



CREATING EVOLVING GROWING

SINGER FINANCE (LANKA) PLC
ANNUAL REPORT 2018/19

OUR VISION

TO BE THE FOREMOST
FINANCE COMPANY
IN SRI LANKA.

OUR MISSION

TO CONTINUOUSLY IMPROVE THE QUALITY OF LIFE OF
SRI LANKANS BY PROVIDING CONVENIENT FINANCIAL
SOLUTIONS WHILST ENCOURAGING SAVINGS BY
PROVIDING THE MOST FRIENDLY AND RELIABLE
FIXED DEPOSIT SERVICES WITHIN THE REGULATORY
FRAMEWORK.

OUR VALUES

Community

We conduct our business
by conforming to the ethics
of our country and share
the social responsibility
towards the less fortunate

Competitors

We respect our
competitors
and recognise their
contribution to the Finance
Industry

Consumers

We live up to the expectations
of a responsible organisation
by providing customer focused
financial services

Employees

We respect each other as
individuals and encourage
cross functional teamwork
while providing opportunities
for career development

Environment

We make every effort to
ensure that the environment
is protected and conserved
for the future generations

Shareholders

We provide a reasonable
return while safeguarding
their investment



**CREATING
EVOLVING
GROWING**



www.singerfinance.com

Over the years we have been **creating** strong relationships and nurturing strong bonds by understanding the pulse of the people. Our journey has been successful uplifting communities to progress by achieving financial wellbeing.

Evolving with the changing needs and aspirations of our customers customer- centricity has been our core focus. Building on a solid foundation, we are set to continue our transformational journey.

Growing to achieve greater heights of success we envision a future where we expand to many frontiers.

Available Forms

SINGER FINANCE (LANKA) PLC
Annual Report 2018/19



Print
Available on
request



CD-Rom
Posted to all
Shareholders



Online
Available as
PDF

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About this Report

2ND INTEGRATED ANNUAL REPORT



About this Report

We are pleased to present our second Integrated Annual Report in accordance with the International <IR> Framework of the International Integrated Reporting Council (IIRC).

We strive to provide a comprehensive yet concise review on how Singer Finance (Lanka) PLC (the 'Company') created value for its stakeholders through its financial, social and environmental performance for the ended 31 March 2019.

Report Structure

The Annual Report of the Company covers the period of twelve - months of our annual reporting cycle from 1st April 2018 to 31st March 2019 and other material events post this reporting period.

The Company creates value through the Business Model, which takes inputs from the six capitals and transforms through its business activities to produce outputs and outcomes that create value over time for its diverse stakeholders.

Scope and Report Boundary

This Report considers the financial performance and non-financial performance of the Company. This Report represents a balanced review of our financial, environmental and social performance, our governance framework and how we manage risks.

Materiality Determination

We apply the principles of materiality in assessing the information that is to be included in the integrated report. Matters which are identified as material are those that affect the value creation capacity. Page 36 of this report covers the material aspects relevant to the Company.

Standards and Principles of Preparation

Reporting

International <IR> Framework of the International Integrated Reporting Council.

Governance, Risk Management and Operations

Laws and regulations of the Companies Act No 7 of 2007.

The narrative on Corporate Governance (pages 101 to 171) complies with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka and the Central Bank of Sri Lanka.

Listing Rules of the Colombo Stock Exchange and subsequent revisions to date.

Feedback

We welcome your comments on the Annual Report. Please contact our Head of Finance as follows:



Head of Finance,
Singer Finance (Lanka) PLC,
No 498, R A De Mel Mawatha,
Colombo 3.



Hotline:
+94-11-2400400



E Mail: erajf@singersl.com

Financial Reporting

The financial statements presented on pages 210 to 277 of this Report have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS / LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Sustainability Reporting

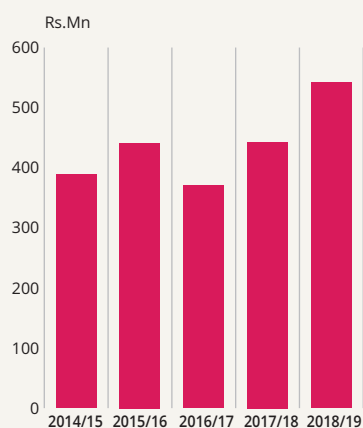
This report has been prepared in accordance with GRI Standards Core option.

United Nations Sustainable Development Goals.

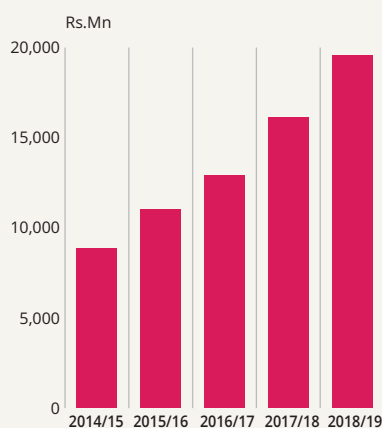


KEY DATA

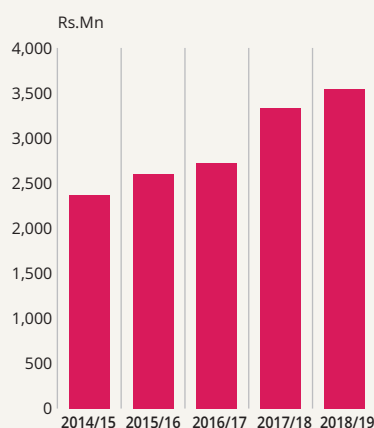
PROFIT AFTER TAX



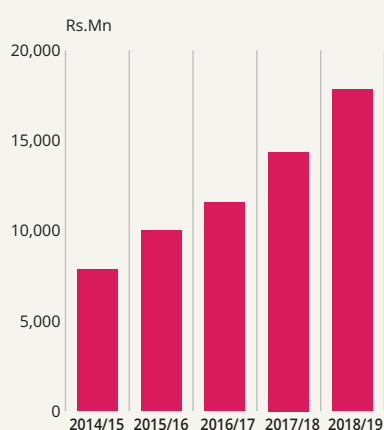
TOTAL ASSETS



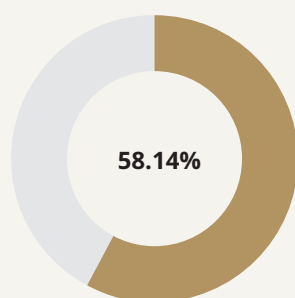
TOTAL EQUITY



ADVANCES



SHAREHOLDERS' FUNDS: PUBLIC DEPOSITS



Earnings per Share

Rs. **2.68**

Dividend per Share

Rs. **1.10**

2018/19 — **28**
Branches

2017/18 — **24**

2018/19 — **04**
Service Centers

2017/18 — **02**

2018/19 — **12**
Mega Service Centers

2017/18 — **14**

2018/19 — **518**
Employees

2017/18 — **389**

FINANCIAL HIGHLIGHTS

	2018/19	2017/18	Change (%)
Financial Performance (Rs .000)			
Gross Income	4,129,845	3,277,570	26.0
Interest Income	3,818,504	3,014,718	26.7
Interest Expense	1,645,624	1,287,378	27.8
Profit before Tax	722,904	700,299	3.2
Income Tax Expense	181,170	257,153	(29.5)
Profit after Tax	541,734	443,146	22.2
Revenue to the Government	612,132	310,752	97.0
Gross Dividends	222,281	196,012	13.4
Financial position at the year end (Rs .000)			
Total Equity	3,543,936	3,335,112	6.3
Deposits from Customers	6,095,816	5,356,078	13.8
Hire Purchase, Leases, Loans & Advances	17,848,131	14,366,433	24.2
Total Assets	19,539,069	16,131,605	21.1
Investor Information			
Earnings per Share (Rs.)	2.68	2.52	6.3
Dividend per Share (Rs.)	1.10	0.97	13.4
Net Assets per Share (Rs.)	17.54	16.50	6.3
Price Earning Ratio (Times)	4.70	6.11	(23.1)
Dividend Payout Ratio	41.03	44.23	(7.2)
Dividend Cover (Times)	2.44	2.26	7.9
Ratios			
Gross Non-Performing Advances Ratio (%)	3.10	2.46	
Non Interest Expense to Gross Income (%)	43.62	39.36	
Gross Interest Margin (%)	56.90	57.30	
Net Interest Margin (NIM) (%)	12.91	12.65	
Return on Assets (%)	3.04	3.05	
Return On Average Shareholder's Fund (%)	15.75	14.64	
Interest Cover (Times)	1.44	1.54	
Equity : Interest Bearing Liabilities (Times)	0.24	0.28	
Debt : Equity Ratio (Times)	4.19	3.40	
Quick Assets Ratio (%)	1.64	1.57	
Fitch Rating	BBB[ika]	BBB[ika]	
Statutory Ratios			
Liquid Assets (%)	10.49	11.74	
Core Capital Ratio (%) (Minimum required 5%)	14.08	16.25	
Regulatory Capital to Risk Weighted Assets (%) (Minimum Requirement 10%)	14.08	16.25	
Shareholders Funds : Public Deposits (%) (Minimum Requirement 10%)	58.14	62.27	



OUR VALUED
SHAREHOLDERS HAVE
EVERY REASON TO
BE PLEASED ABOUT
THEIR COMPANY'S
PERFORMANCE IN
THE PERIOD UNDER
CONSIDERATION,
WHICH WAS A HARD
FOUGHT WIN, WRESTLED
AGAINST A BACKDROP
OF A SUBDUED
ECONOMY...

CHAIRMAN'S REVIEW

It gives me great pleasure to place before you the Annual Report and Audited Financials of Singer Finance (Lanka) PLC for the financial year 2018/19. Our Valued shareholders have every reason to be pleased about their Company's performance in the period under consideration, which was a hard fought win, wrestled against a backdrop of a subdued economy that created an uncertain atmosphere in the latter half of the year. Navigating the year was especially hard because we had to strike the right balance between lending and keeping any risks at bay. However, the adept team at Singer Finance was more than up to the task, successfully maintaining an optimal balance that led to Singer Finance PLC performing well above industry average. Unfortunately, the slower economic growth did not provide the required support to facilitate greater growth.

Economic Performance

Sri Lanka's progress in terms of real economic performance has fallen below expectations in the year under review due to a number of reasons. Since the growth momentum of the economy was crippled, it had a trickle-down effect on many sectors. The country recorded GDP growth of 3.2 per cent in 2018 compared to the growth of 3.4 per cent in 2017. Although Agriculture recovered from the effect of extreme weather conditions experienced in the previous year to deliver 4.8% growth, industry activities moderated considerably during the year to 0.9 per cent from 4.1 per cent in the previous year due to contraction in construction and related areas. Financial services was the key contributor to growth in the Service sector, growing to 4.7 per cent in 2018, compared to the expansion of 3.6 per cent in the previous year. However, due to the economic slowdown, investor sentiment remained subdued and the Colombo Stock Exchange (CSE) recorded yet another year of poor performance due to adverse developments on domestic and global fronts.

Financial Sector Performance

Although overall the financial sector continued to expand in 2018, growth of the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector slowed in 2018, with the decline in credit growth and profitability during the year. Lending activities of the sector decelerated mainly due to recent fiscal and macroprudential policy measures, which were taken to curtail the imports of motor vehicles and credit facilities for purchasing vehicles. The profitability of the sector declined during the year mainly due to increased funding cost and higher loan loss provisions made against Non Performing Loans (NPLs). Signs of stress towards the sector's profitability during the year were reflected by the decrease in Returns on Asset (ROA) and returns on Equity (ROE). Taking a much-needed step to boost

CHAIRMAN'S REVIEW



AS A MEDIUM-SIZED, WELL-RUN FINANCE COMPANY, OPENING MORE BRANCHES WILL BE THE RIGHT GROWTH STRATEGY. DURING THE YEAR, 4 NEW BRANCHES WERE OPENED, AND 3 SERVICE CENTERS WERE RELOCATED.

confidence, The Central Bank of Sri Lanka continued to strengthen the supervisory and regulatory framework of LFCs and SLCs and took action to revive or close down weak LFCs to resolve the lingering concerns in the sector.

Company Performance

The Company demonstrated growth of 22% in its bottom line, which is an exceptional achievement considering the plight of many financial companies in the industry who struggled during the year under review. Overall, I am satisfied with the performance of the Company and credit the performance to the sage advice extended by the Board of Directors and the effective implementation of those strategies by the CEO, senior management and staff of the Company.

Taking note of early signs that the year 2018/19 was going to be stressful for the economy and the financial services sector as a whole, staff was advised to be cautious in their lending. At the same time, leasing is our core business and it was essential that the Company achieved organic growth in its core area of expertise. Nevertheless, we chose the prudent path and put the brakes on promoting mortgage loans, consumables and credit cards amongst the customer base for the rest of the

year. While being cognizant of the fact that this might hinder higher growth rates for the Company, it will definitely ensure sound fundamentals.

During the year under review, the Company expanded its product portfolio to more branches. Gold Loans, which was started in the previous year, has been extended to 14 branches currently. In time, Gold Loans will be available at all Singer Finance branches. The Company's expansion thus far had been a prudent one, with each branch encouraged to break even in order to optimize capital investments and HR costs.

As a medium-sized, well-run finance company, opening more branches will be the right growth strategy. During the year, 4 new branches were opened, and 3 service centers were relocated to more prominent locations. In the past, some of Singer Finance outlets were located at Singer Sri Lanka retail outlets, which meant that they were often overlooked and accessed only by customers walking into the showroom. Now positioned as standalone branches, Singer Finance outlets enjoy a distinctive identity and fulfil customer needs with its visible presence. During the latter part of this year, a head-office was set up at No. 498, R. A. De Mel Mawatha, Colombo 03 and gained

greater visibility for the corporate brand. Going ahead, dynamic strategies are being finalized to strengthen Singer Finance positioning in terms of branding and locations.

The investments made in launching Gold Loans and the capital investment in refurbishing branches reduced our profitability slightly during the year, however we expect to reap greater returns on these investments in the months ahead, with a view to achieve future growth. A decision was taken to scale down the credit card operation for the foreseeable future as it encountered some compliance issues.

Looking Ahead

The focus during the year was to optimize the Company's resources. While we expect the two major sectors of tourism and construction, which experienced a slowdown during the year under review, to pick up pace in the year 2019, the first half of the next financial year is expected to remain challenging. While celebrating our strong performance in the year under review, the Company is aware of weak areas that need to be strengthened, such as deposit taking - where greater planning and a proactive stance are needed.

Obstacles to future growth remain the same as the previous year, namely, restrictions of vehicle imports and duties and caps on exposure of finance companies in leasing. The Company plans to overcome this hurdle by focusing on acquiring larger ticket sizes in Leasing. I am pleased to note that our NPLs are much lower than the industry average or even that of industry peers. Overall, Singer Finance remained untouched by economic downturn due to prudent management and the Company's focus on second-hand and small vehicle market.

I am pleased with the way the Company is evolving and growing, with its fixed deposits, gold loans and business poised to grow stridently. The wealth of talent and experience that Singer Finance holds has ensured that we have charted out a dynamic future growth strategy to carve out a larger share of the market. A new set of staff was recruited to lead the gold loan product and they have made a significant contribution to the Company's performance during the year under review. The Company is committed to investing in training and development of staff to enhance operational excellence.

Singer Finance now has two parents, Singer (Sri Lanka) and Hayleys PLC, both iconic Groups which are positioned at the apex of the corporate sector in Sri Lanka. Naturally, we will continue to leverage on the joint synergies to take advantage of emerging opportunities. While leveraging on group synergies, Singer Finance will simultaneously explore opportunities independently to expand and create a distinct identity for itself. The Company aspires to strengthen its positioning as a responsible financial solutions provider that nurtures its customers and depositors and provides adequate returns to equity holders. Singer Finance maintains the highest corporate governance standards as a result of the stringent good governance guidelines laid down by the two parent companies.

Acknowledgements

After detailing the company's performance in my review, what is left to be expressed, is appreciation of the support and cooperation by my colleagues on the Board.

I take this opportunity to convey my deep appreciation to Mr. R. S. Wijeweera former Chief Executive Officer who retired from Singer Finance having served for 14 years since the inception of the Company. I wish him success in all his future endeavours. I wish to extend my appreciation to the former Group Chief Executive Officer Mr. Asoka Pieris for his contribution to Singer Finance as the Group Chief Executive Officer.

The CEO, senior management and staff in turn have demonstrated their passion for achieving success for the Company, by driving growth in challenging circumstances. I would like to express my thanks to the Company's shareholders for their unstinted support, while thanking regulators and other stakeholders for their confidence in our ability to deliver on our promises to keep creating, evolving and growing.



Aravinda Perera

Chairman - Singer Finance (Lanka) PLC

Colombo
06th May 2019



SINGER FINANCE
REPORTED EXCELLENT
PERFORMANCE
LEVELS RECORDING
YEAR ON YEAR (YOY)
GROWTH BOTH IN
TERMS OF FINANCIAL
AND OPERATIONAL
PERFORMANCE AMIDST
A CHALLENGING
ECONOMIC BACKDROP.

CHIEF EXECUTIVE OFFICER'S REVIEW

SINGER GROUP

Dear Shareholders,

I am delighted to mention that your Company has performed well and recorded an excellent growth, both in gross revenue and net profit in the year under review. 26% growth in gross revenue and a near corresponding 22% growth in Net profits are above average growth numbers in a challenging and highly competitive market where the industry experienced a contraction in credit growth mainly due to the industry experience measured taken to control vehicle imports.

Strategy & Performance

Singer Finance reported excellent performance levels recording Year on Year (YoY) growth both in terms of financial and operational performance amidst a challenging economic backdrop. Gross revenue grew by 26% to reach Rs. 3.8 billion and net profit grew by 22% to reach Rs. 540 million. It is pertinent to mention that the Company increased profitability after accounting for an additional Rs. 48 million for newly introduced Debt Repayment Levy and Rs. 35 million for Impairment in loans under SFLRS-9. During the year under review, loans and advances increased by 24% to Rs. 17.8 billion, deposits grew by 13.8% to Rs. 6 billion and net interest margin increased by 26% to Rs. 2.1 billion. Reflecting our stability, Singer Finance maintained a capital adequacy ratio of 14.08%.

The Company during the year pursued an aggressive geographical expansion strategy by opening 4 new branches, 3 window locations and a relocation of an existing branch to a spacious and convenient location for customers. We have already witnessed renewed growth numbers being reported from all of the aforementioned 8 locations which were opened within the year. During the year the Head Office of Singer Finance which was originally housed within the Singer Sri Lanka premises moved to its own Head Office, which created a stronger brand identity and visibility as an independent finance company.

It is also noteworthy to mention that within a very short period 14 locations of Singer Finance were enabled to offer Gold Loans and a majority of these locations are performing to expectation. Setting up of a Gold Loan operation requires specific investment in infrastructure and people. Some of the growth numbers visible in Operational and Administrative cost is attributable to investments in Gold Loan operations, we are confident that the dividends of these investments will be reaped in the ensuing financial year.

CHIEF EXECUTIVE OFFICER'S REVIEW - SINGER GROUP

WITH THE SINGER GROUP BEING A PART OF THE HAYLEYS PLC, OUR STRATEGIC DIRECTION HAS HITHERTO CREATED A STRONGER CORPORATE POSITIONING AS AN INDEPENDENT AND STRONG FINANCE COMPANY.

Singer Finance has consistently over the last 4 years demonstrated a Non – Performing Advances (NPA) below the industry standard. This demonstrates the Company's strength in recoveries management and the effectiveness of its credit processes and due diligence when extending credit. During the year under review the NPA stood at 3.10% which is below the industry average. This is after maintaining stringent bad debt provisioning measures and also conservative write off numbers.

The Board of Directors approved a dividend of Rs. 1.10 per share which is a 41% pay-out ratio and a growth of 13.4% per share over the dividend paid in the prior year.

Singer Group Collaborations

Singer Finance has evolved to be a major player in leasing business with more than 80% of its income earning receivables consisting leasing, gold loans and other loan categories. However, Singer Finance does collaborate on certain synergic financing opportunities such as financing of Singer Mega, financing large group sales canvassed by branch management of Singer Sri Lanka and financing invoice factoring of suppliers of the group. These business opportunities offer high yield, low risk financing opportunities

for Singer Finance and creates value to the organisation and its shareholders.

With the Singer Group being a part of the Hayleys PLC, our strategic direction has hitherto created a stronger corporate positioning as an independent and strong finance company. This will enable us to pursue our objective of driving business to reach its true potential. Singer Sri Lanka and the group are committed towards achieving this strategy and will provide the necessary guidance and support towards the same. The Group will continue to be a source of strength in the years ahead. During the year under review Singer Finance made steadfast progress in raising debt capital independently and mobilising fixed deposits aggressively.

Our People Proposition

As a service organisation we place considerable emphasis on developing our people – our most valued asset. We strongly believe that the service quality that we extend is truly representative of the quality of staff. During the year we focussed on building capacity, developing capabilities and promoting wellbeing to create a cohesive and engaged team culture within the Company.

Customer Relationship Management

Singer Sri Lanka won the peoples brand of the year award for the 13th consecutive year which is a reflection of its commitment towards customer centric service standards. As a part of the Group's new strategic directives, the Group has resolved to reach for even higher KPI's in customer care and customer relationship Management. Singer Finance being a key subsidiary of the Group, the same emphasis is placed on customer-centricity thus ensuring the group-wide awareness of our collective responsibility to our customers and the community.

Way Forward

One of the Group's strategic focus points for the ensuing year is to work on removing inefficient costs where it is significant. This we believe, will enable us to invest these savings on operations and activities that would generate better returns.

We are cognisant of the rapid developments in our operating landscape which spurs us to change proactively adapt our value proposition to these market developments. We believe that technology will be a key enabler to keep up with these rapid developments. We hope to introduce online credit appraisals, digitalising operations to enhance our service parameters. We have during the year under review improved our presence in social media thereby engaging actively with the captive digitally savvy customer segments.

The Board of Directors have identified the need for Singer Finance to expand its geographical footprint to selected key towns and cities by strategic expansion of our branch network through which will enable to expand our Gold Loan portfolio.

Appreciation

I wish to place on record my sincere appreciation to the team of Singer Finance lead by the Chief Executive Officer and the management for their contribution and commitment, which has enabled us to report an excellent financial and operational performance.

A special thank you is extended to the Chairman, Mr. Aravinda Perera and the Board of Directors for their strategic contributions and untiring efforts. I also wish to thank the Group Chairman Mr. Mohan Pandithage and Group Co-Chairman Mr. Dhammika Perera for their guidance and commitment towards a long term strategy for the Company.

As the Company marks a significant milestone of 15 years I wish to recognise the founder CEO Mr. R.S Wijeweera former Chief Executive Officer who retired from Singer Finance for his services and for leading the Company for 14 long years since its inception and also former Group Chief Executive Officer, Mr. Asoka Pieris for his contribution to Singer Finance as a Director / Group Chief Executive Officer.

I place on record the support and cooperation extended to us by all stakeholders including our customers, suppliers and business partners. We also place on record our sincere thanks for the guidance and support extended to us by the, Governor of the Central Bank, Director Non- Bank Supervision of the Central Bank of Sri Lanka and his officials, Controller of Exchange and the General Manager and the staff of Credit information Bureau.



Mahesh Wijewardene
Group Chief Executive Officer

Colombo
06th May 2019



IT IS INDEED WITH
MUCH GRATIFICATION
THAT I ANNOUNCE
THAT THE NET PROFIT
AFTER TAX OF THE
COMPANY GREW BY
22% YEAR ON YEAR TO
RS. 542MN.

CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

It is with much pleasure and privilege that I express my sentiments on the performance and future outlook of your Company in my first year as the Chief Executive Officer. 2019 is a landmark year as the Company celebrates 15 successful years of providing financial solutions in the market place. Singer Finance has grown steadily and formidably and is today a recognised player in the industry with a total asset base of almost Rs. 20Bn. Through its uncompromising dedication towards upholding ethical business values and Corporate Governance practices, we have obtained the trust and confidence in our industry as a much-respected Finance Company.

Economic and Industry Overview

The Sri Lankan economy recorded slower than predicted growth of 3.2 per cent for 2018. While a recovery was seen in agricultural activities, a contraction in the industrial sector stemming primarily from a decline in construction activities led to the slowdown in growth.

The fact that the regulator-imposed credit contraction measures by way of strict guidelines on loan to value ratios (LTV) was not helpful for business growth, these guidelines from a broader perspective, were beneficial in terms of sustaining credit quality. Overall the CBSL focused on tightening regulatory controls in the industry and I welcome these steps taken in the right direction, which would certainly lead to a more stable outlook for the financial services industry.

There is no denying that the year 2018/19 was a difficult year for most, if not all industries, amidst this situation, agriculture was blessed with adequate rainfall in key parts of the island and indeed was a "silver lining" amidst many challenges that was witnessed. However, the entire dividend from a rich harvest could not be enjoyed as it was after some time that the agro sector was able to rejoice, as there were back to back droughts or floods in the preceding years, this resulted in part of the earnings being utilised to settle old debts.

Performance of the Company

It is indeed with much gratification that I announce that the net profit after tax of the Company grew by 22% Year on Year (YoY) to Rs. 542Mn. This is a milestone, as it was the first time that we surpassed the half a billion rupees in the bottom line performance. Outstanding growth in interest income which grew by 26.7% YoY to Rs. 3.8 billion and fee and commission income which grew by 34% to Rs. 237Mn were significant contributing factors to the Company's overall performance. The year under review cannot be termed as a stellar year in terms of external support vis a

CHIEF EXECUTIVE OFFICER'S REVIEW

vis the economy. Factors such as rising interest and imposition of debt recovery levy were direct variables that inhibited growth. The increase in Allowances for Impairment charges by 58.7% to Rs. 282Mn was mainly attributable to the external operating environment as liquidity positions of customers began to recede amidst tough economic conditions. Increase in interest expense YoY by 27.8% to Rs. 1.6Bn was attributable to both increase in rates and quantum borrowed. The growth in latter was entirely for lending in the core business, barring expenditure on branch expansion and software development. The visible growth in personnel costs 31% to Rs. 480 Mn is mainly due to the increase in staff by 129 to 518. 80% of the new additions were recruited for direct revenue generating operations and to support the branch expansion. Administration and Selling Expenses grew by 29% to Rs. 698Mn and this increase was attributable to the expansion of business activity and setting up of gold loan operations. The Management ensured that total costs were below budgeted levels and followed strict controls over budgetary allocations which were a major contributory factor for achieving good financial results.

Singer Finance opened new branches in Horana, Gampola and Kegalle a second branch in Kurunegala and relocated our Matara branch to a more visible and spacious location in the heart of the Southern hub. In keeping with the aggressive growth plans, the Company relocated service windows situated within the Parent Companies consumer durable outlets by shifting Panadura, Wellawattte and Vavuniya windows to spacious, visible and convenient locations to customers. We have applied for branch status for these three windows to the Central Bank of Sri Lanka. In fact, the aforementioned eight new locations will expand the business growth in volumes, with enhanced operational capabilities and vibrant and visible branding backed by

enhanced service standards. We have expanded our Gold Loans business to 14 locations, and I am happy to note that there was dedicated concentration in progressing the Gold Loans business in the year under review and I am delighted with the speed at which the new product was rolled out and of the growth achieved. Gold Loans will soon become the second biggest portfolio next to Leasing. Non-Performing Assets Ratio of Singer Finance as of the financial year end was 3.10% and was way below the industry level of 7.7% as of end December 2018.

A Great Place to Work – Our Employee Proposition

It is with great pleasure that I wish to inform that during the year under review your Company was awarded and certified as a 'Great Place to Work in Sri Lanka' and is now among a select group of best 25 Companies. This accreditation reflects the Company's excellent and inclusive culture of treating staff fairly and ensuring that all of us have a happy working environment. We are thankful to the solid cultural reflections that keep dawning on us from the rich heritage of two inspiring parent organizations i.e. Singer (Sri Lanka) PLC and Hayleys PLC, the positive sentiments stemming from this strong relationship, no doubt were contributory factors for achieving this accreditation.

To be recognised as a 'Great Place to Work', takes some effort as the best organisations are selected based on a very scientific direct research conducted. The entire staff of the Company are given a detailed questionnaire covering aspects such as credibility, respect, fairness, pride, and camaraderie towards and amongst staff.

Brand Identity

During the year a brand enhancement programme for Singer Finance was carried out. With subtle, but modern

changes, a more vibrant and colourful brand identity was introduced to the brand name with all facades and monlifts of new branch locations upgraded with our fresh corporate identity. This new identity would be introduced to the Company's existing locations in phases.

During the year the Company relocated to a dedicated Head Office located in a strategic and central area in Colombo 3. This would create greater visibility for the Singer Finance brand – further establishing our presence in the financial services industry.

The Company also increased its brand presence in print, social media, radio and below the line advertising mediums and will continue to develop a strong and independent branch identity for Singer Finance. The Management tirelessly emphasised and impressed upon staff the need to continuously focus on providing an excellent customer service, which we believe is one variable that could differentiate us from the competition. The Company is also aware of the Groups emphasis on improving customer care and customer relationship management.

The Future Outlook

The Company will focus on aggressive growth plans in the branch network and marketing activities in the core business of Leasing and Gold Loans, with the objective of reaching its true potential. In reaching out for this growth with a 'sense of urgency', Management will be mindful of external risk factors and will be aware of the need to realign with the same 'sense of urgency' in the event economic factors do not move as envisaged. We will concentrate on increasing in reasonable proportions, the average loan size of secured Lease facilities, in addition to entering new markets and generating new business facilities through branch and marketing staff expansion. This approach, I believe is the risk appetite that the Company

should stretch to, in an external environment which does not reflect much positiveness.

There are many opportunities in the market place that Singer Finance could grab through the skills and capabilities of our talented staff by offering a superior service. I have the utmost confidence in the capabilities of our staff and we are geared to meet any challenge that will come our way 'Head on'.

In the past the Company was hesitant to offer competitive rates in Fixed Deposits and instead was keener to raise debt through other sources. I am happy to note that in line with the new strategies of the Company, Singer Finance have now become a competitive player in the Fixed Deposits business and have elaborate plans to grow this segment. I believe that broad basing fixed deposit mobilisation, as a key and important funding strategy for a Finance Company.

Building on our Strong Foundation

Singer Finance operates with a very strong foundation in ethics and Corporate Governance. The Company makes a lot of effort to reflect this in our choice of recruitment as we believe that it's the staff that will ultimately carry forward the legacy of maintaining these values and principals. We demand nothing but the best conduct from all our staff members.

Our foundations have been secured, our capital and liquidity positions are strong, our risk appetite is well monitored by a very keen and experienced board subcommittee in the form of the Integrated Risk Management Committee and the Credit Committee. Despite this, we will not remain complacent and will continuously focus on enhancing our risk framework in line with the external and internal business environment.

Sustainability and CSR

The Company and the staff are committed towards building a sustainable business environment. As an employment creator we strive to establish jobs that are fulfilling and sustainable. When an employee joins us we ensure that he or she is mentored and developed until he reaches up to the fullness of his potential. The mentoring process includes guidelines on the importance of interacting with customers and wider stakeholders with the highest ethical standards. We also strive to educate our customers on the financial propositions most suitable for them which we believe is one of the first acts of building a sustainable entity. Whilst we look after our customers, employees and shareholders, there is a world beyond that which needs our assistance. We as an organisation have always been committed and cognisant of the need to assist society to the best of our ability and a detailed description of activities conducted in the year is reflected in pages 80 to 89 under Social and Relationship Capital.

Appreciation

It has been a privilege to provide leadership to this great organization in my first year as Chief Executive; it requires the combined talent and dedication of many to achieve what we achieved during the year. I thank the Chairman, Mr. Aravinda Perera and the Board of Directors for their strategic vision and oversight. I also wish to thank the Group Chairman Mr. Mohan Pandithage, Group Co-Chairman Mr. Dhammika Perera and Group CEO Mr. Mahesh Wijewardene for their guidance, support and encouragement.

An inspired and skilled team worked hard and with a sense of urgency to deliver on many fronts, they accepted the change expected, by delivering on accelerated growth and I am indeed grateful and appreciative of the unfailing camaraderie of the Senior

Management team and each & every staff member of the Organization.

During the year under review the Company's first Chief Executive Officer, Mr. R.S Wijeweera retired after a long and illustrious career. I wish to place on record my sincere appreciation for the guidance and support extended by him, and for his long service to the Company. During his tenure the Company grew steadily and achieved many a landmark. We wish Mr. Wijeweera a wonderful retirement. Our sincere appreciation also goes to Mr. Asoka Peiris, the former Group Chief Executive Officer who served in the Singer Finance Board for a period of nine years for his commitment and contribution to the Company.

I also take this opportunity to place on record our appreciation for the guidance and support extended to us by the, Governor of the Central Bank, Director Non-Bank Supervision of the Central Bank of Sri Lanka and his officials, Controller of Exchange and the General Manager and the staff of Credit Information Bureau.

Let me also take this opportunity to recognise our shareholders, customers, suppliers and business partners for their valued support and contribution and trust that they would continue to be partners in the journey of Singer Finance in the years to come.



