +94 11 5575 000 Ext: 5305
Fax : +94 11 2595 441

DIRECTORS

A.K. Pathirage
– Chairman/ Managing Director
G.W.D.H U. Gunawardena
R.J. Perera
H.K. Kaimal
M.P.R. Rasool
W.M.P.L. De Alwis, PC
(Resigned w.e.f. 15th June 2023)
Prof. A.S. Dharmasiri
A. Russell-Davison
S. Saraf
J.D.N. Kekulawala
C.K. Gupta
(Alternate Director to S. Saraf)
Dr. S. Selliah
(Resigned w.e.f. 24th October 2022)

AUDIT COMMITTEE

J.D.N. Kekulawala – *Chairman*
Dr. S. Selliah
(Resigned w.e.f. 24th October 2022)
Prof A.S. Dharmasiri
W.M.P.L. De Alwis, PC
(Resigned w.e.f. 15th June 2023)

HR AND REMUNERATION COMMITTEE

Prof. A.S. Dharmasiri - *Chairman*
W.M.P.L. De Alwis, PC
(Resigned w.e.f. 15th June 2023)
J.D.N. Kekulawala

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

As at 31st March 2023
W.M.P.L. De Alwis, PC – *Chairman*
Prof. A.S. Dharmasiri
H.K. Kaimal

The composition of the Related Party Transactions Committe was re-constituted on 19th June 2023 as follows;

Prof. A.S. Dharmasiri - *Chairman*
H.K. Kaimal

AUDITORS

Ernst & Young Chartered Accountants
Rotunda Towers,
No. 109,
Galle Road,
Colombo 03
Sri Lanka

LAWYERS

Heritage Partners
Attorneys-at- Law
Heritage House,
No. 4, Malalasekera Pedesa,
Colombo 07
Sri Lanka

SECRETARIES AND REGISTRARS

Softlogic Corporate Services (Pvt) Ltd
14, De Fonseka Place,
Colombo 05
Sri Lanka

Tel : +94 11 557 5000
Fax : +94 11 250 8291

BANKERS

Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Union Bank of Colombo PLC

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BEST IN THE BUSINESS

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