



**MULTI
FINANCE**

Multi Finance PLC

No.275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07

REPORT PREPARED BY THE BOARD OF DIRECTORS OF MULTI FINANCE PLC IN TERMS OF SECTION 220 OF THE COMPANIES ACT NO.07 OF 2007

This Report is presented to the shareholders of Multi Finance PLC (hereinafter referred to as "the Company") in terms of Section 220(2) of the Companies Act in connection with the Extraordinary General Meeting of the shareholders of the Company convened under Section 220(1) of the Act for the purpose set out in the Notice convening the said Meeting.

As communicated to the shareholders via a market announcement dated 13th July 2022 the net assets of the Company are less than half of its Stated Capital and consequently, as required by the said Section 220(2), the shareholders are advised of the following:

(a) Nature and Extent of Losses incurred by the Company

The operational performance and the net assets position of the Company over the last seven years are set out below:

Rs.'000							
Item / Financial Year	2021/2022 (unaudited)	2020/2021 (audited)	2019/2020 (audited)	2018/2019 (audited)	2017/2018 (audited)	2016/2017 (audited)	2015/2016 (audited)
Interest Income	111,454	126,590	194,715	271,332	204,173	129,814	168,078
Interest Expenses	(25,201)	(42,831)	(82,822)	(100,065)	(64,893)	(53,609)	(64,693)
Net Interest Income	86,253	83,759	111,893	171,267	139,280	76,205	103,385
Other Income	8,903	7,514	23,941	26,050	31,244	28,350	30,540
Impairment (charge)/reversal for loans and other losses	(155,668)	(3,872)	(26,695)	(42,774)	(45,958)	(25,330)	(1,982)
Net Operating Income / (Loss) *	(60,511)	87,401	109,139	154,542	124,566	79,225	131,943
Total Operating Expenses	(138,985)	(147,392)	(212,562)	(224,720)	(152,624)	(123,656)	(135,830)
Tax on Financial Services & Income Taxes	(7)	(22,608)	(38,313)	7,069	11,107	4,241	(15,975)
Net Profit/(Loss) for the period	(199,503)	(82,600)	(141,736)	(63,109)	(16,951)	(40,190)	(19,863)
Stated Capital	898,375	898,375	898,375	898,375	898,375	898,375	346,990
Net Assets	298,811	493,852	577,151	718,485	805,806	824,420	312,816
Net Assets as a % of Stated Capital	33.26%	54.97%	64.24%	79.98%	89.70%	91.77%	90.15%

* Net operating income/(Loss) has been arrived at after deducting Impairment Charges for Loans and Other Losses.

(b) Causes of the losses incurred by the Company

The Company has been incurring losses since the Financial Year 2012/13.

Consequent to L B Finance PLC acquiring the majority control of the Company, the Board was reconstituted effective from 18th May 2022.

MULTI FINANCE PLC

Company Reg. No. PB 891PQ

Licensed Finance Company with the Central Bank of Sri Lanka

No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07.

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The newly appointed Board, having considered the performance of the Company, is of the view that the Company has continued to incur losses as aforesaid for the following reasons:

- The business model adopted by the Company was such that it could not deliver the desired results.
- The operating environment and the macro economic conditions that prevailed in the country during the past two years were not conducive to the operations of the Company and further adversely impacted the Company's sustainability.
- The Company's failure to increase its core capital up to the levels prescribed by the Directions issued under the Finance Business Act No.42 of 2011 necessitated regulatory caps / ceilings on lending and deposits.
- At this critical point of time exacerbated by the impact of the prevailing economic conditions in the country, the Company should have been guided and led by persons with maturity and experience, possessing the necessary acumen and skills to ensure organizational and sectoral resilience, which had not been focused on.

Despite these challenges, the Company maintained its liquidity levels and the capital adequacy ratios over and above the threshold limits prescribed by the CBSL.

(c) Steps taken to prevent further losses and recoup the losses incurred

In furtherance of the re-constitution of the Board of Directors:

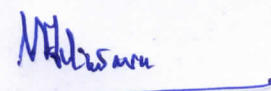
- The new Board of Directors is moving towards a dynamic business model coupled with a more prudent / conventional approach towards provisioning and impairment at Multi Finance PLC;
- Discussions were underway with CBSL seeking the required approvals for an upward revision of the regulatory caps / ceilings facilitating enhanced business activity, effective usage of Group synergies, process improvements and close oversight over the affairs of the Company, during the interim period up to the merger of the two entities as per the said Master Plan for Consolidation of NBFIs.
- Personnel with proven leadership skills and well experienced in the NBFi sector are being appointed to lead the Company;
- An interim capital infusion plan is also under consideration by L B Finance PLC.

With the aforesaid initiatives being implemented, the Board of Directors of Multi Finance PLC expect the Company to improve its financial performance in the forthcoming financial years.

By Order of the Board
MULTI FINANCE PLC


Director
08th August 2022

MULTI FINANCE PLC


Director
08th August 2022