Thushan Amarasinga
Chief Executive Officer

Colombo
06th May 2019

BOARD OF DIRECTORS



From left to right: Mr. Sadeep Perera, Mr. Priyath Salgado, Mr. Jayanth Perera, Mr. Thushan Amarasuriya, Mr. Aravinda Perera, Mr. Mahesh Wijewardene, Ms. Darshini Talpahewa, Mr. Lalith Yatiwella, Mr. Jayendran Setukavalar

Mr. Aravinda Perera

Chairman/Non-Executive Director

Appointed to the Board of Singer Finance (Lanka) PLC as Chairman on 7th December 2017.

Mr Aravinda Perera counts over 30 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012. Presently, he is the Managing Director of Royal Ceramics Lanka PLC.

He is also a director of Hayleys PLC, Pan Asia Banking Corporation PLC, Hayleys Aventura (Private) Ltd, Hayleys Advantis Ltd, Hayleys Industrial Solutions (Pvt) Ltd and Fentons Ltd.

He is a Member of the Institute of Engineers (Sri Lanka) (MIESL) and a Chartered Engineer (C.Eng.). He is also a Fellow Member of the Chartered Institute of Management Accountants (UK) (FCMA) and a Fellow of the Institute of Bankers– Sri Lanka (FIB). He also holds a MBA from the Post Graduate Institute of Management.

Mr. Perera was honoured with the “CEO Leadership Achievement Award 2016” by the Asian Banker magazine and was also the recipient of the prestigious “Platinum Honours – 2014” Award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayawardenapura University. He was also honoured with the “Award for the Outstanding Contribution to the Banking Industry – 2015” by the Association of Professional Bankers.

Mr. Jayendran Setukavalar

Senior Independent Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC on 22nd March 2012.

He also serves on the Board of A.Baur & Co. (Pvt) Ltd., Baur's Air Services Ltd., A.Baur & Company (Travel) Ltd., A. Baur Trading (Pvt) Ltd., Baur's Agri Exports (Pvt) Ltd., Swiss Trading Group (Pvt) Ltd and Swiss Hotels Management Academy (Pvt) Ltd. Mr. Setukavalar is the member of the Board of Trustees of Ceylon schools for the Deaf and Blind Sri Lanka. He is also a member of the Board of Governors of the CMS. Schools in Sri Lanka and is the current Chairman of its Finance Committee. Mr. Setukavalar is the current chairman of the Audit committee, Related Party Transactions Review Committee and the alternate chairman of the Risk Committee of Ceylinco Life Insurance Limited.

Mr. Setukavalar has over 44 years of experience in the field of Auditing, Accounting and Finance and has served in Key Management positions and boards in various industries. He also worked overseas for three years with M/S PricewaterhouseCoopers in the United Arab Emirates.

He is a Fellow of the Institute Chartered Accountants of Sri Lanka, Chartered Institute of Management AccountantsUK, Certified Management Accountants SL, Certified Global Management Accountants (CGMA), and a Fellow of the Institute of Certified Professional Managers (FCPM-SL). Mr. Setukavalar was awarded scholarships by the British Foreign and Commonwealth Office UK, UNIDO and the Colombo Plan and has attended Senior Management Program's at INSEAD-France, IBM Rochester USA, KONICA South Korea and JICA Japan.

Mr. Priyath Salgado

Independent Non-Executive Director

Mr. Salgado was appointed to the Board of Singer Finance (Lanka) PLC as an Independent Non-Executive Director on 7th December 2017, after serving two previous occasions in the Board prior to his retirement as the Finance Director of Singer (Sri Lanka) PLC on 30th June 2014.

Mr. Salgado was also a Director of Singer (Sri Lanka) PLC from 15th May 2008 to 30th June 2014. He held various responsible positions during his distinguished and illustrious career at Singer (Sri Lanka) PLC spanning 27 years.

Mr. Salgado serves as the Chairman of Film Island (Pvt) Ltd and as a Director of WAD International (Pvt) Ltd and Carnival Movies Lanka (Pvt) Ltd.

BOARD OF DIRECTORS

Mr. Jayanth Perera

Independent Non-Executive Director

Mr. Jayanth Perera joined the Board of Singer Finance (Lanka) PLC on 07th December 2017.

He has over 40 years of experience in the field of Banking, Stock Brokering and Tourism.

He is a retired Senior Deputy General Manager of Hatton National Bank PLC, Former Director of Browns Tours Ltd, HNB Assurance Ltd, HNB Securities Ltd and DFCC Bank affiliated companies. He is also a Former Managing Director of Acuity Securities Pvt Ltd. Apart from the above companies he also served as Director of Central Bank affiliated companies, Lanka Clear and CRIB etc.

He functions as a Director of Inter Ocean Energy Ltd, McLaren's Group of Companies, Qwest Destinations Pvt Ltd, and Quest Cruises.

Mr. Thushan Amarasuriya

CEO/ Executive Director

Mr. Amarasuriya joined the Board of Singer Finance (Lanka) PLC on the 1st of July 2018.

Mr. Amarasuriya was appointed as the Chief Executive Officer of the company on 1st July 2018. He has over 15 years of managerial experience in Retailing FMCG, Retailing Consumer Goods and in Financing and Leasing Industry.

He is an Associate Member of the Chartered Institute of Management Accountants, (CIMA - UK), an Affiliate Member of the Association of Chartered Certified Accountants, (ACCA - UK), a Certified Global Management Accountant (CGMA), a Member of the Chartered Institute of Marketing, and holds a MBA with the University of Leicester –UK.

Prior to joining Singer Finance, Mr. Amarasuriya held many responsible positions at Singer India Retail, Singer (Sri Lanka) PLC and Cargills Food City. He also holds honorary positions in many non-profit establishments.

Ms. Darshini Talpahewa

Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC on 7th December 2017. Ms. Talpahewa joined Hayleys Group in January 2010 and was appointed to the Group Management Committee in November 2015. She is responsible for Human Resources, Legal services, Corporate Communications & Sustainability for the Hayleys Group. Serves as a Director of Hayleys Group Services (Pvt) Ltd. and HJS Condiments Ltd.

Ms. Talpahewa Possesses an LL.B from the University of Colombo and is an Attorney-at- Law with first class honours from the Sri Lanka Law College. She holds a Master's Degree in Human Resource Management from the University of Northampton and Master's Degrees in International Relations and in Law, from the University of Colombo.

Mr. Mahesh Wijewardene

Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC on 21st February 2019.

Mr. Mahesh Wijewardene was appointed as an Executive Director and the Chief Executive Officer of Singer (Sri Lanka) PLC and its subsidiary companies with effect from 1st November 2018. Mr. Wijewardene holds a Master's Degree in Business Administration from the University of Southern Queensland and received the Dean's Award for Outstanding Academic Achievement. He also holds a Diploma in General Management from the Open University of Sri Lanka. Mr. Wijewardene is the past Chairman of the Ceylon Chamber of Commerce – Import section and Sri Lanka – China Business Council and is a member of the Hayleys Group Management Committee.

Mr. Mahesh Wijewardene has served on the Singer (Sri Lanka) PLC board previously as an Alternate Director from 1st June 2006 to 31st October 2018.

Mr. Wijewardene serves as a Director of Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC, Regnis Appliances (Pvt) Limited, Singer Digital Media (Pvt) Limited, Singer Business School (Pvt) Limited, Reality Lanka Limited, Domus Lanka (Pvt) Limited and CSR Lanka (Guarantee) Limited.

Mr. Sadeep Perera

Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC on 7th December 2017.

Mr. Perera is currently working as the Manager Finance of Vallibel One PLC. He holds a Bachelor of Science in Business Administration (Special) Degree from the University of Sri Jayawardenapura and is an Associate Member of the Institute of Chartered Accountants of Sri Lanka.

Mr. Lalith Yatiwella

Alternate Director to Ms. Darshini Talpahewa

Joined the Board of Singer Finance (Lanka) PLC on 21st February 2019.

Mr. Yatiwella served as an Alternate Director in a prior occasion before being appointed as an Alternate Director of Ms. Talpahewa.

Mr. Yatiwella is the Director Finance of Singer (Sri Lanka) PLC. He is also a Director of Singer Digital Media (Pvt) Ltd., Singer Business School (Pvt) Ltd, and Alternate Director of Singer (Sri Lanka) PLC.

Mr. Yatiwella is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and holds a BSc (Hons) Special Degree in Business Administration from the University of Sri Jayawardenapura.

SENIOR MANAGEMENT



Mr. Ruwan Jayasuriya

Ms. Chandrika Alwis

Mr. Joe Wijeyagoonewardene

Mr. Eraj Fernando

Mr. Iman Perera

Mr. Iman Perera

Chief Operating officer

Iman was appointed as the Chief Operating officer on 1st July 2018. He counts for over 25 years work experience in the Finance Industry covering retail banking, Business development and Sales/ Marketing functions in Leasing and Asset Financing. He has been heading the branch network and Marketing/ Business Development Division of Singer Finance since 2006.

Iman holds a MBA from Postgraduate Institute of Management (PIM) from University of Sri Jayewardenepura and a BSc Business Administration (Special) Degree from University of Sri Jayewardenepura.

Ms. Chandrika Alwis

Consultant to the Chairman

Ms. Chandrika Alwis, Consultant to the Chairman, joined Singer Finance (Lanka) PLC in 2018, counts over 37 years of experience in the areas of deposits, credit, recoveries including 22 years of special experience in gold loans, and her career features many managerial positions.

Mr. Ruwan Jayasuriya

Chief Credit & Recoveries Officer

Ruwan has been with Singer Group for over 23 years, of which eight years were with the parent company managing sales, administration and hire purchase of consumer durables.

He joined Singer Finance team in 2004 and is heading credit, recoveries and operations divisions of the company.

He holds a MBA from the Cardiff Metropolitan University (Wales), Diploma in Credit Management from the Institute of Bankers of Sri Lanka. He is a Member of the Sri Lanka Institute of Marketing and an Associate Member of the Chartered Institute of Marketing, UK and the Institute of Certified Management Accountants of Australia.

Mr. Eraj Fernando

Head of Finance

Eraj has over 19 years of experience in the field of Accounting, Auditing and Finance, joined Singer group in 2006 and served

in Singer (Sri Lanka) PLC, Singer Finance (Lanka) PLC and Regnis (Lanka) PLC.

He has served in the capacity of Company Secretary of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC and Regnis Appliances (Pvt) Ltd.

He is a member of the Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka.

Mr. Thilan Rupasinghe

Head of Cards

Thilan joined Singer Finance team in April 2016 as Head of Cards. Thilan has been with the Singer Group for over 25 years, out of which 10 years were in the Senior Management. Also, he has worked in the capacity of Department head in Treasury, Financial Services and Budget Departments at Singer (Sri Lanka) PLC.

Thilan holds a MBA from Australian Institute of Business (AIB) Adelaide, Australia. Also, he is an Associate Member of the Institute of Certified Management

**Mr. Suranga Jayaweera****Mr. Jeevaka Jayawardena****Mr. Thilan Rupasinghe****Mr. Rajindra Gamage**

Accountants of Australia and a member of the Association of Business.

Mr. Jeevaka Jayawardena

Senior Manager-Credit

Jeevaka has been with the Singer Group for over 20 years. He possesses over 16 years experience in Accounting and Finance out of which he has served 14 years in Finance and Leasing industry.

Jeevaka was transferred to manage the credit function of the Company in 2015.

Mr. Joe Wijeyagoonewardene

Head of Deposits

Joe has considerable years of working experience both in the public and private sectors holding several positions of which over 37 years have been spent in the Finance Industry heading deposit departments. He is a Justice of Peace (All Island).

Mr. Suranga Jayaweera

Senior Manager – Compliance

Suranga has over 11 years experience in the field of Accounting, Auditing and Finance.

He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, Associate Member of Chartered Institute of Management Accountants-UK, Chartered Global Management Accountant (CGMA), Fellow of The Association of Accounting Technicians of Sri Lanka and Associate Member of The Institute of Certified Professional Managers. He holds BSc. Accounting (Sp) Degree with 2nd class upper division from University of Sri Jayewardenepura.

He currently functions as the Chairman of the Subcommittee for Compliance of the Finance Houses Association of Sri Lanka. He was an Executive Committee member of the same committee for the year 2018/19.

Prior to joining Singer Finance, he worked at Ernst & Young and at Singer (Sri Lanka) PLC as an Audit Manager.

Mr. Rajindra Gamage

Business Development Manager
– North Region

Rajindra has 23 years experience in the field of banking and finance. He joined Singer Finance in 2006.

Rajindra has been the first recipient of all the major awards awarded by the company where he has been the best marketing executive in 2006, manager of the best branch in 2010, manager of the most profitable branch in 2011, best branch manager in 2014 and the best regional manager in the year 2017 while his region was the best region in the same year.

Prior to joining Singer Finance, he worked at Seylan bank PLC for a period of ten years where he held an executive position.

CORPORATE MANAGEMENT



**Mr. Jayalath
Dharmarathna**

**Mr. Deepthi
Sandaruwan**

**Mr. Nirnanjan
Sethunga**

**Ms. Nadeesha
Sanjeevanie**

**Mr. Sanka
Fernando**

**Mr. Manoj
Kumara**

Mr. Manoj Kumara

Senior Operations Manager

Manoj has over 13 years experience in the Retail Banking Industry and over 12 years in the Financing and leasing industry.

He holds a MBA from Mahathma Gandhi University of India, a Diploma in Banking from the Institute of Bankers of Sri Lanka and an Associate Member of the Institute of Certified Professional Managers of Sri Lanka.

Mr. Nirnanjan Sethunga

Senior Gold Loan Manager

Nirnanjan holds B. Com (Sp) Hons. Degree with a 2nd class from University of Kelaniya and an Executive Diploma in Micro Finance & Livelihood Development from Sri Lanka Foundation. He has been with Singer Finance since its inception and holds over 13 years management experience in Marketing, Credit & Recovery.

Mr. Roshan Ruwanpura

Senior Group Sales Manager

Roshan is presently heading the Group Sales Division of Singer Finance. He has over 22 years of experience covering Sales

and Marketing, Recoveries, Credit Control and Inventory Management.

He holds a diploma in Supplies and Material Management from The Institute of Supplies and Material Management of Sri Lanka.

Ms. Radhika Perera

Manager- Fixed Deposits Marketing and Mobilization

Radhika has extensive work experience having worked for Telstra Corporation, Australia as Manager Credit and Recoveries and in Financial Accounting for Kemsigns Group, Australia and over three years experience in Sri Lanka as a Finance Executive for MAS Active (Pvt) Ltd- Linea Intimo. Her work experience includes , Financial Accounting, Treasury , Corporate Secretarial and Credit and Recoveries. She is an Associate Member of Chartered Institute of Management Accountants, (CIMA UK) and a Certified Global Management Accountant (CGMA) and has a Certificate IV in Business by Australian Apprenticeships.

Mr. Saminda Peiris

Manager - Research and Digital Transformation

Saminda has over 12 years of experience in the banking and finance industry and prior joining the Singer Finance team, he worked at Commercial Bank of Ceylon PLC where he handled operations relating to cards, retail banking and electronic banking including card operations, settlement and reconciliation, dispute & fraud management, electronic payments and retail banking operations.

He is currently reading for a MBA from University of Bedfordshire (UK).

Mr. Jayalath Dharmarathna

Manager – Factoring

Dharmarathna has over 16 years experience in the fields of Banking, Leasing and Factoring.

He holds a MBA from the University of Cardiff Metropolitan – UK. He is an Associate member of Institute of Credit Management of Sri Lanka and partly completed the Diploma in Banking & Finance from the Institute of Bankers of Sri Lanka. Prior to joining Singer Finance, he worked at Nations Trust Bank and Seylan Merchant Bank PLC.



**Mr. Sampath
Jayarathne**

**Mr. Saminda
Peiris**

**Mr. Supun De
Costa**

**Ms. Radhika
Perera**

**Mr. Naleen
Andrews**

**Mr. Roshan
Ruwanpura**

Mr. Deepthi Sandaruwan

Accountant

Deepthi has over 8 years of experience in the field of Accounting, Auditing and Finance. He is an Associate member of the Institute of Chartered Accountants of Sri Lanka and holds a Degree in BSc. Accounting (Sp) with a Second Class from the University of Sri Jayewardenepura.

Deepthi joined Singer Finance (Lanka) PLC from Samson International PLC, where he was employed as Accountant/Head of Finance. Prior to that he worked as an Assistant Accountant at Capital Maharaja Organization Limited, Trade Finance & Investments PLC. He completed his articles at KPMG.

Mr. Supun De Costa

Manager- Deposit Operations

Supun has over 11 years of experience in Accounting and Deposits in Banking and Finance Industry. He holds BSc Banking and Finance Hons Degree with 2nd class upper division from the University of Northumbria (UK) and holds an Executive Diploma in Business Administration from the University of Colombo.

Mr. Sanka Fernando

Manager Recoveries

Sanka has over 16 years of experience in the field of Credit and Recoveries.

He holds a Credit Management diploma from the Institute of Bankers of Sri Lanka.

Mr. Naleen Andrews

Manager Human Resources

Naleen has over 8 years of experience in the field of Human Resources Management.

He has completed CCHRM and PQHRM from the Chartered Institute of Personnel Management Sri Lanka and holds a degree in Bachelor of Business Administration, HRM (Sp) with a Second Class from the University of Colombo. He is also a passed finalist in Association of Accounting Technicians (AAT), Sri Lanka.

Prior to joining Singer Finance, he had worked for Virtusa Polaris Ltd, Eswaran Brothers Ltd, Alliance Finance PLC and Prosperous Capital & Credit Ltd as Head of Human Resources.

Ms. Nadeesha Sanjeevanie

Accountant -Budgeting & Planning

Nadeesha has over 10 years experience in the field of Accounting and Finance.

She holds BSc. in Finance (Sp) Degree with Second Class from the University of Sri Jayawardenepura and has completed the Final-I examination of ICASL.

Prior to joining Singer Finance, she worked at Singer (Sri Lanka) PLC & Regnis Appliances (Pvt) Ltd as an Assistant Accountant.

Mr. Sampath Jayarathne

National Manager - Deposit Mobilization

Sampath possesses over 14 years of experience in the banking and finance Industry covering retail banking, deposits mobilization, branch network operations and sales & marketing functions in leading banking and LFC sector institutions.

Sampath holds a MBA from the Cardiff Metropolitan University (UK).

REGIONAL MANAGEMENT



**Mr. Bimal
De Silva**

**Mr. Nadeesha
Liyanagamage**

**Mr. Nishantha
De Silva**

**Mr. Pradeep
Boange**

**Mr. Dharshana
Samaranayake**

Mr. Pradeep Boange

Senior Regional Manager - Kandy

Pradeep has over 25 years of experience overseas and Sri Lanka in the fields of Financing and Leasing, Production, Travel trade and BPO industry.

Pradeep is an Associate Member of Chartered Institute of Marketing UK and holds MBA from the University of Wales Institute – Cardiff.

Mr. Nishantha De Silva

Senior Regional Manager – Matara

Nishantha has over 29 years experience in the Finance and Leasing industry and has also covered 2 years in Life and General insurance.

He has completed 3 years in the Higher National Diploma in Commerce conducted by the Higher Education Ministry.

Mr. Nadeesha Liyanagamage

Regional Manager - Colombo

Nadeesha has over 18 years of experience in the Finance and Leasing Industry. He has completed 12 years of service at Singer Finance.

He holds a MBA from the Anglia Ruskin University (UK), and partly completed Diploma in Brand Management from Sri Lanka Institute of Marketing. Prior to joining Singer Finance, he has worked at The Finance & Guarantee (Pvt) Ltd.

Mr. Dharshana Samaranayake

Regional Manager- North Central Region

Darshana has over 18 years of experience in the Finance and Leasing Industry.

He has passed licentiate part II of Institute of Chartered Accountants of Sri Lanka. Prior to joining Singer Finance, he worked at LOLC and LB finance.

Mr. Bimal De Silva

Assistant Regional Manager- Southern Region

Bimal has over 18 years experience in the Finance & Banking Industry. He has completed 8 years of service at Singer Finance.

He has partly completed Banking Exams of IBSL. Prior to joining Singer Finance, he has worked at Central Finance PLC and Seylan Merchant Bank.

JUNIOR MANAGEMENT



Mr. Hewage Premakumara
Senior Assistant Manager -
Consumer Finance



Ms. Ruchira Mendis
Confidential Secretary



Ms. Rovienna Xavier
Assistant Manager -Credit
Cards



Ms. Dilini Gunasekara
Assistant Manager Operations



Mr. Subash Senaviratne
Assistant Manager Recoveries



Mr. Sameera Madusanka
Assistant Accountant - Finance



Mr. Chathura Kithmal
Assistant Manager - Information
Technology



Mr. Indika Sameendra
Assistant Manager Recoveries



Mr. Damith Udana
Assistant Manager Recoveries



Mr. Manoj Jayasundara
Assistant Manager Recoveries



Mr. Udara Sarathchandra
Assistant Manager
Administration

JUNIOR MANAGEMENT (BRANCH MANAGEMENT)



Mr. Muditha Gunawardana
Senior Branch Manager-
Wennappuwa



Mr. Ajith Wana
Senior Branch Manager-
Embilipitiya



Mr. Mahinda Wasala
Senior Branch Manager-
Thambuttegama



Mr. Dilan Shaminda
Senior Branch Manager-
Tissamaharama



Mr. Chaminda Peiris
Senior Branch Manager-
Ampara



Mr. Sherwin Perera
Senior Branch Manager -
Corporate



Mr. Viraj Vijayasinghe
Branch Manager -
Anuradhapura



Mr. Shanaka Sandaruwan
Branch Manager - Negombo



Mr. Roshan Janaka
Branch Manager -
Kurunegala



Mr. Lalith Samarakoon
Branch Manager -
Mahiyanganaya



Mr. Bandara Paththamperuma
Branch Manager-
Kurunegala City



Mr. Dinesh Gunadasa
Branch Manager -
Kuliyapitiya



Mr. Tiron Attapattu
Branch Manager - Matara



Mr. Darshi Manawathilake
Branch Manager -
Union Place



Mr. Rathnadurai Bhanudurai
Manager - Wellawatta
Service Centre



Mr. K.D. Gunathilaka
Branch Manager - Kegalle



Mr. Samantha Herath
Assistant Branch Manager -
Medawachchiya



Mr. Chandramohan Thanushan
Assistant Branch Manager -
Jaffna



Mr. Indunil Kankanamage
Assistant Branch Manager -
Kiribathgoda



Mr. Tyrrel Kumarapetiyyage
Assistant Branch Manager -
Wattala



Mr. Gayan Chaturanga
Assistant Branch Manager -
Kaduwela



Mr. Nuwan Randika
Assistant Branch Manager -
Malabe



Mr. Menaka Liyanage
Assistant Branch Manager -
Nugegoda



Mr. Rohan Thushara
Assistant Branch Manager -
Ja-Ela



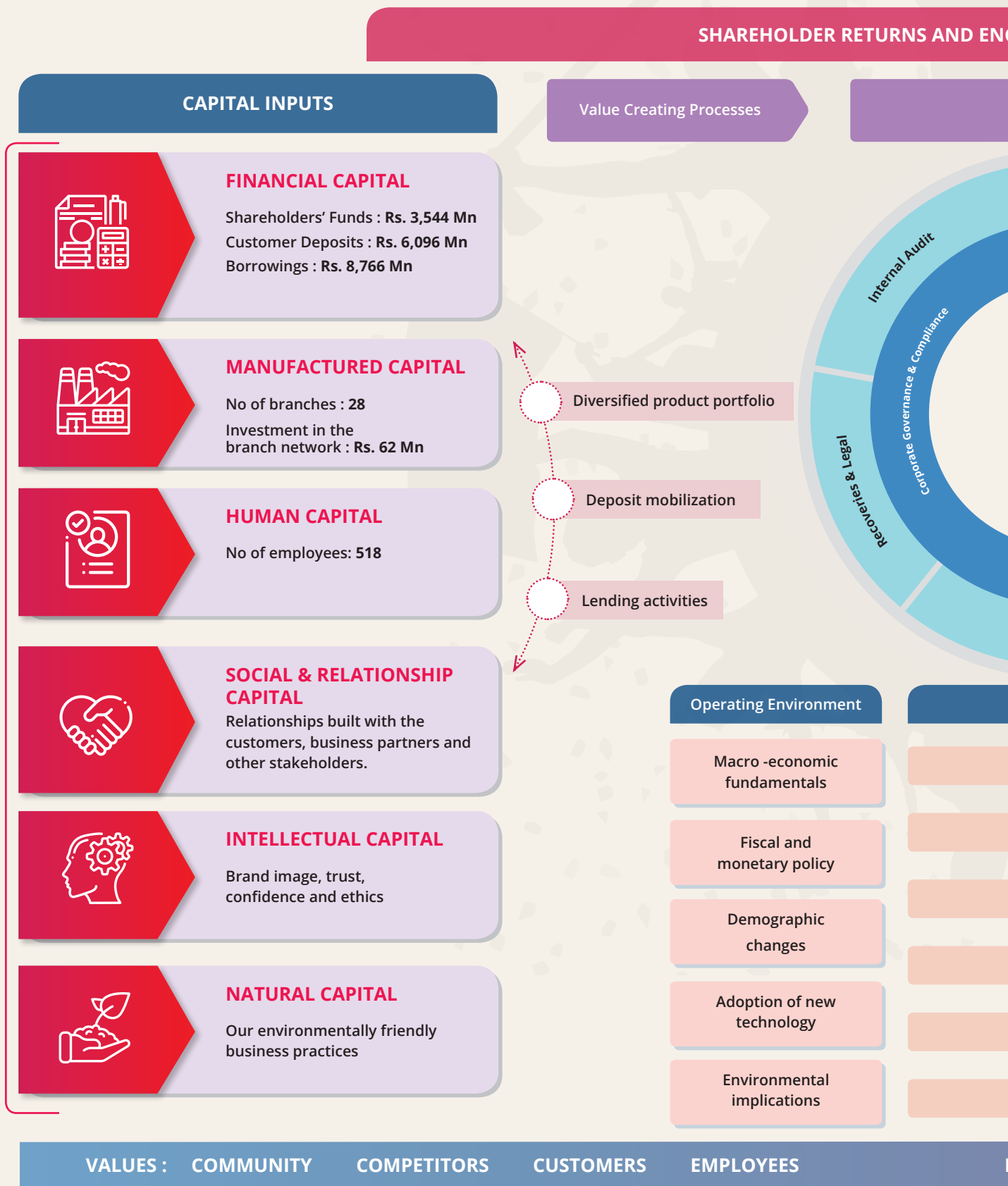
Mr. Asela Samarakoon
Assistant Branch Manager -
Galle

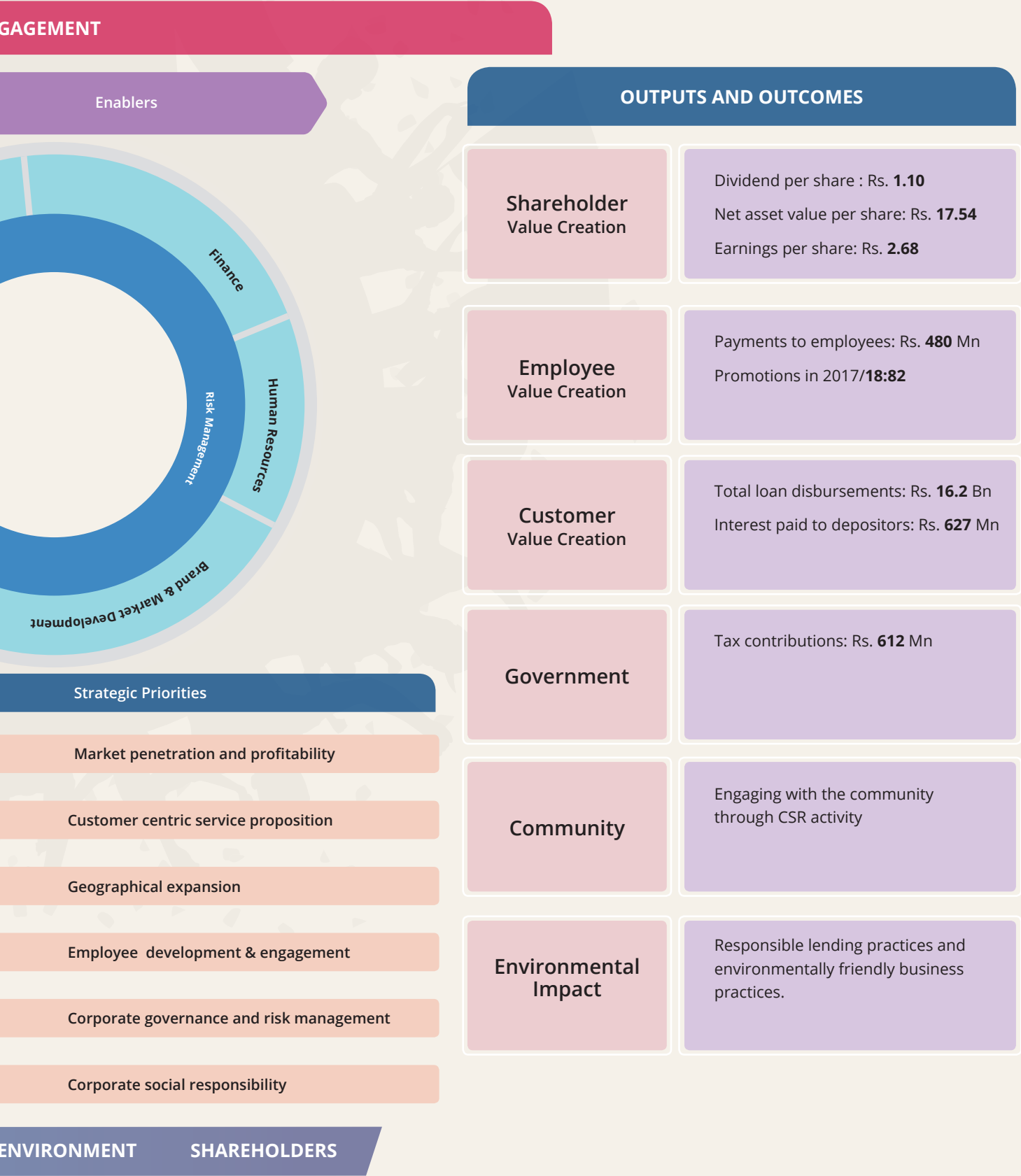


Mr. Chanaka Wickramasinghe
Assistant Branch Manager -
Corporate

HOW WE GENERATE VALUE

VISION : TO BE THE FOREMOST FINANCE COMPANY IN SRI LANKA





MATERIAL TOPICS ASSESSMENT

Material Matters have the most impact in our ability to create long term value. Singer Finance has identified areas of priority which have an impact on the value creation and sustainability of the Company's business operations. Through the process of materiality assessment, several material topics within the broader economic, environmental and social aspects that positively or negatively impact the Company's operations is continuously monitored and measured.

Identification of material aspects also takes into consideration the concerns raised by the Company's key stakeholders during the stakeholder engagement process.

A three-pronged approach is adopted in assessing material matters relevant to the organization:



1) Identification of matters material to Singer Finance

In the first stage of identifying and determining material topics, we broadly consider internal and external information sources. Information gathered from, management discussions, internal policies and directives are amongst the main internal information sources. Further, industry research, reports & articles published by industry analysts and investors, pre and post budget discussions and directives issued by regulatory bodies are vital external information sources.



2) Prioritise

Matters considered are prioritized in the context of the vision, mission of the Company along with the changes in the operating environment. Furthermore, the strategic objectives and business model of the Company and the risk parameters are considered when prioritising material matters.



3) Respond, monitor and assess

Specific programs are identified based on stakeholder feedback received. The progress is constantly measured through KPIs which have been set and through the respective Board Sub- Committees.

Materiality Process

As a financial services provider we uphold the highest standards in operating a sustainable business. An important part of this is ensuring that adequate attention is paid to and reported on issues of critical importance to both our stakeholders as well as to our business operations. The process of identifying material issues by the Company is a circular process which is undertaken on annual basis to identify and keep up with the changes and trends of the dynamic business environment. Material issues are identified with the stakeholders perspective and evaluated and prioritized according to their impact on stakeholder and business concerns in the short, medium and long term.

STAKEHOLDER ENGAGEMENT METHODS

Singer Finance in its quest to be a sustainable and responsible corporate citizen, concentrates on achieving sustainable business operations by following a stakeholder centric approach. The Company continuously engages with its key stakeholder groups, disseminating material information which helps them make informed decisions about the Company. This helps the stakeholders to understand the business processes, policies and business operations of the Company in greater detail. While some information is mandatory to comply with regulatory and statutory authorities, Singer Finance communicates with stakeholders on topics which are of great concern.

