

10th June 2020

Mr Renuke Wijayawardhena
Chief Regulatory Officer
Colombo Stock Exchange
World Trade Centre
Echelon Square
Colombo 1.

Dear Sir,

RE: CIRCULAR NO 06-04-2020 –DISCLOSURE REGARDING IMPACT OF COVID 19 ON BUSINESS / OPERATIONS OF SOFTLOGIC CAPITAL PLC (The Group)

With reference to your Circular dated 20 April 2020, we hereby disclose the following with regard to the business / operations of Softlogic Capital PLC Group in view of the ongoing COVID-19 pandemic.

a. The Impact of and Response to COVID-19 on the business / operations:

After the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government declared a state of “work from home” for the general public, post which island-wide curfew was imposed on 20 March 2020, with restrictions waived only for services classified as ‘essential’. The imposition of curfew has since been eased and the country is now gradually resuming economic activity.

We wish to inform you that from 20th March 2020 onwards, The Softlogic Capital PLC Group has taken all recommended measures to ensure the safety and support of its employees, consumers and all its other stakeholders during this unprecedented challenging time and continues to adhere to the guidelines issued by the Government and health authorities.

Within the Financial Sector of the Group, both Softlogic Life Insurance PLC and Softlogic Finance PLC were declared as essential services by the Government and both entities swiftly worked to ensure that our customers are continually reached and served without any interruption by initiating timely solutions for all their insurance and financial needs during this time.

b. The Group’s response to the impact of COVID - 19 pandemic:

Since the first COVID 19 case was reported in January 2020, Softlogic Capital PLC and its Subsidiaries took a number of steps to ensure the safety of its employees, customers, Board members and other stakeholders. These include educating staff and maintaining social distancing, issuance of masks and use of sanitizers in common places in office and departments, placing a contingency plan in the event of a lockdown and exploring digital modes of serving our customers.

During curfew period we have implemented our Work from Home (WFH) Policy for the majority of Employees and office attendance was only on a “need to basis” to carry out limited critical responsibilities subject to taking all necessary health and safety precautions. Utilizing IT facilities, the Group has been able to seamlessly connect all employees to facilitate remote working conditions and maintain communication channels to continuously advise employees on their health, safety and wellbeing.

At Softlogic Life, the Sales force of our Insurance Company has been impacted due to access restrictions as a result of the island wide curfew intermittently imposed to contain the COVID-19 pandemic. However sales advisors are enabled to submit E-proposals in order to continue the business as part of digital modes to ensure serving our customers while maintaining social distance. They have recorded Rs. 3.5Billion Gross Written Premium (GWP) as at end of Q1 2020, which is 21% growth compared with 2019 and is four times that of industry growth of 5%, despite the onset of challenges related to the COVID 19 pandemic in late March.

Softlogic Finance, Our Finance Company has taken measures to comply with Government and Central Bank of Sri Lanka guidelines and directives issued – in particular the debt moratorium. The Company granted debt moratorium for all of its impacted customers based on eligibility criteria issued by Central Bank. This gives a breathing space to all of our impacted customers and we are expecting improvement in debt repayment after the moratorium period. Further they have maintained a healthy cash buffer in liquid assets (Treasury Bills and REPOs) over Rs. 1Bn throughout this pandemic period ensuring adequate liquidity position where customers are allowed to withdraw their deposits at any given time.

Softlogic Stockbrokers were greatly impacted by the closure of the Colombo Stock Exchange due to the Colombo District curfew. Business has however recovered after opening of the market.

Softlogic Invest, Asset Management Company of the Group has launched two brand new Unit Trust Funds on 1st June 2020 focusing mainly on the Retail market driving the whole country to save and invest at a time like this demonstrating the Group's agility during a situation like this.

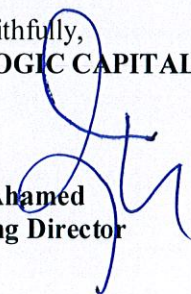
The provision of SLFRS 13 – “Fair Value Measurement and CA guidelines it is permitted to apply alternative valuation techniques to determine the fair value of equity financial instruments in certain situations. Accordingly, internal model has been used by the Group to determine the fair value of quoted equities. subsequent to the valuation model quoted equity shares have been transferred to Level 2 from Level 1 in the fair value hierarchy.

The Management of the Group is implementing business continuity plans and driving for efficiency improvements across the value chain to mitigate this impact during and post this crisis. In addition, with a view to focusing on cash management and liquidity, the Group has adopted several control initiatives including a freeze on all non-essential capital expenditure and stringent expense control measures.

c. The Group's expectation of the future impact of COVID – 19 on the Group's future operations and the financial condition:

The Group expects the badly stressed business environment to impact revenue and performance in the short term, but are optimistic about prospects for the Insurance Sector, as health and protection are now central issues. Within the Group operations, the Finance Company, Stockbroking Company and Asset Management Company have streamlined their systems and procedures towards digital so that they can launch their businesses on a stronger platform in the post COVID timeframe.

Yours faithfully,
SOFTLOGIC CAPITAL PLC.


Iftikar Ahamed
Managing Director