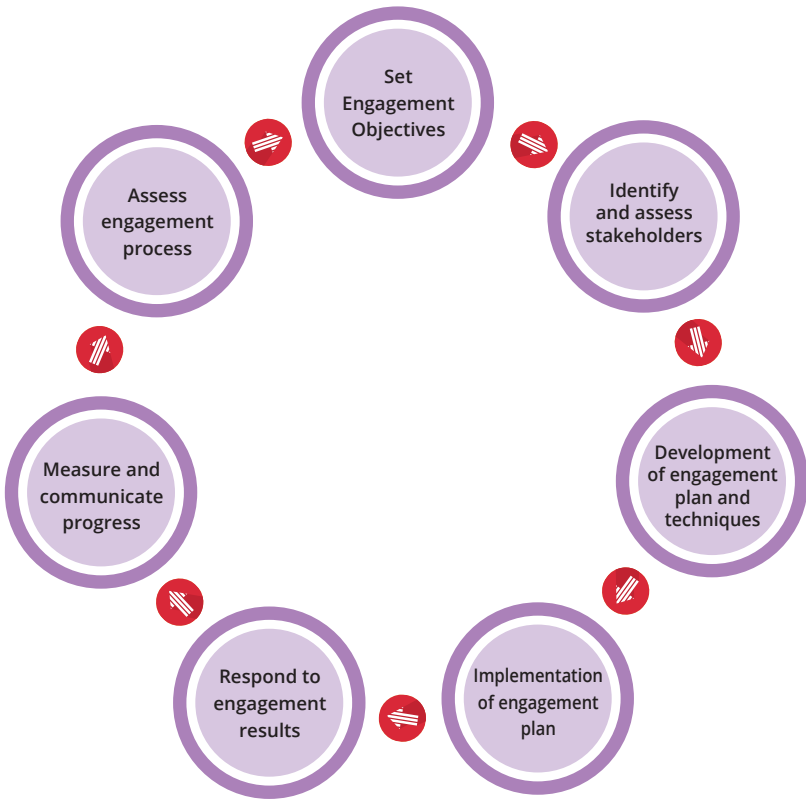
The Company adopts several approaches; direct and indirect communication methods to engage with the stakeholders at different levels and on different topics. Information is specific to meet the needs of different stakeholder groups, and disclosed in a timely manner.

Stakeholder	Goals and Objectives
Employees	Motivate, engage and create loyalty through best HRM practices
Shareholders and Investors	Keep them informed on all material activities and developments of the business in a timely manner to help decision making
Customers	Keep them engaged and informed about the products and contractual obligations while providing a customer-centric service
Government and Regulators	Comply with all mandatory requirements and inform through timely and adequate disclosures and reporting requirements
Community	Engage through CSR activities and develop community equity
Business Partners, Suppliers and Financiers	Ensure timely payments and regular updates
Media	Provide information on compliance, product and service offers and affordability and other key business developments.

Stakeholder Engagement Process

The Company takes cognisance of the requirements of the key stakeholders, their predominant areas of concern, concentration and expectations. Accordingly, we communicate with our stakeholders in an honest, open manner whilst managing their concern to their satisfaction. Stakeholders are prioritised according to their impact they have on the business operations and their levels of power and influence.

STAKEHOLDER ENGAGEMENT METHODS



Stakeholder Prioritisation Matrix

Those stakeholders who have the highest power and influence possess the highest impact on our business. As such our strategy is to continuously address their expectations from the business operations. Stakeholders who have a high interest in the Company but have less power are kept well informed of business decisions and engaged on a more frequent basis. Stakeholders with high levels of power but less interest in the Company are kept satisfied by meeting their basic needs and expectations.

Power of Stakeholder	High	Keep Satisfied Government and Regulators Banks and financial institutions Business partners and Suppliers	Work in Collaboration Investors and Shareholders Customers Regulators
	Low	Minimum Effort Professional bodies Media	Keep Informed Community Employees
		Low	High
Interest of Stakeholder			

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
CUSTOMERS					
1. Customer access	High	Low	We are operating in a highly competitive environment. Hence if we do not provide sufficient access, the customer will go to competitors who provide such facilities.	We are focused on improving customer access and convenience as a part of our unique customer proposition.	Expanding channel access, via branch network, Singer Mega service centers and Singer's island wide retail network.
2. Customer convenience	High	Medium	We are operating in a highly competitive environment. Hence if we do not provide superior levels of convenience, customers will go to others who offer the desired level of service.		<p>We are leveraging technology to offer better customized products and more flexible payment terms to improve convenience.</p> <p>Launching of a Debit Card further enhances access and convenience as card customers can utilize the island wide Visa network ATMs to access savings.</p> <p>Enabling payment of utility bills via our branch network enhances customer convenience. We are on the lookout for similar value adding features that would enhance customer convenience.</p>
3. Speed and efficiency of service	High	High	Today's customers expect speed and efficiency from service providers. If we do not compete on these aspects, we will lose customers to more nimble competition.	Speed and efficiency are part of our unique customer proposition. We seek to enhance speed and efficiency internally and via our branch and service network.	<p>Streamlining internal processes to enhance speed and efficiency of service.</p> <p>Leveraging technology and adopting new and better systems to enhance speed and efficiency of internal and customer-facing operations.</p> <p>Setting metrics—such as give a facility within 2 days—to enhance speed of service.</p> <p>Training staff to focus on improving customer service.</p>

STAKEHOLDER ENGAGEMENT METHODS

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
4. Customer privacy and data security	High	High	Trust is a key component of our unique customer proposition. Privacy and data breaches are an increasing threat to financial service organisations. A breach will cause us to lose our customer trust, which is difficult to regain. It may take us years to recover from the damage to reputation.	Working with expert professionals in privacy and data security to put in place and constantly update strong protections	Our back end service provider of Cards is certified with the latest Payment Card Industry Data Security Standard V3.2 (PCIDSS). Routine measures ensuring confidentiality and privacy of customer data Training staff members with access to customer information Overall employee awareness on the importance of customer privacy and data security ensuring the use of computer and online best practice. Employees are restricted to connect unauthorized personal devices to the Company network
5. Complaint management	Medium	Medium	Customers are our ambassadors. Unhappy customers will talk poorly about our products and services and damage our reputation in the market.	Customer confidence is critical for the sustainable growth of our Company. It is of paramount importance to us that customers are happy with our products and services. We take customer complaints seriously.	We have a robust customer complaints and feedback mechanism to deal promptly with issues raised by our customers. Customers can contact us by telephone, in writing by post, or use our website and Facebook page to voice their concerns and lodge their complaints. When a customer complaint reaches us, we first refer the matter to the relevant Department Head for an impartial investigation. The reply, following such investigation is required to ensure the resolution of the complaint or issue raised. Matters of a more serious nature are channeled to the Chief Executive Officer or the Chief Operating Officer, who would personally intervene and provide redress to the affected customer.

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
6. Business continuity – from a customer's perspective	High	High	Without business continuity, we cannot create and deliver sustainable value. Business survival is critical. Deposit customers will suffer the consequences of closure, threatening their lifestyle and savings.	Ensuring that the Company delivers profitability and growth consistently, on a sustainable basis.	We continuously work to have a smooth and sustainable profit growth of the Company. To achieve this, we have set relevant KPIs, introduce new products, develop existing products and continuously look for new opportunities,
INVESTORS AND SHAREHOLDERS					
7. Profitability and financial performance	High	High	Critical to both business continuity and sustainable value creation. Important for all stakeholders.	In our highly competitive business environment, companies have to work hard just to sustain their current levels of performance and must reach beyond that threshold to find and create sustainable ways to grow shareholder value.	Constantly seeking optimal growth opportunities that will help strengthen our financial performance and profitability.
8. Wealth creation for shareholders	High	High	Shareholder funds enable us to grow and expand our business, giving us the opportunity to pursue further value creation. If we do not deliver on this promise of growth and profitability, our shareholders can always find alternative places in which to invest.	At Singer Finance we are committed to delivering on this challenge.	We have already started to increase our reach by expanding the branch network, develop new products and markets to create wealth for our stakeholders.
9. Business continuity – from a shareholder's perspective	High	High	Without business continuity, we cannot create and deliver sustainable value. Business survival is critical.	We ensure the satisfaction of shareholders through increasing the wealth.	We endeavour to increase wealth of our shareholders by focusing on sustainable profits.

STAKEHOLDER ENGAGEMENT METHODS

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
10. Ethical business (anti-corruption) practices	High	Medium	Investors, as well as all other stakeholders like being associated with an ethical business. Failure on this front can cause much reputational damage in the financial markets as well as in the market for our services. It would be difficult to find new financing or business partners willing to work with us.	The Company eschews corruption. The Company has put in place many measures, which together will act as a strong deterrent to corrupt behaviour.	<p>Our management and staff are bound by an elaborate and strict Code of Ethics, with specific requirements pertaining to corrupt behaviour.</p> <p>All employees adhere to the Code and comply themselves according to norms of acceptable behaviour and company values.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that ethical lapses such as corrupt behaviour are promptly highlighted.</p> <p>A strong whistle blower policy acts as a deterrent to corrupt behaviour.</p> <p>Any stakeholders, including customers, shareholders and members of the general public can utilize our channels for making complaints and be assured of a prompt and fair hearing.</p> <p>Our website and the social media channels can also be used for reporting corrupt behaviour by anyone employed or associated with the Company.</p>

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
11. Business reputation	High	High	A crucial factor for mutually beneficial business relationships.	Ethics, integrity and responsible behaviour form an integral part of the Company's value structure and brand identity. People place their trust in us for the same reason. Thus, we take our business reputation seriously and safeguarding it is almost a sacred duty.	<p>The first line of defence in safeguarding our business reputation is the strict Code of Ethics that our management and staff are bound by.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that actions that may be damaging to our business reputation and corporate values are promptly highlighted.</p> <p>A strong whistle blower policy and grievance handling procedures act as a deterrent to behaviour that may damage our business reputation.</p>
EMPLOYEES					
12. Employee engagement	High	Low	Engaged, committed employees are crucial for business success and for providing a high quality of customer service.	The Company engages its employees to achieve objectives collectively	We encourage team work within our organization. We organize various activities to engage the team and build unity amongst the team members.
13. Growth opportunities and advancement	High	High	Offering opportunities for growth and advancement are critical for retention of top quality, engaged employees. Lack of both can lead to high levels of turnover especially among ambitious, engaged and talented staff who are critical for business success.	The company believes in growing and developing its human talent. We also believe in offering internal promotions whenever possible.	<p>The Company offers a variety of benefits to employees seeking to further their educational and professional qualifications. Employees are actively encouraged to make use of these benefits.</p> <p>Employee reviews identify gaps in knowledge and skills and offer training when necessary.</p> <p>With the growth of the branch network, more and more prospects are opening up for internal promotions. The Company gives priority to internal promotions over new recruitments, whenever possible.</p>

STAKEHOLDER ENGAGEMENT METHODS

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
14. Handling grievances	Medium	Medium	Disgruntled employees are unhappy, unproductive and demotivated. Incompetent and unfair handling of employee grievances can damage motivation, productivity and quality of customer service.	Employee grievances must be handled fairly, promptly and confidentially, and settled as soon as possible to reduce potential negative impacts on the individual, the organization and on customer service.	<p>Policies pertaining to grievance handling and sexual harassment ensure the emotional well-being of our employees.</p> <p>The grievance policy provides the right for employees to forward their grievances and dissatisfactions to the management and obtain a fair hearing.</p> <p>Grievance Handling and Sexual Harassment Policies</p> <p>These two policies ensure the emotional well-being of our employees. The grievances policy provides employees the right to forward their grievances and dissatisfactions to the Management and obtain a fair hearing. Our sexual harassment policy takes note of the distinct nature of a claim and provides disciplinary measures, depending on the degree of sensitivity of the matter at hand.</p> <p>The complainant is assured that no punitive action will be taken for lodging the complaint.</p> <p>A robust whistle blower policy further supports the grievance handling process.</p>

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
BUSINESS PARTNERS					
15. Ethical business practices – from our partners' perspective.	High	High	<p>Ethics, integrity and responsible behaviour are an integral part of the Company's value structure and brand identity.</p> <p>Accordingly, we consider good ethics to be an imperative to success and cultivating mutually beneficial business relationships.</p> <p>Lapses in business ethics can damage relationships and render it difficult to carry on with our business operations.</p>	The Company embraces the highest standards of ethical business practice and expects the same from all of our employees and business partners.	<p>The strict Code of Ethics that our management and staff are bound by ensures ethical behaviour.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that unethical actions damaging to our business reputation and corporate values are promptly highlighted.</p> <p>A strong whistle blower policy and grievance handling procedures act as a deterrent to behaviour that may damage our business reputation.</p>
16. Business reputation (ours from partners' perspective)	High	Medium	<p>Ethics, integrity and responsible behaviour are an integral part of the Company's value structure and brand identity.</p> <p>People place their trust in us for the same reason. We safeguard our reputation as a sacred trust because it is imperative to success and cultivating mutually beneficial business relationships.</p> <p>A damaged business reputation can compromise relationships and render it difficult to carry on with our business operations.</p>	We take our business reputation and have put in place mechanisms that ensure ethical behaviour in all employees.	<p>The strict Code of Ethics that our management and staff are bound by ensures ethical behaviour.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that unethical actions damaging to our business reputation and corporate values are promptly highlighted.</p> <p>A strong whistle blower policy and grievance handling procedures act as a deterrent to behaviour that may damage our business reputation.</p>

STAKEHOLDER ENGAGEMENT METHODS

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
17. Business efficiency (ours, as it affects our business partners)	Medium	Medium	Efficiency is a business imperative in good business relationships. Dynamic, efficient business partners will only want to partner with us if we reflect the same qualities.	The Company is in the process of upgrading its business systems which will enhance our operational activities, including our transactions with our business partners.	<p>As we upgrade and streamline our internal business processes, it will also have a direct impact on enhancing the efficiency of our transactions with business partners.</p> <p>We listen to our business partners and are keen to address their complaints.</p> <p>Our internal control system is geared towards identifying obsolete procedures that may impede efficiency. We will listen to our business partners and deal with issues highlighted by the system.</p>
REGULATORY AND GOVERNMENT AGENCIES					
18. Compliance	High	High	Ethics, integrity and responsible behaviour are an integral part of the Company's value structure and brand identity. Assuring compliance is part of ethical and responsible corporate citizenship.	We hold the need for compliance with all laws, rules and regulations as an utmost priority.	<p>The strong culture of corporate governance and systems and procedures in place guarantee that the Company complies with all relevant laws, rules and regulations that pertain to us.</p> <p>The Compliance officer of the Company works under the supervision of the Integrated Risk Management Committee. The recommendations are submitted to the Board of Directors. At each Board Meeting, a Statement of Compliance is tabled and reviewed by the Board.</p>

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
19. Cooperation	Medium	Low	Cooperation with regulatory bodies is part of ethical and responsible corporate citizenship.	We extend the fullest cooperation to all regulatory entities seeking our support or information.	<p>The strong culture of corporate governance and systems and procedures in place guarantee that the Company complies with all relevant laws, rules and regulations that pertain to us.</p> <p>All officers of the Company who deal with regulatory bodies are instructed and trained to comply in all instances and to respond with speed and cooperation.</p>
20. Good corporate citizenship; filing timely returns, prompt payments	Medium	Low	Filing compliance documentation, tax and other statutory returns and making payments as they fall due is an integral part of good governance and good corporate citizenship.	We are committed to good corporate citizenship, and to fulfil all obligations, including filling of statutory returns and making timely payments.	<p>Systems and procedures are in place to ensure all statutory obligations are fulfilled on a timely basis.</p> <p>All officers of the Company who deal with regulatory bodies are instructed and trained to comply in all instances.</p> <p>Compliance function screens, all new products, services and systems changes to ensure that they are in compliance with laws, rules and regulations that pertain to us.</p>
SOCIETY AT LARGE					
21. Community relationships and development	High	High	As we operate across the nation, our commitment to the local communities becomes part of our brand.	We are committed to support communities to uplift their life.	<p>Branches are encouraged to participate in community activities.</p> <p>Providing financial support to community activities.</p>
22. Corporate social responsibility projects	Medium	Medium	We consider Corporate Social Responsibility as one of the duties of a responsible corporate citizen.	We extend fullest support to society as a responsible corporate citizen.	<p>Company provides required support in order to uplift the facilities of locality.</p> <p>Branches are encouraged to communicate to Head Office of community needs.</p>

STAKEHOLDER ENGAGEMENT METHODS

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
23. Ethical business practices	High	High	Trust, ethics, fairness and responsibility are crucial elements of our brand identity. Ethical business is the normal way of doing business for us. Flouting ethics by management or staff can be highly damaging to our brand reputation.	The Company embraces the highest standards of ethical business practice and expects the same from all of our employees and business partners.	<p>Our management and staff are bound by an elaborate and strict Code of Ethics, a written contract, renewed on an annual basis.</p> <p>All employees adhere to the Code and comply themselves according to norms of acceptable behaviour and company values in day to day activities</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that weaknesses if any stemming from ethical lapses are promptly highlighted.</p> <p>A strong whistle blower policy and customer and employee grievance handling procedures strengthen our ability to conduct activities of a business in an ethical and fair manner.</p> <p>We also adhere to ethical standards in terms of the following:</p> <ul style="list-style-type: none"> • Anti-corruption (GRI 205) • Anti-competitive behaviour (GRI 206) • Environmental compliance (GRI 307) • Employment (GRI 401) • Labour management relations (GRI 402) • Occupational Health and Safety (GRI 403) • Training and education (GRI 404) • Diversity and equal opportunity (GRI 405)

STAKEHOLDER GROUP	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
MATERIAL TOPIC					
					<ul style="list-style-type: none"> • Child labour (GRI 408) • Local communities (GRI 413) • Public policy (GRI 415) • Customer health and safety (GRI 416) • Marketing and labeling (GRI 417) • Customer privacy (GRI 418) • Socio economic compliance (GRI 419)



At Singer Finance we are focussed on infusing dynamism and creating value for our stakeholders through our unique business model.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATING ENVIRONMENT & STRATEGIC FOCUS | SRI LANKAN FINANCIAL SECTOR | MANAGING OUR CAPITALS
FINANCIAL CAPITAL | MANUFACTURED CAPITAL | HUMAN CAPITAL | SOCIAL AND RELATIONSHIP CAPITAL
INTELLECTUAL CAPITAL | NATURAL CAPITAL

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment and strategic focus

Singer Finance is poised to pursue a growth strategy in the medium-term planning horizon harnessing the opportunities in the external environment. The Company is cognisant of the challenges posed by the external environment and is well equipped to face these challenges head on.

Based on future predictions and the strategic plan of the Company the following strategic priorities have been identified to achieve the objectives set by the Company.

Our Key Strategies

Our key strategies focus on the following areas:

Competitive Strategy

In our vision to be the foremost finance company in Sri Lanka, Singer Finance

needs to offer a differentiated and customer centric experience. We believe that service quality is a key differentiator and as a finance company with an expansive reach, we possess the competitive edge of serving Sri Lankans across the island. Thereby we promote financial inclusivity.

Furthermore, backed by two corporate giants of Sri Lanka, Singer (Sri Lanka) PLC and Hayleys PLC, our ultimate parent company, we possess the competitive edge of stability and strength, which are two critical success factors for a finance company.

Product Market Development Strategy

We constantly take stock of our position to assess whether Singer Finance is serving the needs of our captive clientele with the necessary products and services and the convenience of reach. Our regular engagement and

communication with our customers ensure that we are in close touch with the financial aspirations of our people. Through this, we strive to introduce new products and services which are in sync with the evolving needs of our customers.

Growth Strategy

With an aggressive market growth strategy, we hope to further expand our geographical footprint across Sri Lanka.

For each of the six capitals, Financial, Manufactured, Social and Relationship, Intellectual, Human and Natural we have presented in summary the future outlook, our strategic priorities and the strategies that we would implement in order to create sustainable value to our stakeholders.

FINANCIAL CAPITAL		
Future Outlook	Strategic Priorities	Our Strategy
GDP Growth will be moderate due to subdued economic conditions.	Increasing revenue through business development activities	Company is pursuing a two pronged strategy to increase revenue through geographical expansion and product development.
Market interest rates are expected to decline in the short to medium term.	Maintaining healthy net interest margins.	Cost management strategies are in place to monitor expenses and eliminate wastage.
Credit growth will moderate and will be at a slow pace due to subdued economic conditions	Maintaining cost to income ratio at an optimum level.	Asset quality is optimised through stringent credit criteria and efficient recovery processes. Credit risk function is strengthened by introducing post credit monitoring and looking into early warning signals.
	Managing non-performing advances below the industry average.	Asset Quality Optimisation
		Increasing Profitability

MANAGEMENT DISCUSSION AND ANALYSIS

MANUFACTURED CAPITAL		
Future Outlook	Strategic Priorities	Our Strategy
Increase customer access	Strengthen visibility across the country.	Increasing geographical footprint by opening branches in key locations.
Use of IT will dominate the industry which will create opportunities to develop speed and efficiency.	To leverage IT to gain a competitive advantage.	Key operational processes will be automated with the use of the system. This will enhance speed and lead times in approval and disbursement of facilities.
SOCIAL & RELATIONSHIP CAPITAL		
Future Outlook	Strategic Priorities	Our Strategy
<p>With high competition it is imperative that the Company maintains strong bonds with its customers.</p> <p>Vehicle sales market would be affected due to high import levies and restriction on lending through LTV ratios.</p> <p>The need to establish stronger relationships with the community through community driven initiatives.</p>	<p>Widen customer relationships.</p> <p>Strengthening our presence in the communities that we serve to enhance credibility and trust.</p> <p>Focus on CSR activities and establishing a strategic CSR approach.</p>	<p>Increasing customer base and financial inclusivity through a wider product portfolio especially through the gold loans which is being introduced to all the branches in phases.</p> <p>Creating greater societal interactions in the localities of the branches by stepping up at times of need.</p>
INTELLECTUAL CAPITAL		
Future Outlook	Strategic Priorities	Our Strategy
Brand strength will be a critical factor which will create trust and credibility especially when mobilising deposits.	<p>Increasing and creating awareness of the brand strength and the strength of parent and ultimate parent company.</p> <p>Building skills and capabilities in the industry especially with a 15-year track record of delivering consistent progress.</p>	<p>Leveraging Brand Equity and increasing 'top of mind' brand recall. This has been done by enhancing visibility and creating a strong presence in the outstation areas.</p> <p>Acquiring the best talent and developing their skills and competencies through training and development.</p>
		Building competencies and skill base in line with the evolving needs of the industry.

HUMAN CAPITAL		
Future Outlook	Strategic Priorities	Our Strategy
<p>Due to the competitiveness of the job market, finding the right person for the job has been a challenge faced by the Company.</p> <p>Challenging and demanding work conditions of the finance industry increases expectations.</p>	<p>Acquiring the right candidates for the positions and retaining a motivated work force. The Company was recognised as a 'Great Place to Work'.</p>	<p>Creating the right environment conducive for a motivated work force. Introducing regular engagement activities to create workplace bonding and unity. Identifying training and development needs and conducting training on a structured manner to address skills gaps.</p>
NATURAL CAPITAL		
Future Outlook	Strategic Priorities	Our Strategy
<p>Corporates are increasingly adopting green environmentally friendly business practices. Sustainability drives the companies.</p>	<p>Since the Company has now moved to its own Head Office Building it plans to introduce a greater focus on green practices. Presently the Company is moving towards paperless office concept by automating some of the processes.</p>	<p>Embedding Green Initiatives to the Business by managing and controlling the usage of energy and stationary.</p> <p>Going forward the Company hopes to introduce a structured approach towards environmentally friendly green practices to be practiced by educating the staff.</p>

SRI LANKAN FINANCIAL SECTOR

During 2018, The Sri Lankan financial sector moderately expanded, amidst challenging global and local market conditions.

The Banking Sector

The banking sector expanded moderately in 2018, and maintained their capital and liquidity levels above the regulatory minimum requirements. The year began with a moderate growth in the asset base, but accelerated in the second half due to high credit growth in broad-based, diversified lending across major economic sectors.

Increased levels of non performing advances deteriorated the credit quality of the banking sector and the non banking financial services sector. Deteriorating quality of credit was attributed to difficult conditions in global and local markets, including liquidity issues in the construction sector, the adverse weather conditions that prevailed during 2017 and their

resulting impact on agriculture sector and the overall slow down in economic activities in 2018.

The profitability of the banking sector declined with deterioration in assets quality, rise in operating costs and tax increases. The decline is reflected in the industry Return on Assets (ROA) and Return on Equity (ROE) ratios.

During 2018, the Central Bank continued to implement prudential policy measures and regulations including enforcement of Basel III requirements and adoption of Sri Lanka Accounting Standards 9 (SLFRS 9) to further strengthen the banking sector.

THE NON-BANKING FINANCIAL INSTITUTIONS SECTOR

Overview

The Non-Bank-Financial Institutions (NBFIs) sector in Sri Lanka comprises 43 Licensed Finance Companies (LFCs) and 5 Specialised Leasing Companies (SLCs). The sector represented approximately 8 per cent of the assets of the Sri Lankan financial system by the end of December 2018.

NBFIs contribute to the economy by providing enhanced services to customers and expanding its branch network. The LFCs and SLCs are an integral part of the Sri Lankan financial system, complementing the banking sector by promoting financial inclusion among currently underbanked customer segments. NBFIs reach out to this segment-including micro, small and medium enterprises-encouraging entrepreneurship and extending credit access by taking on the relatively higher levels of risk that make them underserved within the banking sector. In this, the NBFIs play a critical role in economic development as the micro and small and medium enterprises, and the informal sector form the backbone of innovation and entrepreneurship in any nation.

MANAGEMENT DISCUSSION AND ANALYSIS

A higher risk appetite, an ability to develop an intimate understanding of the customer realities, profiles and credit needs, and the capacity to innovate and tailor products and services to serve their customer needs makes the NBFIs sector a critical conduit for providing credit to these underserved customer segments.

Branch Network

Distribution of Branches of LFCs and SLCs Sector by Province

Province	End 2017	End 2018
Central	152	158
Eastern	110	110
North Central	100	98
North Western	147	148
Northern	84	84
Sabaragamuwa	111	110
Southern	148	151
Uva	68	68
Western	442	446
Total	1,362	1,373

Source: Central Bank of Sri Lanka

By the end of 2018, there were 1,373 branches and 658 other outlets of the LFCs and SLCs sector. Out of these, 927 branches, or 68 per cent, were concentrated outside the Western Province. Overall financial access across the country improved during the period, as banks and NBFIs extended their branch networks and installed additional Automated Teller Machines (ATMs).

Income and Expenses

Composition of Income and Expenses of the LFCs and SLCs Sector

Item	2017		2018	
	Amount (Rs. Bn)	As a % of Avg. Assets	Amount (Rs. Bn)	As a % of Avg. Assets
Interest Income	231.5	17.3	241.5	16.5
Interest Expenses	128.9	9.6	132.6	9.1
Net Interest Income	102.7	7.7	108.8	7.4
Non-Interest Income	34.0	2.5	38.1	2.6
Non-Interest Expenses	80.0	6.0	81.2	5.5
Loan Loss Provisions (Net)	13.5	1.0	25.9	1.8
Profit Before Tax	43.2	3.2	39.7	2.7
Profit After Tax	25.8	1.9	21.4	1.5

Source: Central Bank of Sri Lanka

The table provides an overview of the composition of incomes and expenses of the Sector for the 2018 calendar year.

Assets

The expansion of the sector slowed down during 2018. By the end of 2018, the Sector recorded an annual growth rate of 5.6 per cent, growing by Rs. 76.3 billion during the year, and reaching Rs.1,431.3 billion. The 2017 annual growth was 11.8 per cent.

Composition of Assets and Liabilities of the LFCs and SLCs Sector

Item	2017		2018		Change	
	Rs. Bn	Share (%)	Rs. Bn	Share (%)	2017 (%)	2018 (%)
Assets						
Loans and Advances (net)	1,057.1	78.0	1,137.0	79.4	9.8	7.6
Investments	118.1	8.7	109.7	7.7	5.7	- 7.1
Other	179.8	13.3	184.6	12.9	30.8	2.7
Liabilities						
Total Deposits	686.7	50.7	716.8	50.1	29.4	4.4
Total Borrowings	396.0	29.2	463.8	32.4	9.7	17.1
Capital Elements	169.7	12.5	183.7	12.8	16.1	8.2
Other	102.6	7.6	67.0	4.7	6.4	-34.7
Total Assets/ Liabilities	1,355.0	100.0	1,431.3	100.0	11.8	5.6

Source: Central Bank of Sri Lanka

SECTOR BALANCE SHEET - ASSETS

Rs.Bn



The sluggish asset growth was mainly due to low credit growth, a decline in liquid assets and the drop in the investment portfolio resulting in substantial asset sales by a distressed LFC. High interest rates, moderate economic growth and natural calamities the year before contributed to the low credit growth in the sector.

Lending Activities

Sector lending activities slowed down in response to policy measures that were

meant to curtail importation of motor vehicles and lending towards vehicles as well as the general slow down in economic activities.

Credit provided by the Sector grew by 7.6 per cent, Rs. 79.9 billion, to reach Rs.1,137 billion by the year end. This was a much lower rate of growth compared to the 9.8 per cent growth achieved in 2017.

Finance leases contributed to approximately 84 per cent of the credit growth. Secured loans and advances accounted for 16 per cent. Industry hire purchase portfolio contracted during the year rose by Rs. 8 billion which was 29.7 per cent. Finance lease portfolio grew by 14.7 per cent in 2018, compared to 13 per cent the previous year.

Investments

The investment portfolio of the NBFi sector comprises investment in equities, capital market debt instruments, government securities and investment properties.

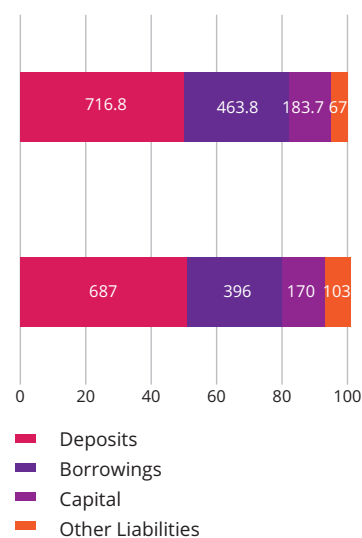
During 2018, the investment portfolio contracted by 7.1 per cent to Rs. 109.7

billion. In 2017, it grew by 5.7 per cent to Rs. 118.1 billion. The contraction is mainly due to the decline in market value of investments in subsidiaries, associates and unit trusts. Other assets—including cash, balances with banks and financial institutions, trading stocks, and fixed assets—increased by 2.7 per cent in 2018.

Liabilities

SECTOR BALANCE SHEET - LIABILITIES

Rs.Bn



Customer deposits still dominate, accounting for 50.1 per cent of the total sector liabilities. In 2018, sector borrowings recorded a growth of 17.1 per cent, growing by Rs. 67.8 billion, in contrast with the negative growth in 2017.

Deposits grew by 4.4 per cent, a significant slow down compared with the 29.4 per cent growth in 2017. In the face of the negative public perception that prevailed towards LFCs and the resulting drop in the rate of deposit mobilization, the sector turned to bank borrowings, both loans and overdrafts.

Sector capital elements increased by 8.2 per cent to Rs.183.7 billion at end of 2018, mainly on account of steps taken by LFCs to enhance the minimum

MANAGEMENT DISCUSSION AND ANALYSIS

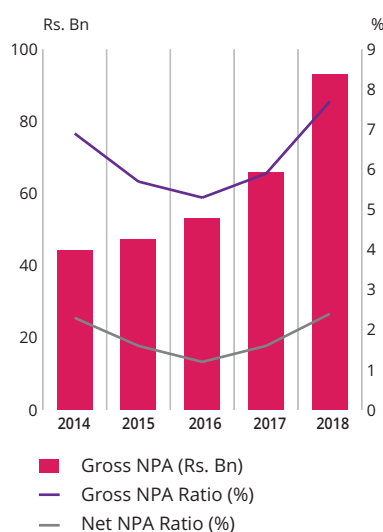
core capital to meet the Rs. 1.5 billion requirement by 01 January 2019. An accumulation of profits for the financial year 2017/18 also boosted the sector capital.

Risks in the LFCs and SLCs Sector

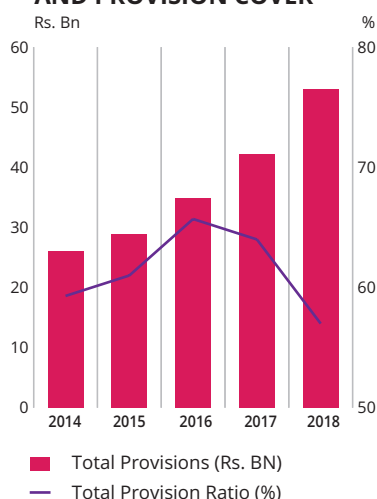
Credit Risk

The gross non-performing advances (NPAs) ratio increased to 7.7 per cent in 2018, the highest NPA ratio since February 2015, due to unfavourable weather conditions that prevailed in 2017 and slowing down in economic activities in 2018. The NPA for 2017 was 5.9 per cent.

NON PERFORMING LOANS



NON PERFORMING LOANS AND PROVISION COVER



The provision coverage ratio declined to 57 per cent in 2018 compared to 64 per cent in 2017. Consequently, the net NPA ratio increased to 2.4 per cent in 2018 from 1.6 per cent the previous year. This indicates a deterioration in sector asset quality.

The sector NPA is expected to rise further if extreme weather conditions prevail and from the spillover effects of the Debt Relief program initiated in August 2018. The implementation of SLFRS 9 will pose a further challenge in terms of credit risk.

Market Risk

There was minimal market risk in the sector as there was low exposure to trading and foreign currency. The interest rate risk increased slightly during the year, along with the gradual increase in the interest rates. The sector maintained a positive net interest margin even though there was a negative mismatch in the maturity profiles of the interest-bearing assets and liabilities. Equity risk of the sector was low as the exposure to equity was minimal, at 1 per cent of the total sector assets.

Liquidity Risk

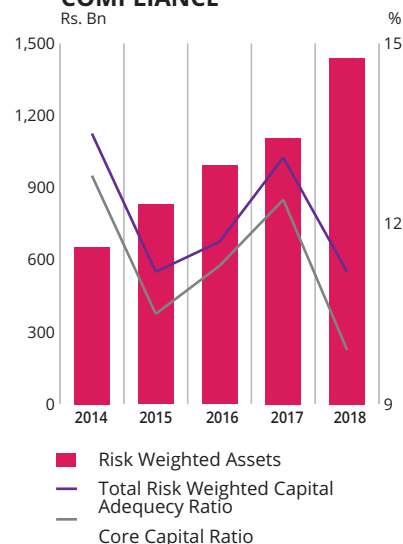
	2014	2015	2016	2017	2018
Risk Weighted Assets (Rs. Bn)	653.1	830.8	992.9	116.6	1,439.3
Total Risk Weighted Capital Adequacy Ratio	13.5	11.2	11.7	13.1	11.2
Core Capital Ratio	12.8	10.5	11.3	12.4	9.9
Regulatory Liquid Assets to External Funds	13	10	9.3	11.7	9.6

Statutory liquid assets available in the sector in 2018 was a surplus of Rs.25.6 billion over the stipulated minimum requirement of Rs.88.2 billion. The level

of surplus liquid assets declined in 2018 compared to 2017 levels. Liquid assets to total assets ratio dropped to 7.6 per cent from 8.9 per cent in 2017. The liquid asset to deposits ratio remained well above the statutory minimum of 10 per cent of time deposits and borrowings, and 15 per cent of savings deposits at end December 2018.

Profitability and Capital Resources

LIQUIDITY RATIOS AND COMPLIANCE



Profitability

Sector net interest income (NII) increased at a slower rate compared to 2017, achieving a 6 per cent growth to reach Rs. 108.8 billion by end of 2018. This was the result of a 4.3 per cent increase in interest income and a 2.9 per cent increase in interest expenses. Consequently, the Sector net interest margin—net interest income as a percentage of average assets—declined marginally to 7.4 per cent in 2018 from 7.7 per cent in 2017.

Sector non-interest income increased by 11.9 per cent while non-interest expenses increased by 1.5 per cent, mainly due to increases in staff costs.

Loan loss provisions against non performing loans (NPLs) increased by Rs.12.4 billion during 2018 compared to Rs. 13.5 billion in 2017. The sector posted a profit after tax of Rs. 21.4 billion which was a decline by 17.2 per cent compared to the profit of 2017. The decline was mainly due to increased funding costs and higher loan loss provisions in 2018.

Sector return on assets (ROA) decreased by 51 basis points during the year, to a ratio of 2.7 per cent. Sector return on equity (ROE) declined nearly by 400 basis points, to a ratio of 12.1 per cent. These are indications of stress towards sector profitability.

Capital

The NBFI sector maintained its overall capital level well above the minimum requirement in 2018. This enhances the sector resilience to perceived adverse shocks.

The total regulatory capital levels improved by Rs. 15.5 billion in 2018 mainly due to the enhancement of the minimum capital requirement by the Central Bank to Rs. 1 billion from 01 January 2018. The minimum requirement was further increased to Rs.1.5 billion by 01 January 2019.

The core capital and total risk weighted capital adequacy ratios of the sector decreased to 9.9 per cent and 11.2 per cent in 2018. This was due to companies treating risk weighted assets with a more risk sensitive focus covering credit risk as well as operational risk under new capital adequacy framework.

The new capital adequacy framework requires LFCs and SLCs to maintain minimum Tier I capital adequacy ratio of 6 per cent and total capital ratio of 10 per cent with effect from 01 July 2018.

FINANCIAL CAPITAL



Our Financial Capital is the pool of funds available to us including debt and equity finance, and capital generated through our operations or by investments.

We use our financial capital as a medium of exchange for acquiring and developing other capitals such as Manufactured, Human and Intellectual Capital to enable us carry on our business. We also use part of our Financial Capital to extend facilities to our customers.

CAPITAL HIGHLIGHTS

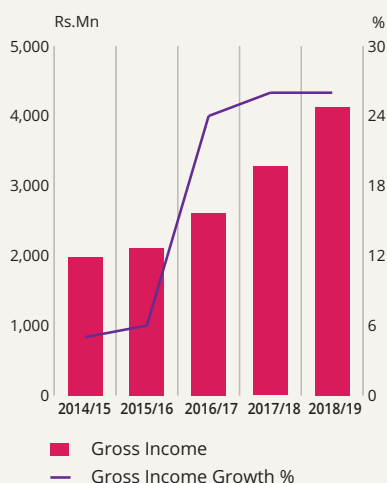
		2017/2018	2018/2019	Y-o-Y Growth
Interest income	Rs. Mn	3,015	3,819	27%
Net interest income	Rs. Mn	1,727	2,173	26%
Pre-tax profit	Rs. Mn	700	723	3%
Post tax profit	Rs. Mn	443	542	22%
Total assets	Rs. Mn	16,132	19,539	21%
Borrowings	Rs. Mn	5,991	8,766	46%
Customer Deposits	Rs. Mn	5,356	6,096	14%
Shareholder's Funds	Rs. Mn	3,335	3,544	6%
Return on equity	%	14.7	15.8	7.5%
Dividends per share	Rs.	0.97	1.10	13%
Earnings per share	Rs.	2.52	2.68	6%
Net asset value per share	Rs.	16.50	17.54	6%

In the next pages, we explain how, we, Singer Finance put our Financial Capital to optimal use to create and deliver value to our stakeholders in a sustainable manner, and how we fared in the process in the year under review.

Overview of Financial Results

Singer Finance gross income crossed the Rs. 4 Bn threshold, while achieving a 26 per cent growth over the previous period. This is a continuation of the growth trend in gross income of 26 per cent in the current financial year and preceding financial year, despite challenging market conditions.

GROSS INCOME

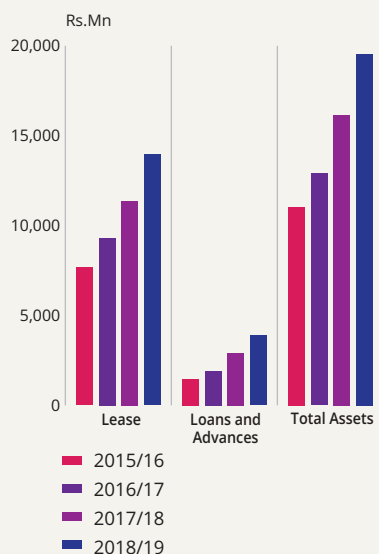


The current year results were achieved in spite of national policies to curtail credit growth that led to credit contraction in the overall non-bank financial sector, made up of Licensed Finance Companies and Specialized Leasing Companies.

The increase in gross income was supported by the growth of the lending portfolio which mainly comprises leases and loans and advances. There was a 23 per cent increase in leases and a 34 per cent increase in loans and

advances disbursed during the period. The corresponding growth rates for the previous period for leases and for loans and advances were 22 per cent and 51 per cent respectively.

TOTAL ASSETS & LENDING PORTFOLIO

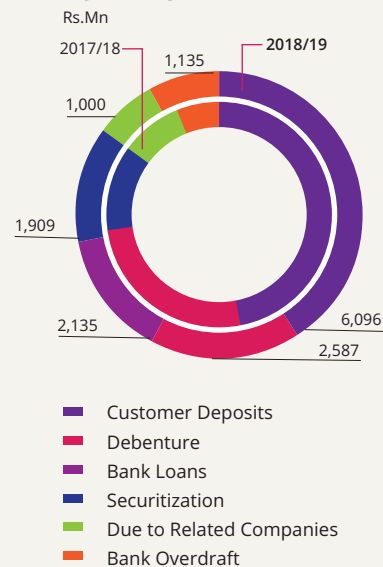


Composition of the lending portfolio, however, only recorded marginal changes.

Leases account for 78 per cent of the portfolio (79% in 2017/2018) while loans and advances account for approximately 22 per cent (20 % in 2017/2018).

The Company financed the growth of the lending portfolio using increased customer deposits and by increasing borrowings.

FUNDING MIX



Customer deposits grew by 14 per cent in the year under review compared to 67 per cent in the previous period. Meanwhile, the NBFI sector's overall deposits only grew by 4 per cent, in the calendar year 2018, over 2017.

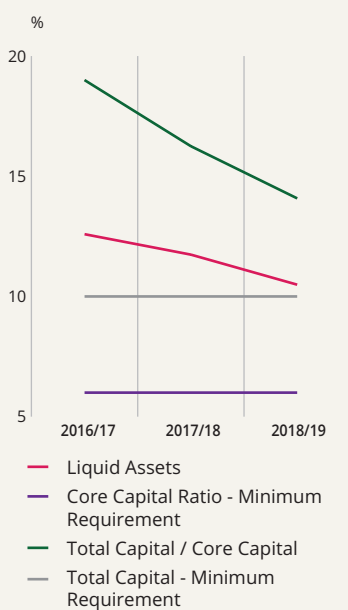
Total assets of Singer Finance grew by Rs. 3,407 Mn to Rs. 19,539 Mn in the year under review. This is a 21 per cent growth over the previous period. In contrast, the NBFI sector total assets grew by 6 per cent in 2018, over 2017.

Singer Finance performed well on liquidity ratios this year too, as we have done consistently over the recent past, when compared to industry averages. Effective portfolio

FINANCIAL CAPITAL

management, strong risk management and mitigation measures, serious thought to compliance and overall good corporate governance are reasons for this performance.

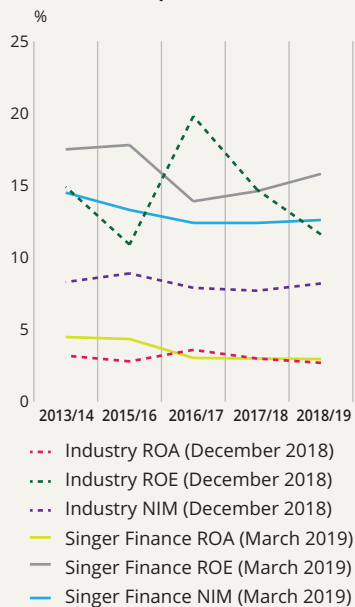
LIQUIDITY RATIOS



Core capital, also referred to as Tier 1 Capital represents shareholders' equity and reserves. From 1 July 2018 the minimum required core capital ratio for a Licensed Finance Company is 6%. Singer Finance's core capital is well above the basic required level.

Singer Finance remained a good steward of shareholders' funds and company assets with Return on Asset (ROA) and Return on Equity (ROE) ratios outperforming the overall NBFI sector. The ROE improved over the previous period. There was, however, a slight decline in the ROA ratio compared to the previous period.

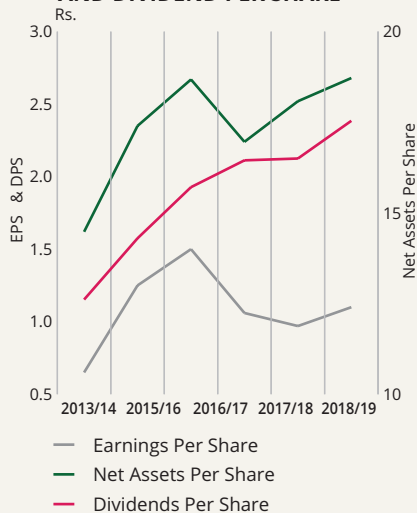
SINGER FINANCE VS. INDUSTRY RATIOS ROA, ROE & NIM



Source for Industry Ratios: Central Bank of Sri Lanka

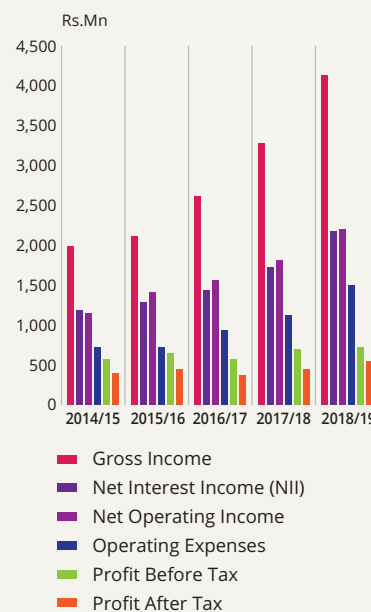
The financial and portfolio management acumen of a company in the NBFI sector can be judged by the Net Interest Margin (NIM). Singer Finance net interest margin was 12.6 per cent in the year under review, 12.4 per cent in the previous financial period, and way ahead of the industry performance. For 2018, the NIM for the NBFI sector was 8.2 (2017 - 7.7%).

EARNINGS PER SHARE NET ASSETS PER SHARE AND DIVIDEND PER SHARE



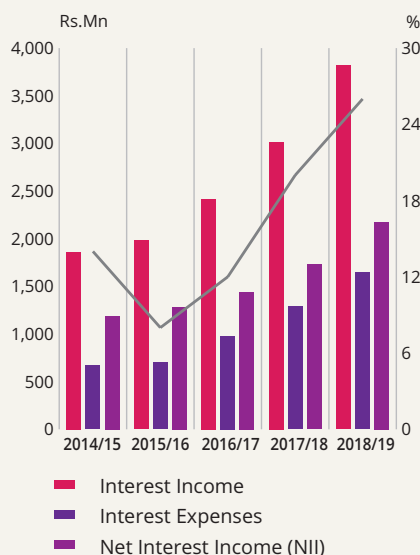
Both Earnings Per Share and Net Assets Per Share increased over the previous period.

INCOME STATEMENT



Gross Income

Singer Finance crossed yet another significant milestone that of crossing the Rs. 4 Bn revenue continuing the growth trend that began two years ago, achieving a growth rate of 26 per cent. In FY 2017/2018 and in FY 2018/2019, the Company achieved similarly high growth rates despite difficult market conditions including high levels of inflation, adverse weather conditions and a continuation of prudential measures by the Central Bank to control credit available to the NBFI sector.

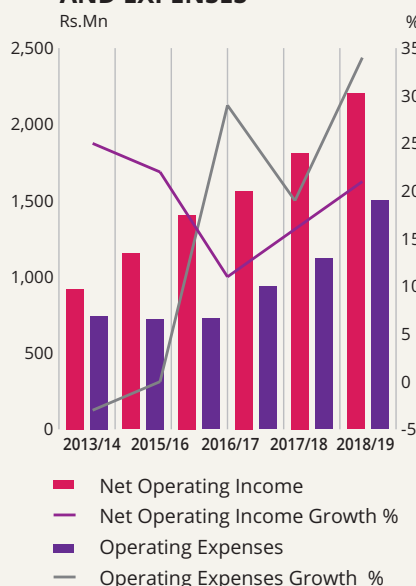
NET INTEREST INCOME

Interest income grew by 27 per cent to reach Rs. 3,819 Mn, surpassing the 25 per cent growth rate recorded in the previous period.

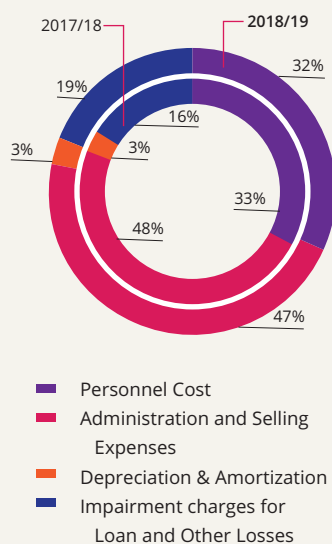
During the year we continued to monitor market behaviour and the lending and deposit rates by key market players while continuing with our business expansion activities. While our strategy was not to compete on rates alone, either in lending or on deposit mobilization, we increased both lending and deposit rates during the year in order to remain competitive and to protect the interest margins.

Interest expenses recorded a 28 per cent growth, due to increased borrowings, reaching Rs. 1,646 Mn. The rise is the net result of enhanced levels of borrowing to sustain growth momentum of the lending portfolio, and rising interest rates.

Net interest income for the period grew by 26 per cent in the year under review, to reach Rs. 2,173 Mn, surpassing the 20 per cent growth rate of the previous period.

NET OPERATING INCOME AND EXPENSES

Operating expenses grew at a higher pace than the growth in net operating income during this financial period.

OPERATING EXPENSES

Operating Expenses	2017/18 Rs. Mn	2018/19 Rs. Mn
Personnel Cost	366	480
Administration and Selling Expenses	542	698
Depreciation & Amortization	33	40
Impairment charges for Loan and Other Losses	178	282
	1,119	1,500

Operating expenses include all expenses except Interest Expenses, Income Tax, Nation Building Tax, Debt Repayment Levy & Value Added Tax on Financial Services.

Administration and selling expenses accounted for 46 per cent of expenses for the year while personnel costs accounted for 32 per cent. Depreciation and amortization costs made up the balance. The proportion of costs remained relatively unchanged from the previous period.

Operating expenses grew by 34 per cent over the previous period, personnel costs growing by 31 per cent and administration and selling expense by approximately 29 per cent.

Personnel costs

The Singer Finance workforce increased by 129 (33%) to 518 during the year, primarily to drive the company expansion strategies. Approximately 80 per cent of new recruits are deployed in income generating activities. Workforce expansion is directly reflected in the 31 per cent increase in personnel costs.

FINANCIAL CAPITAL

Administration and Selling Expenses

The increase of Rs. 698 Mn in administration and selling expenses is attributed to business expansion, including the setting up of gold loan operations in thirteen new locations during the financial period. All operations were conducted within approved budgets. Singer Finance considers it a strict requirement to follow budgetary limits as it is a critical factor for retaining the overall profitability of the company.

Impairment Charges for Loans and Other Losses

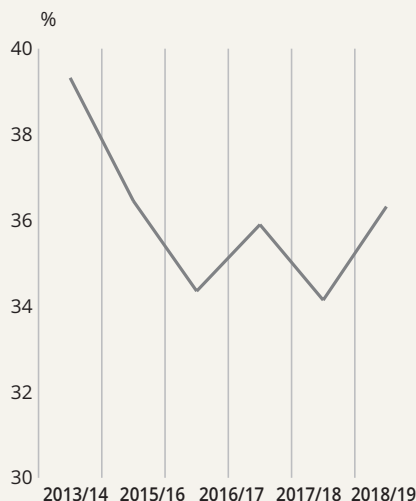
Impairment charges for loans and other losses accounted for 19 per cent of expenses for the year, and grew by 58 per cent over the previous period.

The rise in impairment charges is mainly due to the increase in collective impairment provision driven by the transition to SLFRS 9. Under the new standard, the provisioning model changed to an expected credit loss approach as against an incurred loss approach that previously applied under LKAS 39.

Cost To Income Ratio

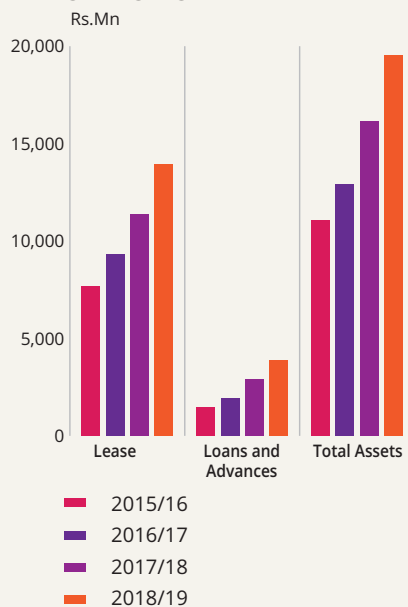
As a result of the increased levels of expenses the cost income ratio, which is calculated using operating expenses and gross income, deteriorated during the year under review. However, we consider this an inevitable situation as most expenses were channelled towards capacity building and extension of growth potential. The benefits of these expenditures are likely to enhance future income growth prospects for the Company.

COST TO INCOME RATIO



ANALYSIS OF STATEMENT OF FINANCIAL POSITION

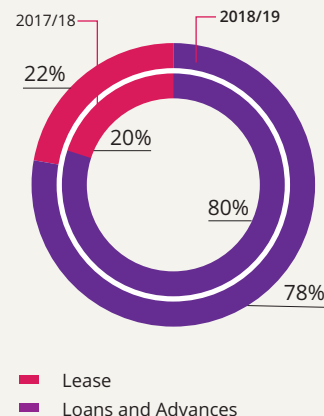
TOTAL ASSETS AND LENDING PORTFOLIO



Total assets of Singer Finance reached close to Rs. 20 Bn by 31 March 2019. The total assets grew by Rs. 3,407 Mn, to Rs. 19,539 Mn, an increase of 21 per cent over the previous period.

The overall lending portfolio grew by 24 per cent during the year to Rs. 17,848 Mn.

LENDING PORTFOLIO COMPOSITION



Leases comprised 78 per cent of the lending portfolio at financial period end, while loans and advances accounted for most of the balance.

Growth in Lending

Leases grew by Rs. 2,567 Mn to reach Rs. 13,950 by the year end. Loans and advance grew by Rs. 983 Mn to reach Rs. 3,883 Mn during the same period.

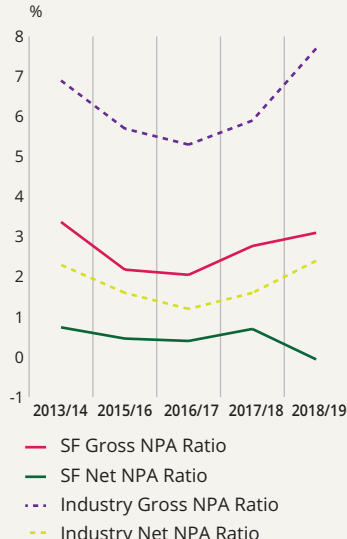
During the year, the biggest risk faced by the industry was liquidity risk. This was due to tightness in the credit available to the NBFI industry, as well as shortage of liquidity in the market. The Company focussed on developing new relationships with banks with the objective of initiating new banking facilities. Thereby the Company was able to avert any liquidity risk.

The risks posed by the growing Gold Loan portfolio was mostly operational, as the loans were secured on the gold items. We effectively managed this risk by securing the branches where loans were available.

During the year, in order to remain competitive, we increased lending rates as appropriate. Effectively managing the lending rates is a key component of successful market expansion.

Throughout the year collections were a challenge. Industry performance bears witness to this reality. As collections and repayments deteriorated, for Singer Finance and for the industry overall, the Company was more focused on quality credit. As Singer Finance has performed well in managing secured lending, we channelled our marketing efforts and promotions towards growing our secured lending portfolio.

NON- PERFORMING ADVANCES RATIOS



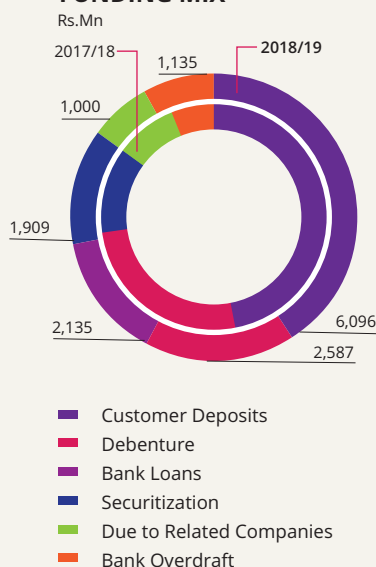
Source for Industry Ratios: Central Bank of Sri Lanka

This year too, as is the usual practice, Singer Finance maintained its non-performing advances (NPA) ratios to a minimum. The Company's gross NPA ratio at financial period end was 3.1 per cent compared to the industry gross NPA ratio of 7.7 per cent as at end of 2018 calendar year. We consistently work on limiting non-performing advances to a minimum with careful attention to customer evaluations, loan approvals and follow up.

As always, careful attention to minimizing the risks of non-performance has borne fruit for Singer Finance as is clear from the ratios.

The gross and the net NPA levels of the Company are well below the average NPA levels in the industry. They are also significantly lower than the NPA levels required by the Central Bank.

FUNDING MIX



Singer Finance funds its operations primarily using customer deposits and borrowings, including bank loans and bank overdrafts. These three sources amounted for 63 per cent of the company's funding mix for the year under review, with customer deposits, bank loans and bank overdraft contributing 41 per cent, 14 per cent and 8 per cent respectively. In contrast, in the previous financial year, 85 per cent of the funding mix came from customer deposits (47%), debentures (26%) and bank loans (12%). The Company has broad-based the funding mix.

The clear reduction of the role of customer deposits in funding was a measure of market conditions, where growth in deposits, at Rs. 740 Mn, far outweighed the growth in lending.

Leasing and loans increased by Rs. 2,567 Mn and Rs. 983 Mn respectively. This necessitated the need to seek borrowings to fill the void and continue expansion of lending activities.

Customer deposits

Customer deposits, amounting to 41 per cent of the funding mix, are the main source of funds for financing the lending portfolio. Customer deposits crossed the Rs. 6 Bn threshold this year, ending up at Rs. 6,096 Mn by the financial year end. Deposits grew at a rate of 14 per cent, or by Rs. 740 Mn.

Bank loans and overdrafts

Bank loans, all of which were utilized for lending purposes, grew by Rs. 817 Mn to reach Rs. 2,135 Mn at year end, a 62 per cent increase. Bank loans made up 14 per cent of the funding mix as at financial year end.

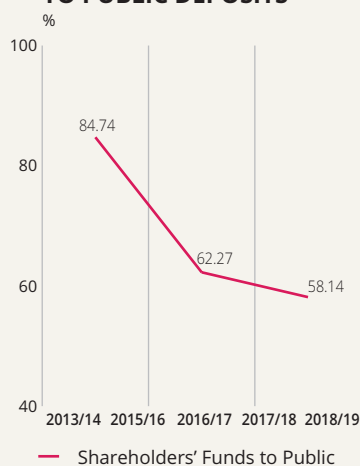
Bank overdrafts increased by Rs. 458 Mn to reach Rs. 1,135 Mn at period end, recording a 68 per cent growth over the previous financial period. They made up 8 per cent of the mix. The balance was made up by debentures, related company balances and securitization.

Mostly as a result of the above, the overall funding base increased by 31 per cent, over the previous period, as the gross income grew by 26 per cent.

Singer Finance's core capital ratio for the financial year is 14.08 per cent, more than double that of the core capital minimum requirement of 6 per cent.

FINANCIAL CAPITAL

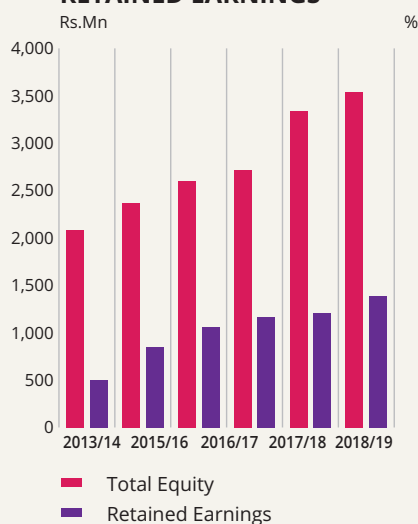
SHAREHOLDERS' FUNDS TO PUBLIC DEPOSITS



Shareholder Funds

Total equity increased by 6 per cent to Rs. 3,543 Mn during the financial period. Retained Earnings for the period grew by 15 per cent to Rs. 1,384 Mn.

TOTAL EQUITY AND RETAINED EARNINGS

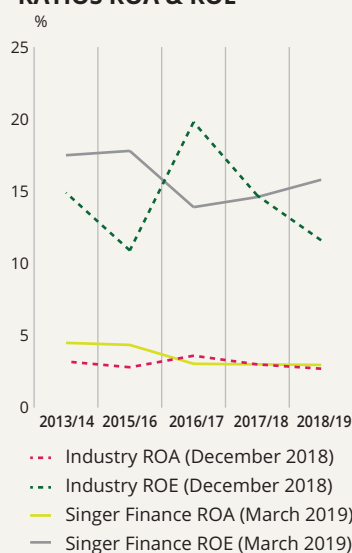


Singer Finance Vs. Industry Ratios ROA & ROE

	2014/15	2015/16	2016/17	2017/18	2018/19
Industry ROA (December 2018)	3.2	2.8	3.6	3.0	2.7
Industry ROE (December 2018)	14.9	10.9	19.8	14.7	11.6
Singer Finance ROA (March 2019)	4.6	4.4	3.1	3.0	3.0
Singer Finance ROE (March 2019)	17.5	17.8	13.9	14.6	15.8

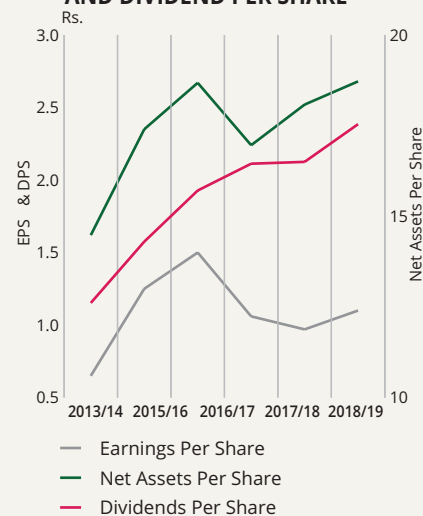
Source for Industry Ratios: Central Bank of Sri Lanka

SINGER FINANCE VS. INDUSTRY RATIOS ROA & ROE



Singer Finance Return on Asset (ROA) and Return on Equity (ROE) ratios outperformed the averages of the overall NBFI sector.

EARNINGS PER SHARE, NET ASSETS PER SHARE AND DIVIDEND PER SHARE



Earnings per Share

Earnings per share (EPS) is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding.

Earnings per share for the financial year is Rs. 2.68, a growth of 6 per cent over the previous period.

Net Assets per Share

Net asset value per share for Singer Finance further continued its growth trend and reached Rs. 17.54 per share.

Dividends per Share

The interim dividends for the period is Rs. 222,281,483. Dividends per share works out to Rs. 1.10 an increase from Rs. 0.97 the previous year.

Our Commitment

Singer Finance is committed to putting our financial capital to optimal use in creating and delivering sustainable value to our stakeholders. We do so in accordance with best practices in corporate governance, and within the framework of requirements from the regulators.

MANUFACTURED CAPITAL



Manufactured Capital of Singer Finance includes the entirety of our physical assets at the new head office and across our branch network and our information technology infrastructure. Together these assets enable us to create and deliver sustainable value for our stakeholders. It is our manufactured capital that provides us with an unmatched reach to provide our customers across Sri Lanka services at the speed and quality they expect from us.

CAPITAL HIGHLIGHTS

Number of Branches

28

New branches opened

4

Number of Service Centers

16

Mega Service Centers

12

Stand-alone Service Centers

4

Investments in IT Systems: Rs Mn.

2.8

Payment access to customers: At 476 Payment outlets

(including Singer Plus, Sisil, Singer Mega and Singer Homes Outlets Islandwide)

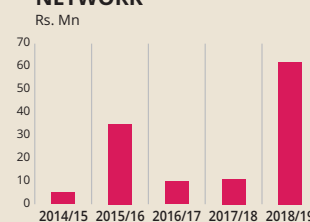
Investment in the branch network

2019: Rs. Mn. 62

2018: Rs. Mn. 10

YOY growth 520 %

INVESTMENT IN BRANCH NETWORK



Strategic actions:

- Moved Singer Finance Head office to a new address.
- 3 Service centers were relocated to more visible and accessible locations.
- Extended Gold Loan facilities to 13 additional branches during the year enhancing customer access and convenience.

BRANCH NETWORK AND SERVICE CENTERS

The Singer Finance branch network comprises 28 branches spread across Sri Lanka and 16 service centers, including 12 Singer Mega Service Centers.

28
Branches

04
Service Centers

12
Service Centers - Singer Mega

Northern Province

Branch

Jaffna

Service Centers

Vavuniya

North Western Province

Branches

Wennappuwa
Kurunegala - Main
Kurunegala - City
Nikaweratiya
Giriulla
Kuliyapitiya

Western Province

Branches

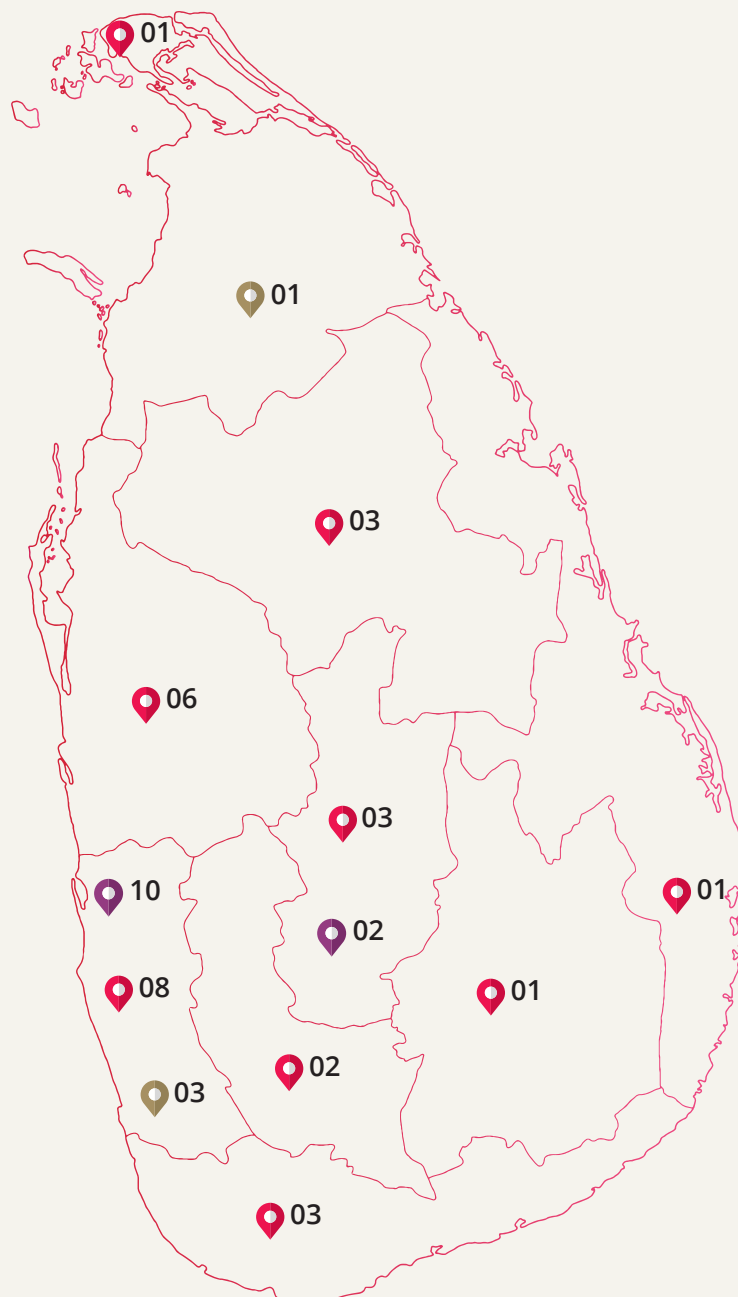
Wattala
Kaduwela
Union Place
Nawam Mawatha
Negambo
Nugegoda
Kiribathgoda
Horana

Service Centers - Singer Mega Locations

Kotte
Gampaha
Maharagama
Malabe
Mount Lavinia
Rajagiriya
Moratuwa
Negambo
Ja-Ela
Rathmalana

Service Centers

Malabe
Panadura
Wellawatte



North Central Province

Branches

Anuradhapura
Thambuttegama
Medawachchiya

Eastern Province

Branch

Ampara

Central Province

Branches

Kandy
Dambulla
Gampola

Service Centers - Singer Mega Locations

Kandy-Peradeniya
Kandy-KCC

Uva Province

Branch

Mahiyanganaya

Sabarakgamuwa Province

Branches

Embilipitiya
Kegalle

Southern Province

Branches

Matara
Tissamaharama
Galle

MANUFACTURED CAPITAL



Branch opening - Singer Finance Kegalle branch

Beyond our own branch network, our customer reach and services are enhanced to a large degree by the Singer Mega Service Centers and other Singer branches spread across the country. This unmatched network enables the Company to offer financial service access to a large range of individuals and business customers.

Singer Finance customers who value time, ease of access and speedy services can make their monthly payments through an extensive islandwide network of over 476 locations that come under the Singer umbrella, including Singer Plus, Sisil, Singer Mega and Singer Homes outlets. By capitalizing on the group synergies in this way, Singer Finance is able to bring service points closer to the homes, businesses and workplaces of our customers.

New Branches Opened

The Company opened four new branches during the year under review, in Horana, Kurunegala City, Kegalle and Gampola.

Strategic Relocations

Three service centers—in Panadura, Wellawatta and Vavuniya—were relocated during the period to more strategic locations to enable us extend

customer reach and to enhance customer access.

Extended Reach for Gold Loans

During the year, the Company began to offer the Gold Loan services in 13 new locations across Sri Lanka.

New Head Office

The Company moved to a spacious new head office on R A De Mel Mawatha, Colombo 03 in March 2019. In addition to enhancing our market visibility and branding, the move also enhances customer access and convenience.

Investments in IT Systems

During the year the Company invested Rs. 2.8 Mn on IT systems with a view to expanding the use of social media platforms to reach our current customers and prospects on a wider basis than before. We plan to use the social media and networking platforms that are currently popular among Sri Lankans, including Facebook, YouTube and LinkedIn for our marketing and outreach activities.

Information Security

During the year, we started to move towards more robust information

security procedures by reviewing and updating the IT Security Policies and Procedures with the help of IT security experts and specialists.

Regular information security and privacy awareness programmes were conducted for employees.

Head Office and Branch Automation Efforts

Handheld Collections System

We are implementing a mobile collection system to offer more convenience and access to our customers spread across Sri Lanka. This will allow a system generated online receipt to the customer at the time of making the payment. Hence, the customer confidence will increase.

This process has been already tested and will be fully implemented throughout the company in the very near future.

This is a critical concern because the mobile and internet penetration in Sri Lanka shows a steep growth trend. At present we offer mobile collection of instalments and arrears.

More and more consumers are seeking the convenience of mobile and internet services in line with the increasing mobile use and declining costs of internet access. Providing mobile payment and transaction access is a critical competitive concern for Singer Finance.

Digital Presence of Singer Finance

We are expanding the provision of customer support via our website and through the official social media channels of Facebook, YouTube and LinkedIn.

Singer Finance has continued to increase the use of SMS alerts and email in connecting with customers. We are also using email as an integral part of our marketing campaigns.

We are also using LED wall display screens in our promotional activities.

Other Technology Initiatives

In company operations, we use more analytical tools in our MIS reporting compared to previous periods.

Other means of improving business productivity we have adopted include a file tracking system, online appraisals, variable interest product implementation and debit card project implementation.

Leveraging Manufactured Capital

Singer Finance is committed to leveraging our extensive network of branches, service centers, payment outlets and our investments in information technology infrastructure to create and deliver sustainable value to our stakeholders.

HUMAN CAPITAL



Success in highly competitive industries such as ours depends upon nurturing and fostering the quality of our human talent. Singer Finance is committed to ensuring that our employees are empowered, inspired and rewarded for their efforts. We respect each other as individuals and encourage cross functional teamwork while providing opportunities for career development.

CAPITAL HIGHLIGHTS

Number of employees 2019 - 518 2018 - 389 2017 - 317	Salaries and benefits (Rs. Mn) 2019 - 480.0 2018 - 366.2 2017 - 353.9	Profit per employee (Rs.000) 2019 - 1,196 2018 - 1,255 2017 - 1,203	New recruits 2019 - 236 2018 - 119 2017 - 77
Internal promotions 2019 - 82 2018 - 42 2017 - 46	Staff turnover 2019 - 16% 2018 - 14% 2017 - 19%	Investment in training and development cost per employee (Rs.) 2019 - 6,950 2018 - 4,742 2017 - 4,132	Number of training programmes 2019 - 71 2018 - 27 2017 - 13

A Proactive Approach to HR

Complex and constantly changing business environments such as the one we operate in requires leaders and teams that are agile, engaged and driven to seek success.

Our customers are becoming more sophisticated, discerning and demanding. Evolving financial technologies, the growing access and declining costs of mobile and internet is further changing our customer expectations too.

Amidst all that change, we are recruiting ever younger employees and their expectations are also evolving. One thing remains constant amidst all that change: Customer service excellence is an imperative for business survival.

We have a relatively young workforce, with half of the employees below 30 years of age. Our workforce is indeed growing younger, because approximately 75 per cent of our new recruits were less than 30 years of age.

With such workforce profiles, Singer Finance appreciates the need to be proactive in managing our human capital. We are committed to nurturing building and sustaining an agile, people-driven organization because that is the way to success. We believe that by respecting, caring for and nurturing our employees, we are empowering them to become ambassadors of progress for our Company and the nation.

HR Vision and Goals

The human resource vision of Singer Finance is:

“To drive business vision through human capital development.”

Our Strategic HR Goals

Finding the right fit to the right job, continuous human capital development and creating a healthy work environment that encourage a healthy work-life balance are our strategic HR goals.

Currently we are in the process of securing a Human Resource Information System (HRIS) and a Performance Management Framework and putting in place a process for measuring Key Performance Indicators (KPIs) this programme was initiated by the ultimate parent company.

A Great Place to Work

Because we value our people and their opinions, Singer Finance decided to take part in the Great Place To Work assessment in 2019. The assessment is carried out by Great Place to Work® Institute. The Great Place to Work®

Assessment looks at each organization through two lenses: the Trust Index® Employee Survey and the Culture Audit®.

Singer Finance managed to achieve the certification as a Great Place to Work- Certified™ company in Sri Lanka at our first attempt.

Ranked Among 25 Best Workplaces in Sri Lanka for 2019

We also achieved the honour of being listed as one of the 25 Best Workplaces in Sri Lanka for 2019.

As an employer, we are happy to achieve this ranking as it provides an independent outside assessment of how well we are doing as an employer and how our employees see the organization.

Enhanced Employer Branding

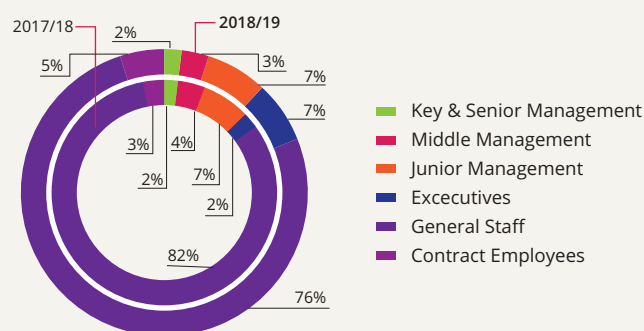
We also value this ranking because it enhances our employer branding, enabling us to recruit the best talent that the Sri Lankan job market has to offer.

Singer Finance Employees

Staff Strength

As at the financial year end, Singer Finance had 518 employees, a 33 per cent growth over the previous financial period.

STAFF STRENGTH

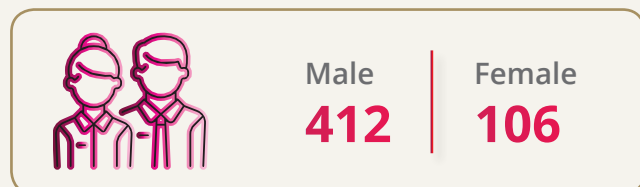


Gender Diversity

Approximately 20 per cent of the employees are female. Female representation is the highest among Executives staff at 23 per cent. Females make up approximately 22 per cent and 15 per cent among contract employees and executive. Middle and Junior management grades have female representations of 12 per cent and 8 per cent respectively.

HUMAN CAPITAL

Gender Diversity as at 31st March 2019



	Male	Female	Total
Key & Senior Management	9	1	10
Middle Management	15	2	17
Junior Management	34	3	37
Executives	27	8	35
General Staff	305	88	393
Contract employees	22	4	26
Total	412	106	518

Racial Diversity

Equal Opportunity of Employment

Employment Grade	Sinhala	Muslim	Tamil
Non Executives	396	5	19
Executives	30	1	4
Mgt and Above	61	-	2
Total	487	6	25

Singer Finance is an equal opportunity employer and does not consider race or gender in recruitment. Currently, our workforce comprises 94 per cent of Sinhala, 5 per cent Tamil and 1 per cent of Muslim employees.

Age Analysis

An age breakdown by job category shows that just over half of the Singer Finance workforce (53%) is aged below 30 years. Those aged between 31-40 years of age account for 37 per cent of the workforce while those between 41-50 years of age make up 8 per cent of the workforce. Those above 50 years of age, representing ranks of junior and middle management, account for less than 2 per cent of the Singer Finance workforce as at the end of the financial period.

Age Analysis of Staff as at 31st March 2019

Age group	Key & Senior Management	Middle Management	Junior Management	Executive Staff	General Staff	Trainees	Total
Above 60	1	-	-	-	-	-	1
51-60	1	1	3	-	2	1	8
41-50	5	6	9	3	21	-	44
31-40	3	10	25	25	131	-	194
21-30	-	-	-	7	235	22	264
Below 21	-	-	-	-	4	3	7
Total	10	17	37	35	393	26	518

Length of Service

Service Analysis of the Staff Members as at 31st March 2019

Service in years	No. of staff in each category						Total
	Key & Senior Management	Middle Management	Junior Management	Executive staff	General Staff	Trainees	
10 - 15	7	8	9	4	14	-	42
05 - 10	1	2	17	15	85	-	120
01 - 05	2	5	4	8	171	2	192
Below 1 year	-	2	7	8	123	24	164
Total	10	17	37	35	393	26	518

Around one third of staff members (32%) are new, with a service length less than one year. They are represented in all job categories other than key and senior management.

Approximately 37 per cent of Singer Finance employees have been with the Company between 1 to 5 years while another 23 per cent have been with the Company between 5 to 10 years. Just 8 per cent of the workforce have been with the company longer than 10 years.

New Recruits

Information on the diversity, age distribution, employee category and region-wise distribution of our new recruits are as follows.

Most of our new recruits (75%) during the year were less than 30 years of age and a further 21 per cent were less than 40 years of age. We have also improved gender diversity with the new cohort of recruits.

Compared to a 20:80 female to male ratio in the overall workforce, the new recruits presented a 25:75 female to male ratio, an indication of increasing diversity.

Age Wise

Age	Female	Male	Total
Below 25 Age	23	63	86
26-30 Age	25	67	92
31-40 Age	8	41	49
41-50 Age	1	4	5
50+ Age	-	4	4
Total	57	179	236

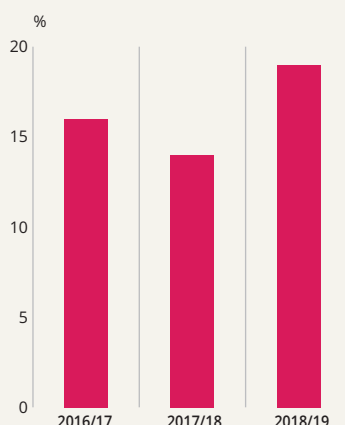
Region Wise

Region	Management	Executive	General	Total
Head Office	3	-	57	60
Colombo Region	3	3	41	47
Galle Region	1	2	18	21
Kandy Region	-	-	17	17
Kurunegala Region	-	4	40	44
Matara Region	-	1	16	17
Negombo Region	1	4	25	30
Total	8	14	214	236

Staff Turnover

Staff turnover for the year under review was 16 per cent. This was a higher level of turnover compared to 2018 (14%) but an improvement over 2017 (19%).

STAFF TURNOVER



Some level of employee turnover is natural and to be expected. However, for the sake of business productivity, Singer Finance strives to keep employee turnover within reasonable limits and works on retention strategies that would lead to longer term employment.

We encourage our employees to stay and climb the career ladder within the Company by offering a wide range of benefits including reimbursements for educational achievements and professional education. The full range of benefits available to Singer Finance permanent employees is given in pages 74 to 75 of this section.

Changes to Our HR Function

HR division for Singer Finance comprises four permanent staff including a Human Resources Manager. A significant number of changes were made in the HR Division during the year. Some of these are noted here, while many others, such as improvements in training, development and promotions areas are noted under those respective headings.

Changes to the Recruitment Process

We streamlined the recruitment process by introducing a recruitment tracker and conducted interviews for over 500 candidates, absorbing 46% into the carder as a result. We also began maintaining a CV bank to strengthen the pool of sources in generating interview candidates.

The cycle time of recruitment was brought down from 45 days to 36 days by fast tracking the documentation.

HUMAN CAPITAL

The HR function introduced rigid and strict practices for recruitment documentation by introducing CRIB, Reference checking on previous employment and resignation acceptance and service letters.

A facilities requisition process now ensures that new employees will be provided with facilities to start work from day one.

Payroll Process and Benefits Management

Previously variable component of payroll processing and benefit management were performed by Singer Group. From the year under review these processes became the responsibilities of Singer Finance.

Time and Attendance

Attendance at Singer Finance head office, 3 branches and Mega service centers are being monitored through attendance devices for all employees.

Employee Survey

We obtained feedback from all employees during the financial year. Their feedback was taken into consideration in the Great Place To Work assessment where Singer Finance became one of the best 25 companies to work in Sri Lanka.

Our HR Policy

Employee Benefits

Details of the benefits available to our permanent staff members is given below.

A Range of Benefits to Permanent Staff

Leave

Singer Finance offers 42 days of leave per annum (including the statutory leave entitlements).

Professional subscriptions

Subscription fees are paid to professional bodies on behalf of employees who have completed their qualifications.

Medical expenses

The Company reimburses medical expenses up to predetermined amounts calculated according to the employee grade. If the expenses exceed this specific amount, the employee and the Company share the balance equally.

Hospitalisation and OPD treatment coverage is provided to all staff members and their immediate family members.

Travel related benefits

Employees engaged in travel for official purposes are entitled to reimbursement of travel expenses.

Field staff and base staff categories receive travel benefits depending on their responsibilities and their employee grade.

Expenses incurred by field staff when staying at hotels approved by the Company on official business are reimbursed.

Distress loans

Employees can make use of distress loans in cases of emergencies such as sudden illness, a death in the family, damage to homes due to natural calamities and urgent repairs etc.

Vehicle loans

Permanent employees in specified categories are eligible to apply for loans to obtain a vehicle.

We also offer interest-free Motor Bike loans and vehicle loans at concessionary rates to a selected set of non-managerial grade employees to perform their job functions more efficiently and effectively.

Study related benefits. Singer Finance has two mechanisms to support employees pursuing studies.

A lump sum is granted on the condition the employee serves the Company for a given number of years. The facility needs to be repaid only if the employee leaves the Company before the expiration of the given time period. Our employees use this benefit mostly for postgraduate studies.

Course fees. We reimburse two thirds of the cost of a particular course fee on the successful completion of the final examination.

Death related benefits. In the event of the death of an employee, his or her family receives a donation of Rs. 50,000 in addition to six months salary.

In the event of the death of an employee spouse, child, parent or unmarried sibling, the employee is granted a sum of Rs. 25,000.

The death donation fund is a contributory fund maintained by the Singer group to which permanent employees of Singer Finance contribute.

Staff discounts for Singer products

Leisure related perks

Every year, Singer Finance organizes a three-day excursion to a star class hotel for all staff members. Popularly referred to as the Gents Picnic and the Ladies Picnic, these events are much looked forward to by all. Staff members get the opportunity to relax, enjoy and network with others on these occasions.



The Company also holds a Christmas party for all employees.



Staff teams of Singer Finance take part in many Mercantile Sports events, including Cricket, Netball, Badminton, Hockey and Athletics. The Company encourages staff members to actively participate in sports.



Singer Finance won Mercantile Softball Cricket sixes in 2019 and Mercantile Softball "C" Division T-15 League Tournament in 2018. Both events were organized by Mercantile Softball Cricket Association.

Code of Conduct

Singer Group's written Code of Business Conduct applies to all key and senior managers. They are bound to follow the Code by the signed agreement which is part of their contract of employment.

The Code requires each signatory to comply with the Code personally and to ensure that employees who report to him or her also comply with the Code. The Code is signed anew each year, which ensures that its terms are refreshed in the minds of the signees and they get to update themselves on new clauses and amendments to the Code.

Encouraging Open Dialogue

Singer Finance believes in and encourages open dialogues within our Company. The ability to carry on a sincere and comprehensive dialogue about any issue pertaining to the Company is essential to building trust. Trust is a prerequisite to driving operational excellence within our business; and that includes trust in the Company, in its leadership, in fellow employees and team members.

Openness provides a foundation on which to uphold employee integrity and credibility. It is also essential to our value system.

Internal Promotions

Singer Finance always explores the potential for internal promotion and gives it priority over new recruits from the outside. We only seek new recruits if we cannot fill the existing vacancies from within the Company.

During the year under review, the number of internal promotions doubled to 82 from the previous year's 42.

A note worthy promotion is that of Mr. Thushan Amarasuriya, who was promoted to the post of Chief Executive Officer, from the previous post of Chief Operating Officer.

Category	Number
Non Executives	70
Junior Management - Marketing	1
Junior Management - Recovery	3
Key & Senior Management (CEO)	1
Junior Management - IT and Accounts	2
Executives	5
Total	82

Encouraging Upward Mobility

We encourage our staff member to undertake and/or complete relevant professional studies based on their area of expertise and work. Singer Finance provides financial support as lump sums or as reimbursements to start or complete academic or professional education.

Our annual appraisals include these discussions as part of the career development of each person.

The company took a number of new steps to further enhance upward mobility in our workforce.

Introduced a Junior Executive Category

The Company introduced a Junior Executive layer into our organization structure to minimize the salary and benefits anomalies present under the previous organizational structure.

HUMAN CAPITAL

The new structure provides more opportunities to non executives to enter into the executive level.

Car Loans to Clerical Grades

We introduced a car loan scheme at concessionary interest rates to clerical grades special category. Earlier, car loans were only available to management staff.

Changes to Promotion and Performance Management Policies

During the year we standardised our promotion policy and the performance management policy by introducing changes and evaluations.

Employee Survey

Singer Finance introduced an employee survey that allows us to identify employee issues that were not highlighted and to bring employee grievances in a formalized manner to the attention of management.

Recruitment, Training and Career Development

Recruitment

Recruiting and training employees who have leadership potential will enable our business to grow, as the employees grow and climb their career ladder within the Company.

Our employer branding received an immense boost when we achieved certification as a Great Place to Work-Certified™ company in Sri Lanka and got ranked among 25 Best Workplaces in Sri Lanka for 2019.

In our recruitment process, we consider a number of factors going beyond academic credentials and skill levels. We want to recruit people who are capable of growing together with the company and have the requisite soft skills, a leadership mentality and character traits that would enable them to climb the career ladder with us.

Training and Development

All new employees are welcomed and are subjected to a comprehensive orientation process by a team including the Human Resource personnel and heads of departments.

We introduced a Training Calendar in the year under review that covers all employees.

Training

With the support our enhanced Human Resource division, Singer Finance amped up our training activities this year, and by the financial year end, we had trained a total of 428 employees. This works out to approximately 83 per cent of our workforce of 518 employees. Please note that these training cover figures need to be adjusted for employees who left the organization after receiving training.

We increased the number of training sessions to 71 covering 428 employees in the year under review. The corresponding figures for 2017/2018 was 27 Training sessions covering a total of 83 employees. Our training hours per employee increased from 1.22 to 7.57 as a result.

Summary	2016/17	2017/18	2018/19
Number of training programs	13	27	71
Number of Participants	37	83	428
Job Grade			
Key & Senior Management	1	3	34
Middle & Junior	8	20	105
Executives	1	6	20
General Staff/Clerical	27	54	269
	37	83	428
Gender			
Male	34	73	335
Female	3	10	93
	37	83	428
Cost of Training (Rs.)	1,310,000	1,650,000	3,600,000
No of Employees	317	389	518
Cost per Employee (Rs.)	4,132	4,242	6,950
Total Training Hours	268	430	3,432
Training hours per Employee	0.87	1.22	7.57

Total training hours in the current financial year increased to 3,432 from approximately 430 hours in the previous year.

The number of training hours per employee is approximately 7.6 hours compared to 1.2 in the previous period. Consequently, our training costs show an increase of 118 per cent, or Rs. 3.6 Mn, over the Rs. 1.65 Mn the previous year. The training cost per employee for the year works out to Rs. 6,950, a 64 per cent increase from Rs. 4,242 recorded in the previous period.

Types of Training

Details of the types of training are as follows:

Type of Training	No. of Times
Internal Trainings	5
External Trainings	21
Induction Programmes	5
Technology Trainings (IT)	6
Customer Care	6
Privacy/security/risk management	15
Leadership development	13
	71

Training sessions shown under the external training category include the following training seminars and workshops:

- The Finance Business Act (Capital Adequacy Requirements) - Direction No 03 of 2018
- Preventing Proliferation Financing of Weapons of Mass Destruction through Screening
- Anti-Money Laundering seminars and workshops

- Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Regional Workshop for Officers of Financial Institutions
- Identification of Beneficial Ownership and Suspicious Transactions Reporting
- Preserve your Privacy and Security in the Internet
- Awareness Program on Financial Customer Protection Framework
- Security Features in Genuine Currency Notes and Identification of Forged Notes
- The Art of Fraud - Financial Smoke Screens Demystified
- Excel Training Programmes
- Chartered Student Conference organised by the Students Society of Chartered Accountants of Sri Lanka

At Singer Finance, we believe in the immense power and immeasurable value of our human capital. That is why, even in challenging times, Singer Finance is committed to investing time and money in training and professional development initiatives of our employees.



Employee progression and career development

Finding the right fit to the right job and continuous human capital development are strategic HR goals of Singer Finance. In order to facilitate the realization of these goals, we are currently in the process of implementing a Human Resource Information System (HRIS)

and a Performance Management Framework with Key Performance Indicators (KPIs).

These tools and platforms will enable the Company to find a good fit for every job and for every employee. They will enable us to make objective and performance driven, evidence-based decisions on helping our employees in discussing their career development prospects within the Company. It would help us give them better, more tailored advice and guidance in encouraging them to reach their personal and professional goals. As Singer Finance gives preference to internal promotions, such precision not just helps employees, but also assures the success of the Company.

Singer Finance continues the practice of each line manager assessing their subordinates' strengths, weaknesses and training and development needs, which are then incorporated into the Company training plans.

We have revamped and improved our performance appraisals during the year under review. Each employee can expect a more enhanced review that covers a wider range than previously.

By the third quarter of each year Divisional Heads and Singer Finance must furnish the HR Manager with a detailed account of their division's training requirements. Department Heads are also responsible for assessing skill shortages of respective departments based on the annual performance appraisals and the needed skill requirements to successfully deliver on company and branch level goals and to navigate future challenges.

The Department Heads, in consultation with the Human Resource Department, implements tailor made programmes

HUMAN CAPITAL

to address training needs of our employees. These needs are met through both internal or external training programmes.

Rewards and Recognition

Singer Finance fully agrees with the International Labour Organization (ILO) that decent work is “a source of personal dignity and, peace in the community. It inspires democracies that deliver for people, and fuels economic growth that expands opportunities for productive jobs and enterprise development.”

ILO further advocates that businesses need to increase investments into enhancing productive capacities of people; and that they must actively promote creativity and innovation at work. Overall, the ILO emphasizes the need for investing in developing a well-trained workforce capable of adapting to changing market conditions.

Accordingly, at Singer Finance we evaluate all job roles within the organization to ensure each individual receives adequate rewards and recognitions together with opportunities for growth to cultivate their natural potential.

Recognition at the Annual Convention

At the Singer Finance Annual Convention we reward and recognize our high performing employees of the Company.



Compliance with Labour Laws and Regulations

Singer Finance complies with local labour statutes and regulations to ensure opportunities for skills development and sustainable livelihoods are assured to our employees. They have the opportunity to work with dignity, confidence and self-respect.

Singer Finance is an equal opportunity employer. We do not discriminate on the bases of race, age, creed, colour, religion, gender or disability. We are fully committed to achieving a diverse workforce and comply with all laws and regulations pertaining to non-discrimination. There were no material issues pertain to employees and in industrial relations during the year.

Providing Employment to People with Disability

Singer Finance has provided employment to a visually disabled person, Ranga Sampath Gunapala of Padaviya from 2013. He is now 29 years old and works as a Customer Service Assistant in 2013, at our Medawachchiya Branch. His fellow employees support and encourage him in performing his duties. Ranga Sampath has displayed unusual levels of resilience and tenacity by performing his duties effectively and by showing a thirst for knowledge and learning. Employment with Singer Finance has enable Ranga Sampth who comes from a modest family background to improve the living standards of his family. He has become a valued member of the branch team, and has managed to overcome the obstacles brought on by his visual disability while working at Singer Finance over the past six years.

No Child Labour or Forced or Enforced Labour

We do not tolerate child labour and compulsory labour in any form. We declare that employees recruited by us are over the age of 18. No individual has been coerced under pressure or threat to work for the Company.

Equal Pay for Equal Work

Singer Finance offers equal pay for equal work, without discrimination between men and women. Remuneration is determined through a transparent performance evaluation mechanism.

We are in the process of revamping the performance evaluation process, and including key performance indicators into the process.

Handling Employee Complaints

Singer Finance uses the same Whistle Blower Policy as all companies of the Singer Group, and as such, is implemented via Group personnel. It provides a guided procedure for any employee to make a written or verbal complaint on any experience or suspicion of illegal or unethical employment or business practices exercised by anyone in any capacity in the Singer Finance governance hierarchy.

Upon induction to the Group, all Singer Finance employees are walked through the whistle blower procedures. They also receive the assurance of confidentiality and anonymity in event of resorting to whistle blowing.

The Group takes necessary actions to prevent corruption or illegal activities. The Company management takes necessary actions keeping in mind the whistle blower procedures.

Grievance Handling and Sexual Harassment

These two policies ensure the emotional well-being of our employees. The grievances policy provides employees the right to forward their grievances and dissatisfactions to the Management and obtain a fair hearing. Our sexual harassment policy takes note of the distinct nature of a claim and provides disciplinary measures, depending on the degree of sensitivity of the matter at hand.

We ensure fairness and impartiality at all times throughout the process. The complainant is assured that no punitive action will be taken for lodging the complaint.

Human Rights

The Company follows employment practices which enshrine human rights. As such we facilitate freedom of association, strict elimination of all forms of compulsory labour, abolishment of child labour, and elimination of sexual harassment in the workplace. There were no incidents of human rights reviews/grievances reported during the fiscal year.

Occupational Health and Safety

Creating a healthy work environment and encouraging a healthy work-life balance are strategic HR goals of Singer Finance.

Singer Finance complies with all occupational health and safety laws and regulations that apply to a business of our nature, operating in Sri Lanka.

We believe that a healthy workforce is a happy and productive workforce. As such, Singer Finance goes beyond mere compliance and seeks opportunities to enhance the health and wellbeing of our employees. We encourage the health and well-being of our employees by paying attention to ergonomics, quality of light and air and other factors

that contribute to a safe, secure, comfortable and productive work environment. All cashiers and acting cashiers of the Company are covered by life insurance policies.

We provide sports and recreation facilities at the workplace for the benefit of employees.

Internships

Singer Finance provides internship opportunities to fully or partially qualified students at both head office and branch level. They are placed in a suitable capacity within the Company and are given the necessary exposure with a comprehensive orientation and in depth practical training.

During the year under review there were seven Interns working with the Company. During 2018 and 2017 we provided internships to four and five students respectively.

Work Life Balance

This year, the Singer Finance Gents Picnic was held from 22nd June to 24th June at Club Palm Bay - Marawila and Ladies Picnic was held from 4th May to 6th May at Chaya Blue - Trinco.



The Christmas party for Singer Finance staff was held in December 2018 at Golden Rose reception hall Borelasgamuwa. Employees and their immediate family members enjoyed an event full of fun and frolic.

Employee Driven Corporate Social Responsibility Initiatives

During the year under review, Singer Finance Dambulla branch donated a television set to Bakamuna base hospital and built lavatories in Weeromohan Jayamaha Vidyalaya Dambulla. Further, Singer Finance funded and repaired the roof of the main hall in the Nilgama School, Galewela.

These projects were chosen based on the recommendation of branch employees.

SOCIAL AND RELATIONSHIP CAPITAL



Our Social and Relationship Capital is made up of all of our valued stakeholders and our relationships with them. Our customers, investors, financiers, suppliers, business partners, employees, the Government of Sri Lanka and other regulatory bodies, our competitors, various interest groups, the media, communities in which we operate, and society at large are all part of the business environment we operate in. Each group plays a role in shaping and forming our business strategies, policies and operations. In turn, our operations and activities also create an impact on others. Optimising Social and Relationship Capital is about managing those impacts and relationships in a positive manner for common good.

CAPITAL HIGHLIGHTS

		2017/2018	2018/2019	Y-O-Y Growth
Economic value added	Rs. million	1,271	1,504	18%
Value distribution to investors	Rs. million	196	222	13%
Value distribution to society via Government	Rs. million	310.7	612.1	97%
Investment in community development projects	Rs. million	0.22	0.54	145%
Lending customers	Number Rs. Billion	64,923 14.4	67,097 16.2	3% 13%
Deposit customers	Number Rs. Billion	15,761 5.4	17,045 6.0	8% 11%
Incidents of non compliance with regulations in marketing	Number	None	None	-
Significant fines for product/service issues	Numbers Rs. million	None	None	-

As we focus on creating sustainable value for our stakeholders, we also end up influencing, in big ways and small, our stakeholders in return. Some of our stakeholders also influence our business strategy, policies and operations in a multitude of ways. Dealing with the impact of these influences is an inevitable part of the Singer Finance's stakeholder management agenda.

In all instances, we are committed to engaging with our stakeholders in a positive and respectful manner. Over the next pages, we have explained our approach to working with different stakeholder groups as we go about fulfilling our corporate objectives.

Our engagement with our employees, a critical stakeholder in our journey towards success, is explained in the Human Capital section of this report.

Social Governance

The social governance processes and procedures of Singer Finance takes into consideration our relationships with the community, customers, employees, suppliers, outsourced providers and all other parties that may influence or be influenced by our business model.

Singer Finance takes an integrated approach in dealing with all these stakeholders. Over the next pages we demonstrate our social responsibility in terms of community engagement, building relationships, engaging in fair competition, adhering to ethical business practices and aligning our vision and mission towards supporting sustainable development goals.

Our labour practices and policies relating to employees, including policies on equal opportunity, career development and training, rewards and

recognition, conditions of work, work-life balance and industrial relations are explained in detail under the Human Capital section of this report.

Customers

We exist to serve our customers. We can create and deliver sustainable value to all of our stakeholders only because our loyal customers have placed their trust in us and are using our products and services. We employ a strategic and integrated approach to building relationships with our customers.

In line with the Corporate Governance requirements, our processes for customer engagement, product responsibility and servicing are explained below.

Over the past 15 years since incorporation, Singer Finance has been deploying all of our six capitals to delivering value to our customers, in the best possible way. Although the Company began its business operations by offering leasing and hire purchase of vehicles, we have since expanded to offering consumer products and loans to both individuals and business customers.

We strive to understand our customers better and gain a more granular understanding of their financial and sometimes social needs in order to deliver more meaningful products and services that reflect and fulfil those needs in an effective manner.

Our Unique Customer Proposition

Singer Finance operates in a highly competitive industry. Therefore, it is an imperative that we offer a unique customer proposition to stand out among the crowd; one that cannot be emulated by our competitors.

We have succeeded in offering a unique customer proposition, tying together all of our six capitals in an optimal manner. Trust, ethics and great customer service are the three key components of our unique customer proposition.

Our customers place their trust in the Singer brand, cultivated over generations, especially in rural Sri Lanka. Every day, we reinforce their trust with our ethical business practices and our commitment to speed, quality and customer convenience in delivering customer solutions and services.

Our ability to create and deliver competitive products and solutions, combined with the Company's ability to consistently deliver good returns brings in a continuing flow of customer deposits which we can then use for extending our other facilities. The reputation and integrity of Singer Finance in the financial community helps us obtain equity and debt financing and funding. All of these elements come together in our unique customer proposition.

While it is true that we may not always compete in terms of price, our customers continue to value and appreciate our unique proposition based on trust, ethics and great customer services. That is why they put us on a firm foundation, enabling us to create and deliver sustainable value to all of our stakeholders.

Our Products and Services

Singer Finances offers a range of services and solutions to cater to the financial services needs of our individual and business customers spread across Sri Lanka.

SOCIAL AND RELATIONSHIP CAPITAL

PRODUCTS



SAVINGS PRODUCTS



Expanding Customer Access, Reach and Convenience

The new products that we have introduced over the past years are performing well and are appreciated by our customers.

New Branches and Strategic Relocations

During the year Singer Finance opened four new branches in Horana, Kurunegala City, Kegalle and Gampola expanding access and customer service levels.

We also implemented three strategic relocations of our service centers in Wellawatta, Panadura and Vavuniya—further expanding customer reach, access and convenience.

Expanded Gold Loan Access

We had very encouraging results from the initial introduction of Gold Loans in one branch in the last financial year. As a result, Singer Finance extended its Gold Loan facilities to thirteen new locations during the

year under review. Now customers in Negombo, Jaffna, Kuliapitiya, Panadura, Wellawatta, Horana, Kurunegala, Galle, Tissamaharama, Vavuniya, Kegalle, Gampola and Giriulla have access to our Gold Loan facilities beyond the initial location in Wennappuwa.

More information about our extensive network of branches, service centers and payment points are given under the Manufactured Capital section of this report.

Improving Customer Service and Engagement

Singer Finance continues to identify and serving the financial needs of our target customers by catering to their financial needs and requirements. We try to fulfill this mission within a framework of transparency and safeguarding customer privacy.

The migration to a new core banking systems that began in the previous period continued throughout the year under review. Once completed,

we would be in a position to leverage the more sophisticated, efficient and feature-rich integrated system to expand our product range while also facilitating more flexible payment options.

Once fully operational, the system reduces overall transaction times, enabling us to offer a speedy, superior service to our customers. We will also have the ability to engage with our customers through SMS alerts, prompts and reminders of their rental and instalment payments.

The online loan approvals feature is being attended. Once fully operational, it will help us further improve customer service quality and speed, significantly reducing time from facility application to cheque issues.

Focus in the Coming Year

Singer Finance will continue its branch expansion strategy in the coming year, with plans to open seven new branches over the next financial period.

We will also continue to expand access to Gold Loans across our branch network.

Planned activities include the introduction of a hand-held Collection App to improve the speed and customer convenience.

Our Customers

The fact that a significant portion of our customer portfolio comprises of repeat customers is proof of effective customer engagement, product responsibility and excellent servicing.

Individuals and small and medium enterprises (SMEs) comprise the majority of our loan portfolio. This is proof of our commitment to providing financial services to underserved segments, in accordance with government policies and economic development goals.



CASE IN POINT

"I am a professional in flower decorations for weddings and corporate events. My business Silver Wings Deco, Kochchikade is now recognised as a leading flower decorator in the country.

My journey over the last 15 years in business as a woman entrepreneur has been a challenging journey. Singer Finance has been a great source of strength for me in developing my business to this scale. I have obtained 7 credit facilities, and this has helped me to grow my business to the present level. "

Mrs. S.K.I.N. Kurera



CASE IN POINT

"I am a businessman who is engaged in many business enterprises. I manage a building materials transport operation and cultivate fruits and vegetables. With more than 20 years' experience in the business, my pineapple cultivation extends to more than 200 acres. I believe that Singer Finance has been the guiding light in my journey of entrepreneurial success. I greatly value the strong relationship built with Singer Finance since 2009 with the first facility. Since then Singer Finance has been trusted place to come to for any financial facility. I have obtained more than 10 facilities over the years. "

Mr. M.K.C. Jayalath

Our savings customers include senior citizens, high net worth individuals, and businesses.

The majority of our revenue comes from individual customers spread throughout the nation.

Improved Branch Visibility

During the year under review Singer Finance focused in improving branch visibility across Sri Lanka.

Moving to a new Head Office building at 498, R. A. De Mel Mawatha in Colombo 03 also significantly enhanced Singer Finance's brand visibility as it is located on a busy thoroughfare, compared to being located within the Singer office complex.

Marketing and Communications

Singer Finance marketing and communications mix comprises an optimal balance of below-the-line marketing and promotional activities, joint promotions conducted with corporates and use of our social media channels.

More Emphasis on Print Media Promotions

During the year, we put more emphasis on print media promotions compared to previous periods, while also continuing with our below the line marketing promotions and other activities.

Below the Line Marketing

Singer Finance uses below-the-line marketing and promotional activities as a key means of reaching new customers.

Advertising campaigns are used to further improve brand and product awareness.

Joint Promotions with Corporates

The joint promotional campaigns we conduct with corporate partners at selected locations around the country helps to keep the Singer Finance brand top of the mind for our potential customers. These activities also enhance our brand image and visibility in the areas in which we operate.

Social Media Marketing

We continued to engage our customers and potential customers on our social media platforms in the year under review. We are committed to engaging with customers online, and will typically answer any questions and comments within 24 hours on Facebook.

SOCIAL AND RELATIONSHIP CAPITAL



CASE IN POINT

"I walked into Singer Finance in 2008 to obtain a finance facility for my first lorry. Today my transportation business has grown and expanded. I am happy to say that I have 10 lorries, 5 forklifts and 15 containers. Over the years I have obtained more than 20 credit facilities from Singer Finance. Superior customer care, customised facilities and flexibility have been the main reasons why I rely on Singer Finance."

Mr. T.N.F. Fernando

Word of Mouth

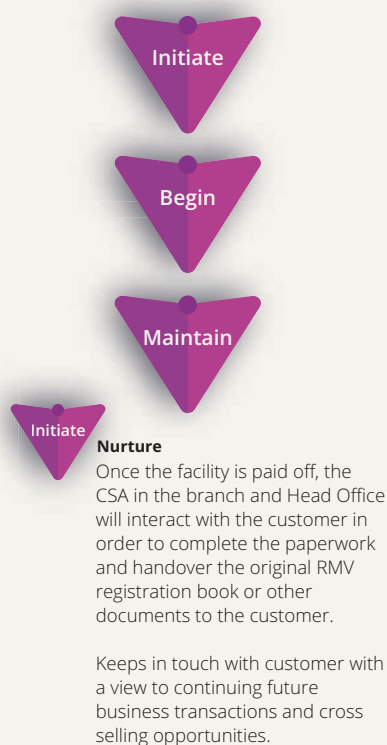
Our customers are our most valued ambassadors. Not only do they share the word about our products, but they also share the confidence and trust in the quality of our service with family and friends.

Customer Engagement

There are two distinct types of customer journeys for lending products and deposit products. Therefore, the mode of customer engagement depends on the type of product and customer.

Our customer relationship begins when a Marketing Officer (MO) educates a customer, upon finding out the customer specific financial requirements.

The Customer Journey for Lending Products



The Customer Journey for Deposits and Savings

The Head Office Deposits Division has a well-trained dedicated team to serve high net worth individuals and corporate customers. In the branch network, the first point of customer contact is the Branch Manager or a Customer Service Assistant. The team maintains a close relationship with customers and engage them often inquiring after their investment needs as well inquiring whether the customer is satisfied with our services and products.

We encourage customers to reinvest their time deposits with Singer Finance.

Customer Complaints and Grievance Handling [GRI: 102-17]

We treat customer complaints and grievance handling as matters of

paramount importance. This is because we recognize that nurturing, developing and safeguarding customer confidence is critical for our continuing growth and success. We are committed to ensuring that our customers are happy with our products and services and have put in place well-designed processes for dealing with customer complaints.

Singer Finance customers can bring their complaints and feedback to us by telephone, in writing, by email, through our website or social media channels.

When we receive a complaint, the matter is first referred to the relevant Department Head, who is then required to impartially investigate complaints or matters raised. The Department Head must then draft a suitable reply, and ensure that the issues raised are resolved in a manner that is satisfactory to the customer.

For matters of a very serious nature, the complaint is brought to the notice of the Chief Executive Officer or the Chief Operating Officer, who would then personally intervene and provide redress to the affected customer or stakeholder.

The Chief Executive Officer also periodically reviews email and other complaints and deals with them directly when appropriate.

Customer Complaints during the Year

Singer Finance received 41 customer complaints via our call center. All complaints were resolved in an appropriate manner.

Product Responsibility, Fairness and Transparency (GRI 417)

Product responsibility and fairness and operates its business model in line with that strong belief.

Behind the Singer brand is a rich heritage and trust. Therefore, it is

of supreme importance that Singer Finance's financial products always deliver on that promise.

Our products come with full transparency and we make customers who give us business fully aware of the features and conditions of the products they are taking on.

Singer Finance trains our customer-facing staff to communicate accordingly with customers and to adhere to our strong Code of Ethics, which ensures fairness.

Portfolio Screening and Compliance

Before Singer Finance introduces any new product to the market, it is subjected to an extensive analysis by our compliance function in order to ensure that the products are in conformity with relevant laws and regulations as well as the broader corporate governance requirements.

Compliance process must also look into product features and rates and ensure that the product is ethical, fair and sustainable. All Singer Finance products are required to be socially and environmentally adaptable.

Before a product can be introduced, any issues highlighted as contravening the above requirements must be adequately resolved with alternative options. This is necessarily a collaborative process that takes place between Compliance and Business Department Heads.

Anti competitive behaviour (GRI 205)

Singer Finance does not engage in anti-competitive practices. Our values and the Code of Ethics on top of our robust procedures for portfolio screening and compliance ensures this.

Anti Corruption (GRI205)

Singer Finance's Code of Ethics, and the accepted professional norms and value structure we work within prohibits our employees from engaging in corrupt activities such as bribing, obtaining political favours or making political donations.

The Company has implemented a formal whistle-blowing procedure and encourages any employee who suspects misconduct at work, whether by management, peers or any other employee, to raise their concerns to a designated independent official in the Company and the Group.

The Human Capital section of this report provides more details on the Code of Ethics.

Customer Privacy and Data Security (GRI 418)

Customer privacy and data security are key priorities at Singer Finance. Accordingly, we have chosen to work with a backend service provider certified with the latest Payment Card Industry Data Security Standard V3.2 (PCIDSS).

Singer Finance trains all staff members with access to customer information. We also have in place routine measures that ensure customer confidentiality and data privacy. Together with robust privacy and security systems, well trained staff and robust security procedures, we are confident that customer privacy is assured.

Data and Business Recovery (GRI102-11)

In accordance with our Business Continuity Plan (BCP), Singer Finance maintains a comprehensive disaster recovery center in an off-site location real time together with an online data replication system. These measures ensure that the operations of the Company may continue without setbacks in the event of any unforeseen business disruption or disability of the main Company IT system.

INVESTORS

HIGHLIGHTS INVESTOR			
		2017/2018	2018/2019
Equity investors	No.	7,031	6,910
Value allocated to shareholders as dividends	Rs.	196,011,853	222,221,483
Earnings per share	Rs.	2.52	2.68
Market price per share – Maximum	Rs.	21.00	16.40
– Minimum	Rs.	14.90	12.50
Share price as at year end	Rs.	15.40	12.60
Annual income growth	%	25.56	26.00
Growth in Profit after tax	%	19.80	22.25
Growth in advances	%	24.36	24.23
Growth in Deposits	%	66.83	13.81
Growth in Shareholders funds	%	22.59	6.26
Equity : Assets	%	20.67	18.14
Debt : Equity	times	3.54	4.19

SOCIAL AND RELATIONSHIP CAPITAL

We count among our investors a mix of individual and corporate equity shareholders and holders of secured debentures.

Our investors support the growth and expansion of the Company by providing us with equity and debt capital, as we need to capitalize on opportunities as they arise.

We, in turn, work diligently to offer optimal returns on their investments by ensuring sustained growth and profitability. In order to do so, we have embraced sound diversification and growth strategies, policies and procedures. Singer Finance operates in compliance with all relevant laws and regulatory requirements that are applicable to us.

Singer Finance has consistently paid out a dividend to its shareholders throughout its history. We continued with this practice in the year under review.

Singer Finance maintains cordial and warm relationships with our investors. The Company has immense respect for its minority shareholders and for all other stakeholders. The Management and Board members constantly ensure that they allocate adequate time to meet or talk to our investors, as necessary.

Engaging with Investors

Singer Finance primarily communicates with our investors through the annual report and at the Annual General Meeting.

Other means of engaging with our investors include our corporate website, announcement through the Colombo Stock Exchange, press conferences and media releases. Our social media channels are also useful for informing and engaging with our investors.

The Stakeholder Engagement pages of this report provides a detailed account of how we engage with all stakeholders including investors, and with what levels of engagement and frequency.

Business Partners

We look upon business partners and outsourced vendors as our partners in success. Maintaining good business relationships with them is an integral part of business sustainability.

Direct

- Banks and Financial Services
- Utility services
- Stationary suppliers
- Providers of consumable items
- Logistics service providers
- Suppliers of assets
- Advertising agencies
- IT hardware suppliers
- Software vendors
- Service providers
- Providers of premises
- Travel and transport services

Outsourced

- Courier services
- Call center
- Janitorial services
- Tea services
- Scanning process

Transparency and Good Governance

[GRI 102-16]

In all our relationships with business partners, Singer Finance practices the procedures and policies of the financial manual of the Singer Group which embeds processes for transparency and good governance. All employees entrusted with sourcing products or services for the Company are bound by these policies.

The Company outsources functions such as courier services, Call Centre, Janitorial and tea services and Scanning processes, among others.

Policy for Outsourcing

During the year under review, Singer Finance developed an Outsourcing Policy for the Company to confirm with corporate governance requirements. It was approved by the Board of Directors in April 2019 and comes into effect on 1 May 2019.

Outsourcing involves using third party service providers in operational functions to perform ongoing activities, instead of them being performed by Company personnel.

Singer Finance appreciates that outsourcing arrangements that are not effectively managed, can increase risk levels and threaten the safety and soundness of the Company. The Company is determined to avoid an over-reliance on outside service providers in activities that are crucial to the ongoing operational continuity of critical functions on recovery and resolution phases.

The Outsourcing Policy is designed to manage the risks associated with outsourcing agreements overall. In particular, it is meant to institute strong data security protocols for Company data that reside in the data centers of service providers. If such data is not managed with care, it can undermine the Company's responsibility to safeguard confidentiality of customer information. A failure on this front can damage our business reputation and negatively impact public confidence in Singer Finance.

Scope of Policy

Scope of the policy governs all the outsourcing arrangements of Singer Finance and applies to all Singer

Finance management and staff involved in procuring outsourced services across the company.

Legal Provisions

The Policy has been developed to be in compliance with the requirements of the Finance Business Act Direction No.07 of 2018 issued by the Monetary Board of Sri Lanka under Section 12 of the Finance Business Act, No.42 of 2011 or as amended. It also ensures that we are in conformity with best practices in corporate governance.

Non-Disclosures Agreements

Singer Finance employs non-disclosure agreements (NDAs) when it is necessary to share sensitive and confidential information with a service provider or vendor, such as in IT software design and applications. The Company requires that the NDAs be signed before the sharing information.

Evaluating Suppliers

Singer Finance takes the following factors into consideration when assessing suppliers.

- Experience in the relevant field
- Skills and expertise
- Business reputation
- History - Past and present clients and the type and nature of work done on behalf of those clients.

In selecting vendors and suppliers, Singer Finance gives priority to vendors of the Singer Group and Hayley's Group, our immediate and ultimate holding companies respectively.

Business Partner Engagement

Singer Finance maintains close and cordial relationships with our business partners. We treat them with respect and conduct our business ethically, fairly and in accordance with our values

of trust and integrity. We maintain an open-door policy with respect to our business partners.

Rewarding Our Business Partners

We reward our top performing business introducers at the annual convention of Singer Finance. Last convention top five introducers who contributed more than Rs.80 Mn of business volumes were rewarded.

Relationships with Regulators

As a well-established Company, Singer Finance has a responsibility to the people of the nation and all our stakeholders to comply with laws of the land and rules and regulations laid out by the government and various regulators.

During the year under review, we have complied with all laws, rules and regulations applicable to us.

We have strived to maintain cordial relationships with the Government of Sri Lanka and the relevant industry regulators including the Central Bank of Sri Lanka, the Colombo Stock Exchange, the Securities and Exchange Commission.

We ensure that the employees of Singer Finance who are responsible for engaging with regulators are trained and competent in their respective areas of work. We expect them to work closely with the relevant agencies and accommodate regulatory requirements, furnishing information sought. Our employees are required to work with regulators exercising utmost care, sensitivity and urgency.

Compliance Related Training

During the year under review Singer Finance management and staff, including the senior management took part in a variety of training activities

related to compliance including anti-money laundering and countering the finance of terrorism awareness and procedures.

In-House Training Sessions

Compliance Division of Singer Finance conducted a series of 11 in house training sessions for staff members on anti-money laundering and countering the financing of terrorism. Regional and branch managers, Marketing staff, Recovery staff, operation staff and cashiers of Singer Finance were trained at these sessions conducted on a regional basis. Awareness sessions on compliance and regulatory environment of finance company have been conducted during orientation sessions for newly appointed employees.

Central Bank and Other External Training

Company officers, from CEO downwards participated in a series of anti-money laundering and compliance related training sessions conducted by the Central Bank of Sri Lanka's Financial Intelligence Unit and the Center for Banking Studies.

Senior staff and Compliance Officer of Singer Finance participated in compliance related events including the Compliance Conference organized by the Sri Lanka Association of Australia Awards Alumni and the Compliance Officer's Sub Committee for FHA.

Senior Regional Managers and other senior operations officers also participated in seminars and workshops conducted by the Central Bank of Sri Lanka Regional Offices in Matale, Matara, Badulla and Anuradhapura during the year.

SOCIAL AND RELATIONSHIP CAPITAL

Non-Discrimination

There were no incidents of discrimination reported in the Company during the period under review.

Government Assistance

The Company did not receive any assistance from the Government during the year.

Strong Corporate Governance Policies and Procedures

Our strong corporate governance policies and procedures ensure that Singer Finance remains compliant in all aspects, including paying all relevant taxes and dues, as and when they fall due. As always Singer Finance remains committed to aligning our operations to be in line with national policies. We take seriously our expected role in supporting the government's agenda of improving per capita income and living standards of Sri Lankans. We support the important national goals of reducing unemployment, improving financial services access through our expanding island wide branch network. Our target group consists of agriculture sector and rural economies, yet another example of how Singer Finance empowers the underprivileged communities to thrive and prosper.

There were no legal actions or actions on regulatory non-compliance against Singer Finance during the year under review except as disclosed in Note no. 36.2.b.

The compliance framework of Singer Finance is provided in the Corporate Governance section of this report.

Relationships with Community

As a responsible corporate citizen Singer Finance strives to maintain good relationships with the communities in which we operate.

Corporate Social Responsibility

In order to reinforce our commitment, we undertake various corporate social responsibility projects that benefit local communities in which we operate.

Sponsored a Student at Royal College

This year too we continued the sponsorship of a student at Royal College whose parents are unable to pay for his school expenses and other needs.

Community Related Projects

Our investments in community development projects for the year under review added up to Rs. 540,272 compared to Rs. 229,200 in the previous period.

The following projects were completed during the year under review.

Roof repair: Singer Finance funded and repaired the roof of the main hall in the Nilgama School, Galewela

School lavatory construction: We funded the construction of lavatories in Weeromohan Jayamaha Vidyalaya Dambulla.



Singer Finance donated a 32 inch LED TV to the State Hospital in Bakamuna, Kurunegala.



Contribution to charities

During the year Singer Finance contributed Rs. 50,000/- to the annual fund raising campaign of the Sri Lanka Cancer Society.

We also contributed Rs. 75,000/- to the Sri Lanka Welfare Society of the Blind.

As always Singer Finance is committed to improving the conditions of communities in which we operate.

Direct Economic Impact

The revenue from branch network is Rs. 4.1Bn. The entire revenue of the company has been generated through the branch network of the company.

Proportion of Senior Management Hired from the Local Community [GRI 202-2]

The total employment in our branch networks is 338 employees. All Senior Managers are citizens of Sri Lanka. All Senior Managers except for one live in the Western province, close to the head office of the company. One Senior Manager lives in Central Province.

The Company recruit branch employees are mostly from the locality of the respective branches.

Indirect Economic Impact [GRI 203-2]

During the year Singer Finance opened four new branches in Horana, Kegalle, Gampola and a second branch in Kurunegala.

One indirect economic impact of new branch openings lies in expanding access to customers to avail themselves of financial services that we offer. As many of our customers are individuals and small and medium sized business operators, the presence of a new branch greatly improves access as well as the competitiveness of the market, benefiting customers.

As we typically recruit from the area for most positions, employment creation is another result of new branch openings. By 31 March 2019, we had created 36 new jobs collectively at these four new branches opened during the period under review.

Membership of Associations

[GRI 102-13]

Associations and Memberships



Leasing Association of
Sri Lanka



The Finance Houses Association
of Sri Lanka



The Employers'
Federation of Ceylon



Credit Information Bureau
of Sri Lanka



Central Bank of
Sri Lanka



Colombo Stock Exchange



Securities & Exchange Commission
of Sri Lanka

Singer Finance is committed to working closely with industry, business and professional associations. We continue to strengthen our networks and relationships and positively contribute towards improving our industry overall.

Engaging in this way and participating in various industries, business and other events also help us strengthen our ability to create sustainable value for our stakeholders. Such participation paves way to working with like-minded organisations to further national, social and other important goals and create a positive impact on Sri Lanka. We see our associations and memberships of various organisations offers a professionally enriching experience for our key officers, enhancing their industry know how enriching their professional experience and reputation.

Employee Professional Memberships

We employ many talented professionals who belong to a wide range of reputed institutes and associations in Sri Lanka. We value their contribution to the Company, and how their associations and networks further strengthen the reputation of Singer Finance. That is why we have committed to paying their annual membership fees for professional organisations each year.

INTELLECTUAL CAPITAL



All of our other capitals are bound together by our Intellectual Capital, strengthening our ability to create and deliver sustainable value year after year. Our Intellectual Capital comprises the value and reputation of the Singer Finance brand, our association with the esteemed Singer and Hayleys brands, both of which have a long and illustrious history in Sri Lanka. Our strong corporate governance culture, our values and the code of ethics we operate by, the attitudes, knowledge, skills, creativity and commitment of our employees, and the systems, structures, leadership styles, policies and procedures and the invaluable organizational learning and business knowhow that is embedded within the Company are all part of our Intellectual Capital.

CAPITAL HIGHLIGHTS

Fitch Rating

BBB [Ika]

Awards

Gold Award

Institute of Chartered
Accountants of Sri Lanka at
the 54th Annual Report Awards

**Great
Place
To
Work®**

Certified

APR 2019–MAR 2020

LKA

SINGER®
TRUSTED EXCELLENCE

The World Of
Hayleys
Since 1878

Singer Finance recognizes that many elements of our intellectual capital needs to be nurtured, managed and protected if we are to gain the true synergies from them for creating and delivering sustainable value to our stakeholders.

Our Brand

Since the inception 15 years ago, Singer Finance has been consistently enhancing the value of our brand. Our vision, mission and values have guided our 15 year journey toward growth and success.

We have been balancing our risks and opportunities and delivered growth and profits for our shareholders.

At the same time, because we have had a laser focus on meeting the true financial service needs of our customers, they have become our most valued brand ambassadors. Our customers know that we truly strive to live our mission, "To continuously improve the quality of life of Sri Lankans by providing convenient financial solutions whilst encouraging savings by providing the most friendly and reliable fixed deposit Services within the regulatory framework." Their appreciation and admiration is reflected in the reputation and value of the Singer Finance brand.

Credit Rating

Singer Finance retained the credit rating of BBB from Fitch Ratings, from the previous periods. In February 2019, Fitch confirmed our long-term rating at 'BBB(lka)' with a stable outlook and also confirmed Singer Finance senior debentures at the same rating.

Awards and Achievements



Gold Award for Annual Report 2017/2018

Singer Finance won a Gold Award for the 2017/2018 Annual Report at the 54th Annual Report Awards Ceremony organized by the Institute of Chartered Accountants of Sri Lanka. The award was for the Finance Companies & Leasing Companies category with total assets up to Rs. 20 Bn and this was the second consecutive year that the Company won this award.

Singer Finance Among 25 Best Workplaces in Sri Lanka for 2019

Great Place to Work® Institute certified Singer Finance as a Great Place to Work-Certified™ company in Sri Lanka. Singer Finance is one of the 25 Best Workplaces in Sri Lanka for 2019 according to the latest ranking.

Enhancing Brand Visibility

Enhancing the visibility of the Singer Finance brand was treated as a priority during the year under review. Accordingly, we took a number of measures and invested more in enhancing our brand visibility.

Changed Our Logo

As part of a concerted effort to enhance brand visibility during the year Singer Finance changed its logo by doing certain enhancements and removing elements to make the logo look more vibrant and current.

Old Logo



New Logo



INTELLECTUAL CAPITAL

Invested in Brand Enhancing Efforts

During the year we took out hoardings at strategic locations and invested more in print and electronic media advertising, compared to previous years, in order to improve our brand identity and visibility.

A Revamped Brand Identity Across Our Branches

Singer Finance took steps to recreate and revamp the brand identity of our branch network by adding more visually appealing signages and enhancing the branch appearance. During the year 03 branches were revamped in this manner. This created increased brand visibility and a fresh appeal to the branches. This brand identity and visual signage updating process will be carried out for the rest of our existing branch network in a phased out manner.



Moved the Singer Finance Head Office

Moving the Head Office to a more strategic location down R.A. De Mel Mawatha in Colombo, from our previous home within the Singer complex on Nawam Mawatha also contributed to enhancing our brand visibility. The new Head Office is located along the busy and popular

thoroughfare and makes our presence clearly visible to all passers-by.



Redesigning the Website

We are redesigning the Singer Finance corporate website to offer better options to customers and deploying social media channels to further improve our brand presence online.

Wider Customer Access, Reach and Convenience

Singer Finance expanded our branch network during the year under review by opening four new branches in Horana, Kurunegala City, Kegalle and Gampola. Windows in Panadura, Wellawatta and Vavuniya were relocated to more strategic locations.

We also expanded the access to Gold Loans this year by offering the facility in thirteen locations around the country.

Continuing Commitment to Add Value to the Brand

The Singer Finance team is constantly seeking new opportunities to add further value to our brand. And we realize that brand building is not just about the visibility or for show, but must also be supported by improving our operations and improving the quality of our services. For that, we need to

develop a strong back end of systems and structures to support such efforts.

Continued Best Practices in Good Corporate Governance

Good corporate governance is a way to develop trust in the Singer Finance brand among our stakeholders. Avoiding missteps, errors and public relations blunders is an essential part of brand building. The following measures, which are in place within Singer Finance, and constantly improved, ensure such negative occurrences are minimized, avoided and managed.

Putting in place good systems-such as those on internal audit, risk assessment, compliance, portfolio evaluation for products as well as for investments-make up a critical part of the equation.

Raising Our Employer Branding

Great people want to work for great companies. Great people contribute to the making great brands. Creating an engaged and motivated workforce begins at the point of recruitment. That is why Singer Finance was keen on enhancing our employer branding by taking part in the Great Place To Work assessment in 2019, conducted by Great Place to Work® Institute.

Following the assessment, Singer Finance was certified as a Great Place to Work-Certified™ company in Sri Lanka and was listed as one of the 25 Best Workplaces in Sri Lanka for 2019. The assessment methodology comprises a Trust Index© Employee Survey and a Culture Audit© analysis.

Receiving and retaining such ranking helps us recruit good people, and to ensure employee retention, both of which are good for our company and our brand.



Training and Awareness on Money Laundering and Terrorist Financing

Our staff are continuously trained to improve their awareness on anti-money laundering (AML) and countering financing of terrorism (CFT) activities. Employees who are in contact with customers, whether in office or in the field, are required to do pencil tests quarterly, which enable them to keep abreast of latest developments in AML and CFT activities. Front end staff who are at customer contacts points, including marketing and recoveries staff, are trained regularly at monthly and quarterly meetings.

During the year, our back office staff also received training on AML and CFT through programmes conducted by the Compliance Division of the company. Senior Management and Board of Directors also received training on AML and CFT conducted by Central Bank officials.

Association with SINGER Brand

Singer Finance is a subsidiary of Singer (Sri Lanka) PLC. As a result, the Company benefits from the brand affinity created by the Singer brand value with its unmatched reputation for excellence, trust and confidence garnered across a span of 142 years.

Singer has remained the most popular brand in Sri Lanka over the past decade. The Singer brand became The People's Brand of The Year for the 13th consecutive year at the SLIM-Neilson People's Awards 2019 ceremony.

Singer also won The People's Durable Brand of The Year award.

As a financial services firm offering our services island wide, Singer Finance has benefited from the association with Singer. The power of the Singer brand has cascaded to the Singer Finance brand and provided invaluable strength to the Company. It remains a constant factor in Singer Finance's strategic and operational decision making and in marketing communications.

The way we operate is guided by Singer's Code of Ethics and is reflected in how we interact with customers, suppliers, business partners and how we engage with the community and regulators. It is an immensely powerful foundation for our marketing efforts, whether in our leasing and financing operations or in the consumer financing and card operations. And it is an asset that cannot be replicated by our competitors.

Many of our past products, including the Gold Loans launched in the previous financial period has benefited from our association with Singer. We count on the power of the Singer brand to also strengthen us in going forward, as we seek to launch the Singer Finance Debit Card in the coming year.

A Part of the World of Hayleys

From the previous financial year, Hayleys became the ultimate holding company of Singer Finance. Hayleys Group is the largest business conglomerate in Sri Lanka and the most diversified. Its operations and business interests span across 16 sectors.

Hayleys global footprint reaches across to business strongholds in five continents spanning 17 countries. Hayley's became the first listed company in Sri Lanka to cross the US Dollar 1 Bn revenue threshold, which it crossed in the fiscal year 2017/18.

Our intellectual capital receives a strong boost from becoming part of the World of Hayleys, with a 140 year history behind it, especially in the agricultural sector, and across rural Sri Lanka.

From this year onwards, to capitalize on the synergy, all Singer Finance communications include the "World of Hayleys" logo to emphasise the fact that we are part of the Hayleys Group.

Our Values and the Code of Ethics

Two core elements in our intellectual capital, our code of ethics, and our values have been nurtured under the Singer umbrella. With the Singer name an inextricable element in our brand identity, Sri Lankans depend on us to do the right thing, to be just and fair in our dealings and to be conscious of our social responsibility.

Singer Finance keeps ethics and values at the forefront in both decision making and in our operations. Integrity, fairness and respect are key values we emphasize in all our business undertakings. We are dedicated to serving all customers in the best possible way. Customer convenience take precedence over short term profit. This is because we know that our reputation, and the value of our brand is impacted by each and every encounter with our current and potential customers and all other stakeholders.

Details on our procedures for handling customer complaints and the whistleblower policy is explained in the Social and Relationship Capital.

A Unique Customer Proposition

Rather than competing on price points and anti-competitive behaviour, Singer Finance brings together the key components of our intellectual capital as outlined above to offer a distinctive value proposition for our customers.

INTELLECTUAL CAPITAL

Our value proposition is strengthened by the fact that it cannot be easily replicated or bettered by industry rivals.

Financial Strength and Stability

Savings depositors look upon the financial stability of an institution as a critical factor. The trusted Singer brand name has enabled us to widen our deposit base. Our association with Singer is a key reason why Fixed deposit customers seek out Singer Finance as a home for their savings.

Beyond the positive associations bestowed upon by the Singer brand, we at Singer Finance have consistently demonstrated a prudent approach to balancing business growth and risk. This is reflected in our strong balance sheet. Financial institutions and investors who support us and work with us recognize this approach and have become trusted partners in our progress. Over the years, we have been able to develop and nurture the Singer Finance brand with reliability and consistent performance levels in the market.

Service Excellence, Speed and Customer Convenience

Embracing technology to serve a discerning customer base

Sri Lanka has now reached the upper middle-income status, as classified by the World Bank Group, in terms of Gross national income (GNI) per capita. Upper middle-income economies are those with a per capita GNI between USD 3,896 and USD 12,055. With a GNI per capita of USD 3991 in 2018 and USD 3996 in 2017, Sri Lanka has achieved upper middle-income economy status.

Sri Lankan consumers are increasingly turning to internet and mobile phone use, as is evidenced by the rapidly rising levels of internet and mobile

penetration in the country. Sri Lanka's total telephone penetration, defined as the number of connections per 100 persons, stood at 161.6 by the end of 2018 according to Central Bank statistics. Meanwhile the mobile telephone penetration stood at 150.1 by the year end. Internet penetration, again defined as connections per 100 persons, grew to 33.5 by the end of 2018, from 27.5 by the end of 2017.

With increasing disposable incomes and access to mobile and internet connections, our customers across the nation are becoming more sophisticated, discerning and demanding. Many of these customers are placing greater emphasis on convenience, speed and technology support from their financial service providers. We and our competitors all recognize this reality.

In the highly competitive non-bank financial sector in which Singer Finance operates, service excellence, speed and convenience is fast becoming commodities. They are must haves for a company that wishes to grow, flourish, and sustain the momentum over time. To retain our competitive edge, we must then deliver service excellence as an enhancement to our brand reputation.

Handheld Devices for Instalment Collection

Following a successful trial during the previous year for using hand held devices in debt collections, we began implementing the system this year. Once fully implemented and hand held devices are issued, our field sales and collections staff can issue receipts to customers on the spot, improving speed and service quality. Customers receive immediate confirmation that their payments and deposits have been securely recorded by the company. This is a critical issue in the market

to gain customer trust because there have been many instances in financial services and insurance sectors where representatives collect money and defraud both their employer and the customers.

Faster Processing of Loans and Facilities

Efforts are under way to increase efficiencies in some areas of the financial service system. Once completed, the new IT package and the package for finance and leasing operations would enable Singer Finance process loan applications faster, grant head office approval without having to courier all the customer files to head office and speed up the pace of loan disbursement. This initiative will enable Singer Finance to enhance customer satisfaction and improve our competitiveness, because the speed of loan disbursement is a valued criteria among potential customers. We hope to embrace advanced IT capabilities to further refine our processes which will be translated into a competitive advantage

The new systems will also improve back-office operations and employee productivity.

Corporate Social Responsibility Initiatives

Our Corporate Social Responsibility (CSR) initiatives are further intended to support and enhance the positive brand associations.

Sponsoring a Student

Singer Finance is sponsoring a student facing financial hardships to continue his education at the Royal College, Colombo after passing the year 5 scholarship examination. We sponsor all his study and accommodation needs

as his parents are unable to bear those costs. This year too we continued supporting this worthy cause.

Charity and Community Projects

This year we channelled out investments in community related projects to helping schools by building lavatories for one school and repairing the roof of the hall of another. We also conducted projects to benefit the Sri Lanka Cancer Society and the Sri Lanka Welfare Society of the Blind.

More details are provided in the Social and Relationship Capital section to this report.

Ensuring Compliance

Singer Finance has a Compliance Officer who is dedicated to ensuring that the Company is in compliance with laws and regulations in all aspects of our operations. This officer is able to consult and receive expert advice as and when necessary in order to perform his duties.

The Company ensures that the Compliance Officer is equipped with the latest information and knowhow by facilitating his participation in all requisite seminars and workshops conducted by regulatory authorities.

The Audit Committee and the Board of Directors review monthly compliance statements to ensure there are no instances of non-compliance. If any instances of non-compliance are found, these are looked into and promptly rectified. The Company discloses such instances of non-compliance in the Annual Report.

The Corporate Governance Report of Singer Finance is audited by an external auditor. Any instances of non-compliance are pointed out by the auditors. The Corporate Governance

report forms part of the Annual Report of the Company.

Our commitment to excellence, as a subsidiary of Singer (Sri Lanka) PLC, is part of our culture and work ethic and extends to corporate governance and compliance as well.

Information Security

Information systems and structures are an integral part of Singer Finance's intellectual capital. Building more robust systems and ensuring their continuing integrity is a key part of safeguarding our intellectual capital.

Singer Finance invested Rs. 2.8 Mn in the year under review on enhancing our information technology systems.

Customer Privacy and Data Security

Singer Finance considers customer privacy and data security as a key priority. In the previous period we reported that we have chosen a backend service provider certified with the latest Payment Card Industry Data Security Standard V3.2 (PCIDSS). This year we continued with the same procedures, but put in place more robust controls to better ensure confidentiality of information.

Our Outsourcing Policy provides detailed guidance on how best to secure our systems and what aspects of the operations can and cannot be outsourced. The implementation of the policy will put Singer Finance in a stronger position to assure system integrity, security and protection.

This year too we continued with other routine measures for ensuring confidentiality and privacy of customer data. We continue to train our staff members with access to customer information on best practice on privacy of customer information.

Strengthened Compliance Processes Company Wide

During the year we strengthened our compliance processes by further training Compliance staff and by participating in awareness programmes and conferences on related subjects.

Our compliance staff conducted many in house training programmes for new employees and others during the year. More information on compliance related issues are covered under the Relations with regulators section in the Social and Relationships Capital section of this report.

Our Commitment to Our Stakeholders

At Singer Finance we recognize the important role our intellectual capital plays in continually binding together all our other capitals, thus enabling us to create and deliver sustainable value to our stakeholders. We are committed to nurturing, developing and protecting our intellectual capital so that we may derive the best synergies from it going forward.

NATURAL CAPITAL



Sustainability in all aspects of our operations is an imperative as we strive to create and deliver sustainable value to our stakeholders. As an environmentally conscious corporate citizen, Singer Finance always keeps in mind that our actions influence the natural capital of the world and that it is our responsibility to minimise any harm to the natural environment from how we conduct our business.



Energy Consumption

Cost Per Employee (Rs.)

2018/2019

36,467/-

2017/2018

39,915/-



All new branches of Singer Finance have energy efficient lighting systems.



Reminders via SMS



We pay our bills online

Due to the nature of our operations, Singer Finance has only a limited impact on the natural environment. However, during the course of our service operations, we consume energy, water, paper products and other consumables on a continuing basis. As we expand our operations, we are inevitably creating a demand for various natural materials which go into construction, furniture and fittings, office equipment, computers and communications equipment and devices. Our employees use vehicles to carry out their duties. Therefore, we end up generating waste such as paper and e-waste. We also generate carbon emissions and other emissions, such as from the air conditioners.

Environmentally Friendly Practices

We would like to minimize our carbon footprint and any negative impacts on the environment. As such we encourage environmentally friendly practices at the head office and in the branch network.

We carry out routine activities with the basic premise to “Reduce, Reuse and Recycle” whenever we can. Singer Finance has been raising awareness among employees and encouraging energy and water saving measures.

Recycling Paper

[GRI 301-1 Materials used by weight or volume]

In the year under review Singer Finance used 11,696 packs of A4 paper with Head Office using 396 packs and the branch network using approximately 1,300 packs.

The Company recycles photocopy paper by re-using them for internal office purposes whenever possible. The waste paper is handed over to a recycling company. During the shift to the new head office building from our previous

premises we disposed off significant volumes of wastepaper.

Saving Energy

[GRI 302: Energy]

Electricity

Although our electricity consumption for the year under review increased in absolute terms, we have managed to reduce the electricity consumption per employee.

Energy Consumption	2017/2018	2018/2019
Cost Rs. Million	15.5	18.8
Cost Per Employee (Rs.)	39,915/-	36,467/-

At the new head office, we are committed to switching off air conditioners and use fans beyond 6pm on week days and on holidays as measures to save electricity. We also encourage employees to use the stairs instead of the elevators when possible. Across the business, air conditioners are set at optimal levels to reduce the energy consumption and ensure employee comfort. Both at the head office and in the branch network, we constantly remind employees of the need to save electricity by switching off unnecessary lights.

Singer Finance policy is to ensure that all new branches of Singer Finance have energy efficient lighting systems and LED lights. We are also in the process of converting older branches to LED over time. We use LCD monitors which minimize energy consumption throughout the entire head office and branch network.

Our office equipment and appliances are purchased from Singer, a company that is committed to improving energy efficiency of their products on an ongoing basis.

Fuel Consumption

The Company does not own a fleet of vehicles. Our employees avail themselves to loan facilities for acquiring their own

vehicles. The Company reimburses transport and travel costs to employees, making the branch managers responsible for highlighting unusual consumption patterns and inquiring into wasteful patterns.

The Company encourages the practice of vehicle pooling where possible to reduce energy consumption and reduce waste.

Water Consumption

[GRI 303: Water]

The Company uses mineral water for drinking and water from main lines, from the Water Board, for other purposes. The cost of water consumption was Rs. 0.47 Mn for the year under review.

We strive to raise employee awareness on the need to minimize water wastage, such as instruction on turning off taps when not in use. These practices have now become standard practice throughout the Company.

e-Waste Disposal

As a service organization, we rely on electronic equipment and computer and communications devices including telephones. We are in the process of adding mobile hand held devices to the mix. All of the above generate e-waste.

We have recognized that implementing paperless office systems would reduce some types of e-waste including printers, faxes and photocopiers. It will also increase the need for other electronics such as scanners and computers, as more employees would need digital access.

We work with Singer (Sri Lanka) PLC in our e-waste management initiatives. Singer has been working with the Central Environmental Authority (CEA) in assisting local authorities manage their e-waste on a national scale. The Singer Group follows UN BASEL convention regulations in collecting, transporting and storing e-waste for recycling.

NATURAL CAPITAL

E-waste from Singer Finance branch network and the head office are collected by Singer Distribution centers on request and disposed in an environmentally friendly manner in collaboration with CEA.

Paperless Initiatives

Singer Finance strives to reduce our carbon footprint by embracing a number of paperless initiatives for our internal operations and for communicating with our customers.

Moving Towards a Paperless Office

We are in the process of implementing a number of initiatives that would take us closer to a paperless office environment. These include the following:

- Re-engineered processes for both front office and back end, together with the newly installed leasing and finance IT infrastructure, would help us significantly reduce use of paper, once fully implemented.
- We are in the process of adopting a centralized electronic filing system for customer records. This enables branches to access files as and when they need to and eliminates the need for transporting files back and forth between branch network and head office.
- Review of loan applications online and granting approval digitally is another initiative. The regular practice is to use couriers to physically deliver files to head office for approval. The usual practice was for each branch to send their customer loan application files through courier to head office for approval. Granting loan approvals online and decentralizing cheque printing is another initiative for moving towards a more streamlined and digital office.

The new IT infrastructure, once fully implemented empowers us to significantly cut down paper use and transport costs, helping us reduce our carbon footprint.

The planned changes will significantly speed up time to process a loan from application to disbursement, improving speed of customer service and enhancing customer satisfaction and convenience.

We Pay Our Bills Online

All of Singer Finance bills, including those for electricity, water, telephone, internet and other facilities are paid online, further reducing the need for paper.

Moving to Mobile Handheld Technology

Moving towards handheld devices in our operations such as rental collections and collection of arrears will help reduce significant amounts of paperwork. This also gives instant assurance to the customers on the certainty of instalment payment.

Communicating with Customers and Potential Customers

A number of customer-facing initiatives that we employ on a routine basis helps us further reduce our carbon footprint.

E-Bills for Credit Cards

Our customers have the option of using e-bills for their credit cards, and foregoing paper bills.

Use of SMS in Promotions

Singer Finance routinely uses SMS promotions for gold loans and other service. Besides helping us cut down on our carbon footprint, it is a highly cost effective method for promotions and for reaching a wider audience beyond our customer base.

Other Digital Communications

Our corporate website—singerfinance.com—and our social media channels—on Facebook, LinkedIn and Twitter—further help us promote our services foregoing traditional means of communication. These are also very energy and cost effective.

Customers can find us on Facebook @ SingerFinancePLC. We typically respond within 24 hours to any customer communication via Facebook.

Payment Reminders Via SMS

Our customers receive their monthly payment due date reminders and arrears payment reminders via SMS.

Email and Mobile

Most of our communications with our deposit customers are via either email or mobile.

Reducing Our Environmental Impact

As a result of the nature of our business, Singer Finance has only a limited carbon footprint. As responsible corporate citizens, we recognize that Singer Finance needs to be committed to reducing that footprint and any negative impact on the environment as a result of our operations.

The company strives to reduce its energy use and encourages employees to engage in responsible behaviour with regards to use of power, fuel and water.

Once the paperless office initiatives are fully implemented, with the new technology platform, we would be well placed to further reduce our impact on the environment by significantly reducing our paper consumption and minimizing the use of transport and courier services.

GRI 307: Environmental Compliance

Singer Finance has not identified any instances of non-compliance with Sri Lankan environmental laws and regulations for the financial year under review.

INDEPENDENT ASSURANCE REPORT TO SINGER FINANCE (LANKA) PLC



KPMG
(Chartered Accountants)
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We have been engaged by the directors of Singer Finance (Lanka) PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2019. The Sustainability Indicators are included in the Singer Finance (Lanka) PLC's Integrated Annual Report for the year ended 31 March 2019 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	9

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Information provided on following	
Financial Capital	58-65
Manufactured Capital	66-69
Human Capital	70-79
Social and Relationship Capital	80-89
Intellectual Capital	90-95
Natural Capital	96-98

Our Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2019 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2019, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our Responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasinghe ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
H.S. Goonewardene ACA

Principals - S.R.I. Perera FCA(A)(UK), LUE, Attorney-at-Law, H.S. Goonewardene ACA



We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable Assurance Over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and

non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;

- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of Our Report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of Use of Our Report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS

Colombo
06th May 2019



Evolving to a dimension of dynamism with a larger network, enhanced value propositions we ensure that we maintain the highest standards of governance and ethical practices in conducting our business.

CORPORATE GOVERNANCE & STEWARDSHIP

CORPORATE GOVERNANCE | INTEGRATED RISK MANAGEMENT REPORT | BOARD SUB COMMITTEE REPORTS

CORPORATE GOVERNANCE

Singer Finance (Lanka) PLC is committed to maintaining integrity, transparency and ethical conduct by adopting the right governance practices. The Company strongly believes that sustainability of the Company's future depends greatly on the management practices adopted based on sound governance principles. The Company goes beyond the parameters set by the regulators to be compliant with the rules and regulations, by adopting a principle based approach which is primarily driven by the Company's heritage and culture of safeguarding ethical practices.

The Company's internal audit function is conducted by different entities with all the branches being audited once a year by recognized Chartered Accountants. The Accounting, Credit and Recoveries functions, Credit Card Department, IT controls and system access reviews and re-possessed vehicles in the yard are subject to a periodical audit by the internal audit function of the Parent Company. These reports are forwarded for review of the Audit Committee of Singer Finance who in turn report to the Board of Directors of the Company.

The Company's Senior Managers and other key managers are bound to sign the Code of Business Conduct of the

parent company Singer (Sri Lanka) PLC on an annual basis. As per the section D 5.4 of the Code of Best Practice on Corporate Governance during the year there have not been any violation of the provisions of the Code of Business Conduct ethics by the Company.

Governance Framework

The Company's governance framework complies with the rules and regulations of the Code of Best Practice issued in 2017 by The Institute of Chartered Accountants of Sri Lanka, The Central Bank of Sri Lanka, and The Colombo Stock Exchange.

Internal	External	Governance Systems
Vision, mission and values	Companies Act No 7 of 2007	Stakeholder engagement
Articles of Association	Finance Companies (Corporate Governance) Direction No 3 of 2008	Risk Management, Compliance
Terms of Reference of the Board Sub-Committees	Listing Rules of the Colombo Stock Exchange	Compliance
	Directives/ Regulations of the Securities and Exchange Commission of Sri Lanka.	
Code of Business Conduct	Sri Lanka Accounting Standards	People Management
	Integrated Reporting Framework issued by the International Integrated Reporting council (IIRC)	Internal and external audit
	Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka.	Related party transactions

Board Sub-Committee	Mandate
Audit Committee	Ensures the integrity of the financial statements of the Company. Reviews the internal control practices of the Company. Ensures that internal audit activities are carried out as in an independent and objective manner.
Integrated Risk Management Committee	Develop and implement a robust risk management framework. Ensures compliance with the relevant regulations and legislations. Review and monitor the contingency plans of the Company.
Remuneration Committee	Makes recommendations to the Board on the remuneration paid to Executive Directors and CEO.
Related Party Transactions Review Committee	Review existing and new policies, procedures on related party transactions of the Company. Determining whether related party transactions to be entered into by the Company should be submitted to the Board of Directors or shareholders of the Company for approval.
Nomination Committee	The main role and responsibilities of the Committee are to propose a suitable charter for the appointment and re-appointment of directors to the Board and to act in accordance with such Charter in proposing appointments and re-appointments.

The Board is supported by the other management committees: namely the Asset Liability Management Committee, IT Steering Committee and Anti Money laundering (AML) Committee.

Board Meetings

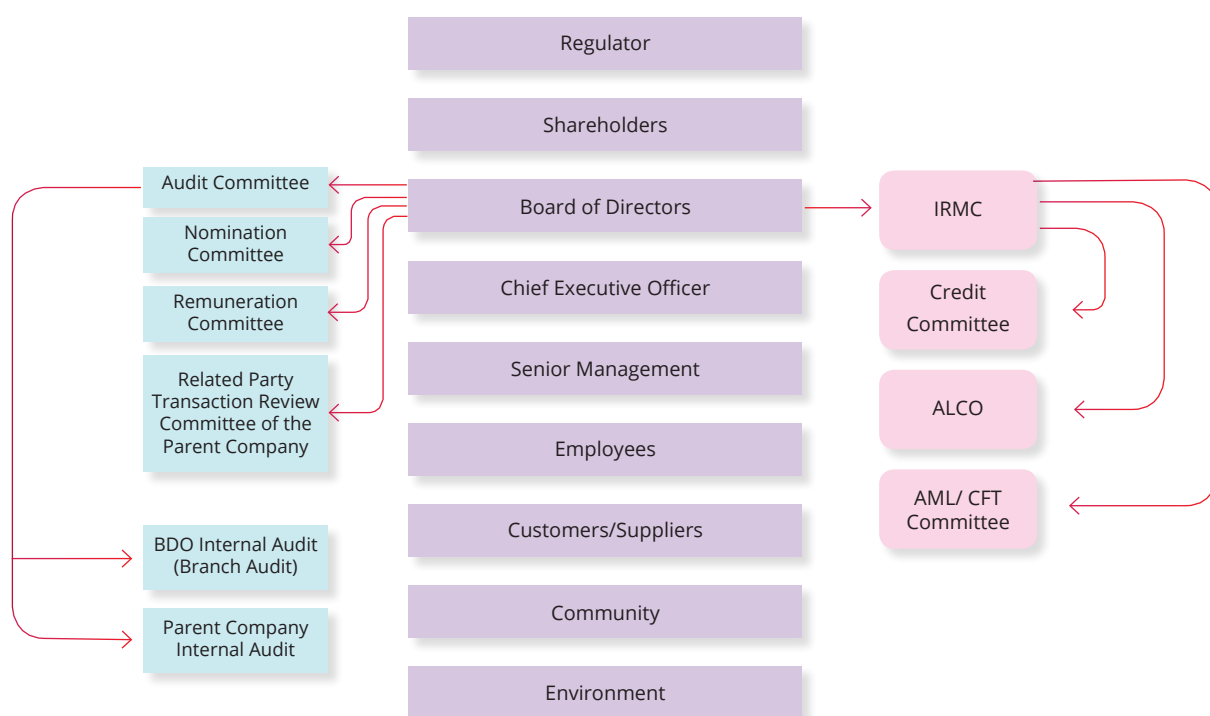
Board meetings are held on a monthly basis with special meetings convened on a need basis. Board papers are circulated well in advance to the Board

meeting, providing sufficient time for review and perusal.

The corporate management team is responsible for ensuring timely, reliable and accurate information presentation to the Board.

In the ensuing section from pages 101 to 171 we aim to set out the corporate governance practices adopted and

practiced by the Company, the extent of adoption with the Direction No. 03 of 2008 of CBSL and of the Code of Best Practice on Corporate Governance issued in year 2017 by The Institute of Chartered Accountants of Sri Lanka and the Rule set out in Section 7.10 of the Colombo Stock Exchange Listing Rules on Corporate Governance.



Governance Policy

Distinct corporate governance provides a structure that works for the benefit of everyone concerned by ensuring the Company adheres to accepted ethical standards and best practices as well as to formal laws. An intense set of controls over business processes shaped by strategic management decisions towards the shareholder wealth creation and the betterment of other stakeholders form a good corporate citizen eventually.

A well defined structure of Corporate Governance in Singer Finance intends

to encompass the set of core values, accountability to shareholders, relationship with management, environmental protection and anti-corruption measures. The Board of Singer Finance is committed to deliver a holistic service embedded by the highest ethical standards in the regime of excellent corporate governance practices across all areas.

The diagram above shows the governance structure of the company which ensures the integral performance and long term sustainability.

Business Ethics

The Company enshrines the highest ethical standards in the conduct of its business affairs and its Board of Directors are tasked with ensuring that the resultant regime of exemplary governance across all aspects of business are in the best interests of stakeholders. Ethically correct conduct comprising integrity, honesty, fair play and loyalty pervade all actions. Transparency is encouraged in all public disclosures, as well as in the way business and communication take place with all stakeholders. A 'whistle-blowing

CORPORATE GOVERNANCE

policy' introduced internally in 2009 has increased the level of transparency towards a wider dimension. All employees are bound by the Company's written Code of Ethics that includes the following aspects:

- Exercise honesty, objectivity and diligence when performing one's duties.
- Avoid situations where personal interest might conflict with the interest of the Company; and if so, disclose such interest in advance.
- Maintain confidentiality of commercial and price-sensitive information.
- Work within applicable laws and regulations.
- Safeguard the Company's assets.
- Avoid conduct that will reflect badly on the person concerned or the Company's image.
- Strictly avoid giving or accepting any kind of a bribe, either directly or indirectly.
- Strictly avoid making contributions for political funds, either directly or indirectly.
- Strictly avoid any kind of sexual harassment.

The Company has implemented a formal whistle-blowing procedure and encourages any employee who suspects misconduct at work, whether by management, peers or any other employee, to raise their concerns.

Directions on Corporate Governance

The Company is in compliance with the Directions on Corporate Governance issued by the following institutions.

Code of Best Practice on Corporate Governance issued by the Institute of

Chartered Accountants of Sri Lanka is the pioneers in introducing the first code namely, "Code of Best Practice on matters related to financial aspects of Corporate Governance", issued in December 1997 and subsequently this code was revised in 2003, 2008, 2013 and the present code in practice is "Code of Best Practice on Corporate Governance 2017" issued by the ICASL.

Joint code issued in 2017 carried more extensive best practice provisions that corporates are encouraged to adopt in discharging their corporate governance activities in following areas.

- Directors
- Directors' Remuneration
- Relationship with Shareholders
- Accountability and Audit
- Shareholders
- Sustainability Reporting

Central Bank of Sri Lanka

The Monetary Law Act (Chapter 422) established the Central Bank of Sri Lanka (CBSL) as the authority responsible for the administration, supervision and regulation of the monetary, financial and payment system of Sri Lanka. By the same Act, CBSL has been charged with the objectives of economic and price stability, with a view to encouraging and promoting the development of the productive resources of Sri Lanka.

In order to ensure financial system stability, the Finance Business Act, No.42 of 2011 empowers the Monetary Board to issue directions, rules, determinations, notices and guidelines to finance companies.

The Monetary Board of the Central Bank of Sri Lanka under section 12 of the Finance Business Act has issued a set of guidelines namely, Finance

Companies (Corporate Governance) Directions No.03 of 2008 and Finance Companies (Corporate Governance - Amendment) Direction No 04 of 2008, to be complied by the Registered Finance Companies.

Listing Rules of the Colombo Stock Exchange

Colombo Stock Exchange has issued Listing Rules to ensure the creation and maintenance of a market in which Securities can be issued and traded in an orderly and fair manner and which secures efficiency and confidence of all stakeholders in the operation and conduct of the market. The CSE has issued rules on Corporate Governance under its ruling 7.10 to be complied by the companies listed in the Exchange. This report sets out the Company's adherence to the aforementioned Directions on Corporate Governance as illustrated from pages 166 to 169.

IT Governance

IT governance process of the Company ensures that IT objectives are aligned with the business objectives that will meet its strategic and operational objectives. IT governance is an integral part of the corporate governance process and which deals primarily with optimizing the linkage between Strategic Directions and Information Management of the Company. Competent and dedicated staffs are deployed to support this need. Company investment in IT resources covers resources operated and managed centrally and resources deployed in various places. IT resources include Core-Banking system, other related business systems, internet, emails and other Company-wide data communication systems. Impact of the IT governance to diverse functional areas of the Company is driven by certain core objectives which are set in the table below.

Compliance	Investing in licensed software deployed in compliance with Intellectual Property Law with a view to educate and mandate compliance to such laws throughout the Company.
Operational Efficiency	Streamlining of the credit management process and MIS reporting so that integrity is maintained across the value chain through near real-time processing.
Prudent Capital Expenditure	<p>All major IT investments are carefully evaluated by the IT team and built into the business plan and carefully scrutinized at the planning level, and approval is granted by both, Board and Intermediate Parent Company.</p> <p>Final approval of IT capital expenditure is sought from the CEO-Singer Group, and by the ultimate parent company depending on amount of the expenditure.</p>
Customer Convenience	Ensuring process efficiencies to increase the contribution to customer convenience. All Singer Finance customers could pay their rental outstanding at any Singer Plus, Singer Mega, or Sisil World branches in addition to 28 Singer Finance branches island wide. This is arguably the largest payments network in Sri Lanka with over 475 touch points.
Green IT	Protecting the environment by reducing print through migration to emails and soft copies.

This Section (pages 105 to 126) Sets out the Corporate Governance Principles under CBSL Regulations and Compliance with the same

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
2. The Responsibilities of the Board of Directors	2 (1)	a) Approving and overseeing Strategic objectives and values are communicated throughout the Company network.	<p>Complied</p> <p>Decisions taken at the board meetings are communicated to Senior Management, Senior Management Communicates Same to Operational Levels as appropriate</p>
		b) Approving the overall business strategy of the Company, including the risk policy and risk management procedures and mechanisms with measurable goals for at least immediate next three years.	<p>Complied</p> <p>(Company prepares the comprehensive business strategy for one year and general plan for four years)</p> <p>Senior Management of the Company formulates the annual plan and it is approved by parent Company, Ultimate parent Company and the Board of Directors of the Company.</p>
		c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently	<p>Complied</p> <p>The Risk Portfolio of the Company is overseen by the IRMC and its deliberations</p>
		d) Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers	<p>Complied</p> <p>Please Refer Board Communication Policy on page 198</p>

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		e) Reviewing the adequacy and the integrity of the Company's Internal control systems and Management Information Systems	Complied Please refer Directors' Statement On Internal Control on page 196 to 197.
		f) Identifying and designating key management personnel, who are in a position to significantly influence policy; direct activities; and exercise control over business activities, operations and risk management	Complied All key business activities are under the aegis of a Senior Manager
		g) Defining the areas of authority and key responsibilities for the Board and for the key management personnel.	Complied
		h) Ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy.	Complied The Key Management exercises its oversight function by way of regular meetings.
		i) Periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied This direction is overseen by the function of the Board and the Board Nomination Committee
		j) Ensuring that the finance company has an appropriate succession plan for key management personnel.	Complied Although succession planning is not documented, key successors are discussed by the Board, Group CEO and Communicated to the CEO. The respective individuals are provided with adequate exposure.

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	<p>Complied</p> <p>The Board meets the Key Management personal on a monthly basis and respective Senior Managers who are not members of the board are requested to attend by invitation to discuss specific areas.</p> <p>CEO meets senior management team every week to review progress of the Company.</p>
		l) Understanding the regulatory environment;	<p>Complied</p> <p>The Regulatory environment is well understood by the Board of Directors. The CEO, Head of Finance and Compliance Officer updates the Board on any new Developments.</p>
		m) Exercising due diligence in the hiring and oversight of external auditors.	<p>Complied</p> <p>External Auditors are recommended by the Audit Committee and approved by the Board. The Company chooses the auditors from the CBSL list of approved auditors.</p>
	2 (2)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with paragraph 7 of this Direction.	Complied
	2 (3)	<p>There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company's expense.</p> <p>The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.</p>	<p>Complied</p> <p>Any Board Director has the opportunity to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company practice has been for Directors to make this request at Board Meetings and for the Chairman to ratify the same.</p>

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	2 (4)	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied No Director abstained or indicated his/her wish to abstain from voting on any Board Resolution during the year under review as there was no necessity to do so.
	2 (5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.	Complied This Direction is complied by maintaining detailed minutes of the deliberations of the Board. Any matters that are pending execution is stringently followed up by the Board by reserving the same under matters arising out of previous minutes.
	2 (6)	The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	Not Applicable Such a situation did not arise during the year under review
	2 (7)	The Board shall include in the finance company's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	Complied Please refer pages 105 to 126
	2 (8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied
3. Meetings of the Board	3 (1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	3 (2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied The Company Secretary has always accommodated requests made in this regard by Directors.
	3 (3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Complied
	3 (4)	A director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Complied
	3 (5)	The Board shall appoint a Company Secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied
	3 (6)	If the Chairman has delegated to the Company Secretary the function of preparing the agenda for a Board meeting, the Company Secretary shall be responsible for carrying out such function.	Complied The Chairman has delegated this function
	3 (7)	All directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied The Company Secretary has been accessible by way of telephone or e-mail throughout the period under review.

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	3 (8)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied
	3 (9)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:</p> <ul style="list-style-type: none"> (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions. 	Complied
4. Composition of the Board	4 (1)	Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 13.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	4 (2)	Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction the total period of service of a director other than a director who holds the position of Chief Executive Officer or executive director shall not exceed nine years. The total period in office of a non- executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied
	4 (3)	Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (hereinafter referred to as an “executive director”) provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the Chief Executive Officer of the Company.	Complied
	4 (4)	<p>With effect from three years from the date of this Direction, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.</p> <p>A non-executive director shall not be considered independent if such director:</p> <ul style="list-style-type: none"> a) has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company; b) has or had during the period of two year immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet; 	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<ul style="list-style-type: none"> c) has been employed by the finance company during the two year period immediately preceding the appointment as director; d) Has a relative, who is a director or Chief Executive Officer or key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company e) represents a shareholder, debtor, or such other similar stakeholder of the finance company f) is an employee or a director or has a shareholding of 10% or more of the paid up capital in a Company or business organization i) Which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company, or ii) In which any of the directors of the finance company is employed or is a director or holds shares exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company, or; iii) In which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company. 	

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	4 (5)	In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	Not Applicable There are no Alternate Directors appointed to represent independent non-executive directors
	4 (6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied Please refer the profiles of the Non-executive directors given in pages 23 to 25
	4 (7)	With effect from three years from the date of this Direction, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	Complied
	4 (8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the Chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied Please refer pages 170 and 171
	4 (9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied This process is complied by the function of the Board Nomination Committee
	4 (10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	4 (11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Complied
5. Criteria to assess the fitness and propriety of directors	5 (1)	Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a finance Company.	Complied
	5 (2)	A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	Complied
6. Delegation of Functions	6 (1)	The Board shall not delegate any matters to a board committee, Chief Executive Officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Not Applicable No such delegation was made
	6 (2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
7. The Chairman and the Chief Executive Officer	7 (1)	The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2009.	Complied
	7 (2)	The Chairman shall be a non-executive director. In the case where the Chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	Complied
	7 (3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied There is no relationship between the Chairman and the Chief Executive Officer and among members of the Board to be disclosed
	7 (4)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	Complied
	7 (5)	The Chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The Chairman may delegate the function of preparing the agenda to the Company secretary.	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	7 (6)	The Chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied
	7 (7)	The Chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.	Complied
	7 (8)	The Chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied
	7 (9)	Subject to the transitional provisions contained herein, the Chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied
	7 (10)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied
	7 (11)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company's operations and business.	Complied
8. Board appointed Committees	8 (1)	Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the Chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, in the Annual Report of the Company.	<p>Complied</p> <p>Company has six sub committees namely Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee, Credit Committee & Related Party Transactions Review Committee.</p> <p>The Board presents a report on the performance, duties and functions of each committee, at the annual general meeting by including the same in the Annual Report</p>

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
Audit Committee	8 (2) (a)	The Chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	Complied
	8 (2) (b)	The Board members appointed to the committee shall be non-executive directors.	Complied
	8 (2) (c)	<p>The committee shall make recommendations on matters in connection with:</p> <ul style="list-style-type: none"> (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term 	Complied
	8 (2) (d)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (e)	The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity.	Partially Complied The committee reviews the scope of the non-audit services provided by the external auditors to ensure the compliance of independence and objectivity.
	8 (2) (f)	The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	Complied
	8 (2) (g)	The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgemental areas;	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<ul style="list-style-type: none"> (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements. 	
	8 (2) (h)	The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied
	8 (2) (i)	The committee shall review the external auditor's management letter and the management's response thereto.	Complied
	8 (2) (j)	<p>The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <ul style="list-style-type: none"> (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; 	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	
	8 (2) (K)	The committee shall consider the major findings of internal investigations and management's responses thereto;	Not Applicable There were no major findings during the year under review
	8 (2) (L)	The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	Complied
	8 (2) (M)	The committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied No such requirement materialized during the year under review

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (N)	The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied The Number of meetings that were held is given in pages 170 & 171
	8 (2) (O)	The Board shall, in the Annual Report, disclose in an informative way, (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.	Complied Please refer pages 170, 171, 186 & 187
	8 (2) (P)	The secretary to the committee (who may be the Company Secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied
	8 (2) (Q)	The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	Complied
Integrated Risk Management Committee	8 (3) (a)	The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (3) (b)	The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	Complied This process is carried out once a quarter
	8 (3) (c)	The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied
	8 (3) (d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	Complied No such requirement materialized during the year under review
	8 (3) (e)	The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied
	8 (3) (f)	The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied No such requirement materialized during the year under review
	8 (3) (g)	The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied The IRMC submitted a risk report to the Board, however, the deadline period of within a week was not met.

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (3) (h)	The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Partially Complied (The Compliance Officer is not primarily dedicated for Compliance as he is also involved with Reporting)
9. Related party transactions	9 (2)	<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:</p> <ul style="list-style-type: none"> a) A subsidiary of the finance company; b) Any associate company of the finance company; c) A director of the finance company; d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest. 	Complied There were no such transactions that gave rise to a conflict of interest during the year under review.

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	9 (4)	<p>The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the relevant establishment. For the purpose of this paragraph, “more favourable treatment” shall mean</p> <ul style="list-style-type: none"> a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the finance company’s regulatory capital, as determined by the Board. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company’s share capital and debt instruments with a remaining maturity of 5 years or more. b) Charging of a lower rate of interest than the finance company’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/ commissions, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related-party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. 	<p>Complied</p> <p>No “Such” transactions took place with a related party during the year under review.</p>

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
10. Disclosures	10 (1)	<p>The Board shall ensure that:</p> <p>(a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that</p> <p>(b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>Complied</p> <p>The financial statements are prepared in accordance with the LKASs / SLFRs/ and the formats prescribed by the regulators.</p> <p>Annual financial statements are disclosed in the annual report; biannual (unaudited) financials are published in the newspapers in all three languages and the quarterly statements are posted on the CSE website.</p>
The Board shall ensure that at least the following disclosures are made in the Annual Report:	10 (2) (a)	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied
	10 (2) (b)	A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	<p>Complied</p> <p>Please refer Directors' Statement On Internal Control on pages 196 to 197.</p>
	10 (2) (c)	The external auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31, 2010.	<p>Complied</p> <p>Please refer page 194.</p>
	10 (2) (d)	Details of directors, including names, transactions with the finance company.	Complied
	10 (2) (e)	Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after January 1, 2010.	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	10 (2) (f)	Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	Not Applicable The Company has not granted loans to Related Parties during the year under review.
	10 (2) (g)	The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied Please refer page 276.
	10 (2) (h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	Please refer the Disclosure Report under Finance Companies Corporate Governance Direction No.3 of 2008 in page 185.
	10 (2) (i)	A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Please refer the Disclosure Report under Finance Companies Corporate Governance Direction No.3 of 2008 in page 185.
	10 (2) (j)	The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2011.	Complied The external auditors verifies and certifies whether the Company is in compliance with the Act and rules and directions issued by the Monetary Board, however a certification is not published in the annual report.

This Section (pages 127 to 166) Sets out the Code of Best Practice on Corporate Governance Principles Under ICASL Principles and the Extent of Compliance with the Same

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
Section 1: The Company A. Directors A.1 The Board	Principle of Code A.1	Every public Company should be headed by an effective Board, which should direct, Lead and control the Company.	Complied
Meetings of the Board	A.1.1	Although the Code of best practice recommends that the Board meets quarterly, the CBSL requires the Boards of Finance Companies to meet once a month.	Complied The Board met 12 times during the financial year concerned. Individual participation of each Director at Board meetings is provided in the chart given under The heading of "Board meetings".
Responsibilities of the Board	A.1.2	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board should be responsible for matters including:	
		<ul style="list-style-type: none"> The formulation and implementation of a sound business strategy:- 	Complied Company formulates the annual plan and it is approved by the board of directors of the Company, parent Company and ultimate parent Company. Decisions taken at the board meetings are communicated to senior management and further filtered down to operational levels as appropriate.
		<ul style="list-style-type: none"> The Board of Directors of the Company has appointed the chair and the senior independent directors as required; 	Complied
		<ul style="list-style-type: none"> Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy: 	Complied This has been proven by the Company's success throughout the years with a low turnover ratio in key positions and the consistent performance being delivered by CEO and Key Management since inception.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy:- 	<p>Complied</p> <p>The Company's second and third layers are well experienced and skilled to take any higher responsibility.</p>
		<ul style="list-style-type: none"> Approving budgets and major capital expenditure. 	<p>Complied</p> <p>Budgets and major capital expenditure are reviewed and approved by the board.</p>
		<ul style="list-style-type: none"> Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation 	<p>Complied</p> <p>The board has agreed and reserved power to determine matters including approving of major capital expenditure, appointing the secretary to the board and seeking professional advice as and when needed. Credit facility approval is delegated to the management by the board under the recommendation of the Credit Committee. Cheque signing limits are determined by the board and delegated to management as required to allow proper functioning of the business.</p>
		<ul style="list-style-type: none"> Ensure effective systems to secure integrity of information, internal controls, business continuity and risk management. 	<p>Complied</p> <p>The Board has delegated the reviewing and monitoring the financial reporting process of the Company, reviewing of effectiveness of internal controls of the company to the Audit Committee.</p> <p>Reviewing of Risk Management process of the company has been delegated to the Integrated Risk Management Committee of the Company.</p> <p>Audit Committee framework, composition, duties and responsibilities are given in Audit Committee Report on page 186 and Integrated Risk Management Committee framework, composition, duties and responsibilities are given in Integrated Risk Management Committee Report on page 189.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> Ensuring compliance with laws, regulations and ethical standards 	<p>Complied</p> <p>A lot of emphasis is placed to safeguard internal controls, ensure integrity of information, business continuity and risk management by way of the internal audit function, Quarterly Credit Committee meetings and Integrated Risk Management Committee Meetings monthly IT meetings, quarterly AML/CFT meetings and monthly ALCO meetings.</p>
		<ul style="list-style-type: none"> Ensuring all stakeholder interests are considered in corporate decisions 	<p>Complied</p> <p>Company has conducted its affairs with a sense of respect for all stakeholders and this can be proven by the fact that there have been no significant complaints or legal action initiated against the Company.</p>
		<ul style="list-style-type: none"> Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting “integrated reporting” 	<p>Complied</p> <p>This has been proven by the past track record and success of the Company. Sustainability is a core area of focus in the strategy formulation process of the Company.</p>
		<ul style="list-style-type: none"> Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; 	<p>Complied</p>
		<ul style="list-style-type: none"> Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks 	<p>Complied</p> <p>All criteria are monitored and evaluated through a formal reporting process.</p>
		<ul style="list-style-type: none"> Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company. 	<p>Complied</p> <p>The board ensures compliance to annual and quarterly corporate reporting requirements. In addition, the reporting requirements of the CBSL are carried out on time under the supervision of Senior Manager Compliance.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. 	<p>Complied</p> <p>This has been proven by the past track record and success of the Company and the Boards sub Committees such as the Audit and IRMC functions regularly and deliberates at length thus contributing to Compliance and Financial regulations.</p>
Professional advice to the Board	A.1.3	The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, where in director can require the Company to obtain independent professional advice at the Company's expense where it is considered necessary.	<p>Complied</p> <p>Whenever professional advice is required the board informs the Executive Management at the Board Meeting and the required advice or particular fact finding requirement is assigned to independent professionals.</p>
Company Secretary	A.1.4	All directors should have access to the advice and services of the Company Secretary who ensures that the applicable rules and regulations are complied with. Any question of the removal of the Company secretary should be a matter for the board as a whole.	Complied
Independent judgment of Directors	A.1.5	All Directors should bring independent judgment to bear, in discharging their duties and responsibilities matters relating to the board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.	Complied
Adequate time and effort of Directors	A.1.6	Adequate time and effort is devoted by Directors on the matters of the Board and the Company to ensure that the duties and responsibilities of Directors are satisfactorily discharged	Complied
	A.1.7	One third of Directors can call for a resolution to be presented to the board where they feel it is in the best interest to the Company to do so.	<p>Complied</p> <p>No such situations have arose</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
Training for Directors	A.1.8	Directors receive appropriate orientation when first appointed to the board and subsequently as necessary: -	Complied Newly appointed directors are informed via appointment letters about disclosure requirements, regulatory requirements to be complied. Directors are also briefed on changes in laws and regulations, tax laws and accounting standards from time to time. In addition, the whole board is trained via CBSL-FIU resource person on AML/CFT requirements.
A.2 Chairman and Chief Executive Officer (CEO)	Principle of Code A.2	There are two key tasks at the top of every public Company – Conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision:-	Complied The positions of Chairman and CEO are separated to ensure a balance of power & authority and to prevent any one individual from possessing unfettered decision-making authority
	A.2.1	A Decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report .	Complied The position of Chairman and CEO is separated in the Company
A.3 Chairman's Role	Principle of Code A.3	The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	Complied
	A.3.1	The Chairman should conduct Board proceedings in a proper manner and ensure, inter-alia, that:	
		<ul style="list-style-type: none"> The agenda for board meetings is developed in consultation with the CEO, directors and the Company secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance 	Complied
		<ul style="list-style-type: none"> Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner 	Complied

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> All directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities 	Complied
		<ul style="list-style-type: none"> The effective participation of both Executive and Non-Executive Directors is secured. 	Complied The Chairman conducted Board proceedings in a proper manner and ensured the effective participation of all Directors
		<ul style="list-style-type: none"> All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company 	Complied The Chairman conducts the affairs of the board in a professional manner and ensures that each Director is given an opportunity to participate in the deliberations of the board.
		<ul style="list-style-type: none"> All directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions on matters of corporate concern on the agenda. 	Complied
		<ul style="list-style-type: none"> A balance of power between Executive and Non-Executive Directors is maintained 	Complied
		<ul style="list-style-type: none"> The views of Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes. 	Complied
		<ul style="list-style-type: none"> The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders 	Complied
A.4 Financial Acumen	Principle of Code A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	Complied Qualifications of the Directors are given under the Directors profiles in pages 23 to 25

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
A.5 Board Balance	Principal of Code A.5	It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no Individual or small group of individuals can dominate the Board's decision-taking.	Complied
	A.5.1	The Board should include – Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions. The Board should include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of total number of Directors, whichever is higher. In the event, the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board:	Complied Seven out of the Eight Directors are Non-Executive Directors which is well above the minimum prescribed by the Code. This ensures views of Non-Executive Directors carry a significant weight in the decisions made by the Board.
	A.5.2	Where the constitution of the Board of Directors includes only three Non-Executive Directors, all these Non-Executive Directors should be 'independent'. In all other instances three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'	Complied
	A.5.3	For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment:-	Complied The Company obtains a signed statement of independence from each Director once a year.
	A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence or non-independence against the specified criteria set out in the Specimen in Schedule K of Code of Best Practice on Corporate Governance.	Complied Every Non-Executive Independent Director of the Company has made written submissions as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule K of this Code

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	A.5.5	The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made of decided criteria and other Information available to the Board and should set out in the Annual Report the names of Directors determined to be 'independent'. The Board should specify the criteria not met and the basis for its determination in the Annual Report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary:	<p>Complied</p> <p>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence, as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code. Independent Non-Executive Directors are:</p> <p>Mr. Jayendran Setukavalar- Senior Independent Director</p> <p>Mr. Jayanth Perera- Independent Director</p> <p>Mr. Priyath Salgado- Independent Director</p>
	A.5.6	<p>If an alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Company.</p> <p>If an Alternate Director is appointed by an Independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of Independent Directors also should be satisfied.</p>	<p>Complied</p> <p>Independent Non-Executive Directors have not appointed Alternate Directors. Alternative Directors to the Non-Executive Directors are not executives of the Company. However, Board balance is not affected since the Board complies with Code A.5.2.</p>
	A.5.7	In the event the Chairman and CEO is the same person, or the Chairman is not an independent Director, the Board should appoint one of the Independent Non-Executive Directors to be the 'Senior Independent Director' (SID) and disclose this appointment in the Annual Report.	Complied

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		The senior Independent Director should meet at least twice each year with the non-executive directors and at least once a year with the executive directors, to enable discussion and communication of governance related matters. The outcome of these discussions should be informed to the Chairman.	
	A.5.8	<p>The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.</p> <p>The Senior Independent Director should participate in all meetings with majority, significant, and minority shareholders and be made aware of their concerns by the Company secretary.</p>	Complied
	A.5.9	The Chairman should hold meetings with the Non- Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	<p>Complied</p> <p>Chairman meets with NEDs without the presence of Executive Directors, whenever necessary.</p>
	A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure that their concerns are recorded in the Board minutes.	<p>Complied</p> <p>Concerns raised by the Directors during the year, if any, are recorded in the minutes of Board meetings with adequate details by the Company Secretary.</p>
A.6 Supply of Information	Principle of Code A.6.	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	<p>Complied</p> <p>Board is provided with Financial and other MIS reports on a monthly basis. If any board member request for additional information the management ensures to provide the same.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	A.6.1	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	<p>Complied</p> <p>The Company ensures that the Directors receive adequate information in a timely manner. On urgent matters, every effort is made to provide the information, as early as possible. The Board receives a standard set of documents, which are timely, accurate, relevant and comprehensive. These papers include a detailed analysis of financial and non-financial information. The Board may call for additional information or clarify issues with any member of the Executive Committee. If necessary, all Directors are adequately briefed by the CEO or Head of Finance on matters arising at Board meetings. The Secretary and the Compliance Officer ensure that Board papers are circulated in advance prior to Board meeting. If necessary, members of the Executive Committee, External Auditors and Outside Consultancies makes presentations to the Board when required. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings.</p>
	A.6.2	In order to facilitate effective conduct of meetings, the agenda and papers required for a board meeting should be provided to Directors at least seven (7) days before the meeting, and the minutes of the meeting should ordinarily be provided to directors at least two weeks after the meeting date.	<p>Complied</p> <p>The minutes, agenda and papers required for Board meetings are provided in advance to facilitate its effective conduct.</p>
A.7 Appointments to the Board	Principle of Code A.7	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	<p>Complied</p> <p>Board nomination committee recommends the new board appointments. In recommending a new appointee to the Board, special emphasis is made on the challenges ahead and the competency of the existing Board to face those challenges. Shareholders will be provided with a brief resume of the newly appointed Director in this Annual Report along with his expertise, names of the companies in which he holds directorships and his/her Independence.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	A.7.1	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. Terms of Reference for Nomination Committees are set out in Schedule A of Code of Best practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka. The Chairman and members of the Nomination Committee should be identified in the Annual Report. A separate section of the annual report should describe the work of the nomination committee including the process it has used in relation to Board appointments.	Complied The Committee consists of Two Independent Non-Executive Directors and a Non-Executive Director.; The Chairman of the Committee is an Independent Non-Executive Director. Secretary to the Nomination Committee of the parent company acts as the secretary to the Committee (Please refer page 188 for composition of the committee)
	A.7.2	The nomination committee should annually assess Board –composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new board appointments are considered and when incumbent Directors come up for re-election, including a process to determine that such proposed Board appointees are fit and proper.	Complied Board as a whole annually assesses the composition of the Board to ensure that the combined knowledge and experience of the Board matches the strategic demand facing the Company. The findings of such assessments are taken into account when new Board appointments are considered.
	A.7.3	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders : - a brief resume of the Director; - the nature of his expertise in relevant functional areas; - the names of companies in which the Director holds directorships or memberships in Board Committees; and - whether such a Director can be considered 'independent'.	Complied All new appointments are communicated to the shareholders via the Colombo Stock Exchange website. The details of the current Board of Directors and new appointments are provided on pages 23 to 25 in this Annual Report.
A.8 Re-Election	Principle of Code A.8	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years. Chairman/ CEO is not subject to re-election.	Complied

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their reappointment should not be automatic.	Complied In terms of the Articles of Association, one-third of the Directors, except for Chairman and CEO, retire in rotation and may offer themselves for re-election at the AGM. By virtue of being the Chairman and CEO are not required to make themselves available for re-election as per the Articles of Association.
	A.8.2	All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	Complied The Company's Articles of Association provides that any Director appointed by the Board to hold office until the next Annual General Meeting, may seek reappointment by the shareholders at the said AGM. Based on the article and the current composition of the Board, a Director has to come forward for re-election, every three years. A resume of the Directors coming up for re-election at the AGM, 2019 is available on pages 23 to 25. Also as stated in above A.8.1, In terms of the Articles of Association, one-third of the Directors, except for Chairman and CEO, retire by rotation and may offer themselves for re-election at the AGM
	A.8.3	In the event of a resignation of a director prior to completion of his appointed term, the director should provide a written communication to the board of his reasons for resignation.	Complied Written communications are provided to the board by directors who resign prior to completion of his appointed term.
A.9 Appraisal of Board Performance	Principle of Code A.9	Boards should periodically appraise their own performance in order to ensure that Board Responsibilities are satisfactorily discharged.	Complied
	A.9.1	The board should have in place a formal and rigorous process for annually reviewing the performance of the board and its committees and should address any matters that may arise from such review, in the discharge of its key responsibilities as set out in A.1.2	Complied The performance of the Board and its subcommittees are reviewed and evaluated by the Board and Chairman based on a self-appraisal basis.
	A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.	Complied The performance and deliberations of the Audit and IRM Committees are frequently discussed at Board Meeting, thereby carrying out a effective self-evaluation.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		The evaluation should be carried out by each director individually. The collective outcome should be compiled and made available to the Nomination Committee, which should make recommendation to the Board on initiatives and actions required to improve the balance of skills, experience, independence, industry and company knowledge, training of directors, governance processes, strategy review and other factors relevant to its effectiveness.	
	A.9.3	The board should have a process to review the participation, contribution and engagement of each director at the time of re-election.	Complied The individual self-evaluations are carried out by the respective Board Member, and submitted in writing to the Secretary for the record. And as explained above in A.9.2 self-evaluation of the Board and its committee occur during the proceedings of Board Meetings.
	A.9.4	The board should state how such performance evaluations have been conducted, in the annual report.	Complied The details of the performance evaluation conducted are provided on pages 201 to 205.
A.10 Disclosure of Information in Respect of Directors	Principle of Code A.10	Shareholders should be kept advised of relevant details in respect of Directors	Complied
	A.10.1	<p>The Annual Report of the Company should set out the following information in relation to each Director</p> <ul style="list-style-type: none"> - name, qualifications and brief profile; - the nature of his/her expertise in relevant functional areas; - immediate family and/or material business relationships with other Directors of the Company; - whether Executive, Non-Executive and/or independent Director; - names of listed companies in Sri Lanka in which the Director concerned serves as a Director; 	Complied Please refer page 23 to 25 and page 276.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> - names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a Group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies - number/percentage of Board meetings of the Company attended during the year; - the total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity; - names of Board Committees in which the Director serves as Chairman or a member; and - number/percentage of committee meetings attended during the year. 	
A.11 Appraisal of Chief Executive Officer	Principal of Code A.11	The Board should be required, at least annually, to assess the performance of the CEO.	Complied
	A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	Complied The CEO's performance is evaluated in line with the overall corporate plan by the Board in terms of both Financial and operational achievements compared to targets set at the planning stage. This process is carried out as mentioned in above A.11
	A.11.2	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.	Complied This process happens when the CEO's performance appraisal is carried out at the year end.
B. Directors' Remuneration	Principal of Code B.1.	Companies should establish a formal and transparent Procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	Complied

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	B.1.1	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors. (These also include Post-Employment Benefits as well as Terminal Benefits)	Complied The scope of the Committee is to consider and recommend to the Board, remuneration and perquisites of the CEO and Independent Directors of the Board of the Company
	B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors with a minimum of three non- executive directors of whom the majority should be independent. The chairman should be an independent Non-Executive director and should be appointed by the board.	Complied The Committee consists of Two Independent Non-Executive Directors and one Non-Executive Director. The Committee is chaired by an Independent Non-Executive Director. Secretary of the Remuneration Committee of the parent company acts as the Secretary to the Committee. The Group CEO attends by invitation and the Finance Director of the Parent Company assists the Committee by providing the relevant information and participating in its analysis and deliberations.
	B.1.3	The Chairman and Members of the Remuneration Committee should be listed in the Annual Report each year:	Complied Please refer page 191.
	B.1.4	The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a subcommittee of the Board, Which might include the CEO:	Complied The Non-Executive Directors receive a comprehensive fee for being a Director of the Board and either chairing or being a member of a Board subcommittee. They do not receive any performance/incentive payments. Remuneration of Non-Executive Directors are decided by the Remuneration Committee.
	B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities:	Complied The Committee has the authority to seek internal and external independent professional advice on matters falling within its purview, at the Company's expense. Views of the Chairman are obtained as they too are members of the said Board Subcommittee.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
B.2 The Level and Make Up of Remuneration	Principle of Code B.2	Levels of remuneration of both Executive and Non- Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	Complied
	B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	Complied The Board Remuneration Committee and the Board ensure that Executive Director – CEO is provided with an reasonable remuneration package.
	B.2.2	Executive Directors' remuneration should be designed to promote the long-term success of the Company.	Complied
	B.2.3	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.	Complied The committee ensures that compensation packages are designed to attract and retain a highly qualified and experienced workforce and reward performances. These compensation packages should provide compensation appropriate for each business within the Group and commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long-term Shareholder returns.
	B.2.4	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases:	Complied The Remuneration Committee takes into consideration and is sensitive about the conditions of the Group when determining annual salary increases.
	B.2.5	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels. The performance related elements should be transparent, stretching and rigorously applied.	Complied Objectives for Executive Director is set at the beginning of the year and the remuneration including the performance bonus is decided based upon the degree of achievement of such pre-set targets.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	B.2.6	<p>Executive share options should not be offered at a discount (i.e., less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Colombo Stock Exchange.</p> <p>Shares granted under share option schemes should not be exercisable in less than three years and the remuneration committee should consider requiring directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise.</p>	<p>Not Applicable</p> <p>Presently the Company does not have an Executive Share Option Scheme.</p>
	B.2.7	In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions set out in Schedule E of Code of Best Practice on Corporate Governance:	<p>Complied</p> <p>Please refer Remuneration Committee Report on page 191 .</p>
	B.2.8	Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committee should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts:	<p>Complied</p> <p>Not applicable to the Board except for Chief Executive Officer as the terms of employment is governed by the contract of service/employment.</p>
	B.2.9	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.	<p>Complied</p> <p>No such requirement materialized during the year under review</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	B.2.10	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Director's independence. (as set out in provision A.5.5):	Complied Non-Executive Directors of the Company are paid a fee commensurate with their time and role in the Company and taking into consideration market practices and recommendations made by the parent company and ultimate parent company. Non-Executive Directors are not included in share options as there is no scheme in existence.
B.3 Disclosure of Remuneration	Principle of Code B.3	The Company's Annual Report should contain a Statement of Remuneration Policy and details of Remuneration of the Board as a whole.	Complied
	B.3.1	The Annual Report should set out the names of Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Remuneration Committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors:	Complied Please refer pages 191 & 238.
C. Relations With Shareholders C.1. Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings.	Principle of Code C.1	Boards should use the AGM to communicate with shareholders and should encourage their participation:	Complied The board ensures that shareholders are given an opportunity to participate by giving adequate notice of the AGM date and time. Any shareholder who wishes to speak to the forum of the AGM is given sufficient time to address the Board and the gathering.
	C.1.1	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Complied

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts.	<p>Complied</p> <p>Company proposes separate resolutions at the AGM on each substantially separate issue. Further, adoption of the Annual Report of the Board of Directors on the affairs of the Company and Audited Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.</p>
	C.1.3	<p>The company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution where a vote has been taken on a show of hands, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the Company.</p> <ul style="list-style-type: none"> - The number of shares in respect of which proxy appointments have been validly made; - The number of votes for the resolution; - The number of votes against the resolution; and - The number of shares in respect of which the vote was directed to be withheld. - When, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the board should take steps to understand the reasons behind the vote results and determine if any actions are required: 	<p>Complied</p> <p>The Company ensures that all valid proxy appointments received for general meetings are properly recorded and counted</p>
	C.1.4	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transaction Review Committee and the Senior Independent Director are to be available to answer questions at the AGM if so requested by the Chairman.	<p>Complied</p> <p>The Chairman of the Company ensures that Chairmen of all Board subcommittees namely, Audit, Remuneration, Nomination and Related Party Transactions Review Committee are present at the AGM to answer the questions under their purview.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	C.1.5	Companies should circulate, along with every Notice of General Meetings, a summary of the procedures governing voting at General Meetings:	Complied A summary of the procedures governing voting at General Meetings is circulated to shareholders with every Notice of General Meetings.
C.2 Communication with Shareholders	Principle of Code C.2	The Board should implement effective communication with shareholders.	Complied
	C.2.1	There should be a channel to reach all shareholders of the Company in order to disseminate timely information:	Complied The primary modes of communication between Company and the shareholders are the Annual Report and AGM. Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the business of Company, either Verbally or in writing prior to the AGM. The Company used the following channels to disseminate timely information; <ul style="list-style-type: none"> - Shareholders meetings - Financial and other notices as and when - Required through the Colombo Stock Exchange - Corporate website - Press notices.
	C.2.2	The Company should disclose the policy and methodology for communication with Shareholders.	Complied Please refer the Board Communication Policy on page 198.
	C.2.3	The Company should disclose how they implement the above policy and methodology.	Complied Printed copies of Annual Report are provided to shareholders as per request or could be downloaded from the CSE website.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	C.2.4	The Company should disclose the contact person for such communication.	Complied The contact person is the Company Secretary
	C.2.5	The Company should have a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	Complied The Company Secretary shall maintain a record of all correspondence received and will deliver as soon as practicable such correspondence to the Board or individual Director/s as applicable. The Board or individual Director/s, as applicable, will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretary to send the response to the particular shareholder.
	C.2.6	The Company should decide the person to contact in relation to shareholder matters. The relevant person with statutory responsibilities to contact in relation to shareholders matters is the Company Secretary or in his/her absence should be a designated member of the Board of Directors.	Complied
	C.2.7	The process of responding to shareholder matters should be formulated by the Board and disclosed.	Complied Please refer the Board Communication Policy on page 198.
C.3. Major and Material Transactions	Principle of Code C.3	Further to compliance with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the Consolidated Group Net Asset Base.	Complied

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	C.3.1	Prior to a Company engaging in or committing to a 'Major Related Party Transaction', with a related party, involving the acquisition, sale or disposition of greater than one third of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, the Directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting. It also applies to transactions or series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company:	Complied During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the Net Assets Base of the Company. Transactions which materially affect the net assets base of the Company will be disclosed in the Quarterly/Annual Financial Statements, if any.
	C.3.2	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulations of the Securities and Exchange Commission and by the Colombo Stock Exchange.	Complied No such requirement materialized during the year under review
D. Accountability and Audit D.1. Financial and Business Reporting	Principle of Code D.1	The Board should present a balanced and Understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal control and challenges, opportunities and prospects.	Complied
	D.1.1	The board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained:	Complied An annual report is presented including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	D.1.2	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements:	<p>Complied</p> <p>The Board is well aware of its responsibility to present regulatory and statutory reporting in a balanced and understandable manner and a statement to this effect is given in the Statement of Directors' Responsibility on page 206 confirming this position. The Company had strictly complied with the requirements of the Companies Act No. 07 of 2007 in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards. Further, Company has complied with the reporting requirements prescribed by the regulatory authority such as the Colombo Stock Exchange.</p>
	D.1.3	The Board should, before it approves the company's financial statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively	Complied
	D.1.4	The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that	

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> - The Company has not engaged in any activity which contravenes laws and regulations; - The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested; - The Company has made all endeavours to ensure the equitable treatment of shareholders; - The directors have complied with best practices of corporate governance - Property, Plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made; - They have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith; and - The business is a going concern, with supporting assumptions or qualifications as necessary; <p>and if it is unable to make any of this declarations, to explain why it is unable to do so.</p>	<p>Complied</p> <p>The Annual Report of the Board of Directors on the Affairs of the Company given on pages 201 to 205 covers all of these sections. In addition to that Company has established procedures to ensure compliance with all applicable statutory and regulatory requirements. A compliance statement is tabled at each Board meeting by the Compliance Officer. The Company's compliance with Section 7.10 of the Colombo Stock Exchange Listing Rules on Corporate Governance and details of such compliance are discussed on pages 166 to 169 of this Report.</p>
	D 1.5	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting Responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control:	<p>Complied</p> <p>The "Statement of Directors' Responsibility" is given on page 206</p> <p>The Directors' Statement on Internal Control is given on page 196 to 197.</p> <p>The 'Independent Auditors Report' on pages 207 to 209 states the Auditors responsibility.</p>
	D.1.6	The Annual Report should contain a "Management Discussion & Analysis", discussing, among other issues:	<p>Complied</p> <p>Management Discussion and Analysis highlights the operational and financial status of the Company in the context of prevailing industry conditions. This report is given in pages 51 to 57.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> - business model - Industry structure and developments; - Opportunities and threats; - Risk management - Internal control systems and their adequacy; - Governance - stakeholder relationships - social and environmental protection activities carried out by the Company; - financial performance; - investment in physical and intellectual capital - human resource/industrial relations activities carried out by the Company - Prospects for the future. 	
	D.1.7	In the event the net assets of the Company falling below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken:	<p>Complied</p> <p>Likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.</p>
	D.1.8	<p>The Board Should adequately and accurately disclose the related party transactions in its Annual Report</p> <ul style="list-style-type: none"> • Each related party to submit signed and dated quarterly declarations mentioning whether they have related party transactions with the Company's defined in this Code; • It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly; • There should be a process to capture related parties and related party transactions. This process needs to be operationalized and related party transactions should be properly documented; 	Complied

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> A record /register either in hard or soft form on related party and related party transactions should be maintained by the Company; This record should ensure that the Company captures information to comply with the respective related party disclosure requirements imposed by the SEC/ Accounting Standards/Auditing Standards and similar regulations 	
D.2. Risk Management and Internal Control	Principle for Code D.2	<p>The Board is responsible for determining the nature and extent of the principle risks it is willing to take in achieving its strategic objectives.</p> <p>The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, affected by a Company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives:</p>	<p>Complied</p> <p>The Board has delegated this authority to Audit Committee & IRM Committee and reviews the same, fulfilling the above requirement.</p>
	D.2.1	The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	Complied
	D.2.2	The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	<p>Complied</p> <p>Please refer pages 196 to 197.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	D.2.3	Company should have an internal audit function:	Complied The Parent Company's Internal Audit conducts the internal audit function of the head office and part of branches. The balance branches are outsourced to one audit firm.
	D.2.4	The Board should require the Audit Committee to ensure carrying out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes responsibility for the disclosures on risk management and internal controls:	Complied The Internal Audit Division of the immediate parent company carries out regular reviews on the risk management function and internal control system including internal control Over financial reporting. The Audit Committee monitors, reviews and evaluates the effectiveness of internal control system including the internal controls over financial reporting. In the year 2018/19, the Board of Directors was satisfied with the effectiveness of the system of internal controls of the Company. Refer the Directors' Statement on Internal Control on pages 196 to 197.
D.3. Audit Committee	Principle of Code D.3	The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.	Complied
	D.3.1	The board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The committee should be chaired by an independent non-executive director. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control:	Complied All members of the Board Audit Committee are Non-Executive Directors. Three out of four Directors are Independent Directors. Details of Committee are given in pages 186 to 187.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
Terms of Reference of the Audit Committee	D.3.2	<p>The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. The Audit Committee's written Terms of Reference must address:</p> <ul style="list-style-type: none"> The Committee's purpose- which, at minimum, must be to: Assist Board oversight of the: <ul style="list-style-type: none"> Preparation, presentation and adequacy of disclosures in the financial statements, in accordance with the Sri Lanka's Accounting Standards; Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements; Process to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards; Assessing the Company's ability to continue as a going concern in the foreseeable future; Performance of the Company's internal audit function; Process to the identification, monitoring and management of significant business/financial risk and Independence and performance of the Company's external audit. The duties and responsibilities of the Audit Committee-should at a minimum include those set out below: <ul style="list-style-type: none"> Making recommendations to the Board, pertaining to appointment, re-appointment and removal of external Auditors and to approve the remuneration and terms of engagement of the external Auditors; 	<p>Complied</p> <p>As stated in the Report of the Audit Committee of the Company , the Committee regularly reviews scope, results and effectiveness of the Audit.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> • To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; • To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Sri Lankan professional and regulatory requirements; • Discussion of the audit plan, key audit issues, their resolution and management responses; • Review the Company's annual audited financial statements and quarterly financial statements with management and the Auditor to ensure compliance with the Sri Lanka Accounting Standards and other relevant laws and regulations; • To review significant financial reporting judgments ; • Review the Company's earnings press releases and financial information and earnings guidance provided to analysts and rating agencies; • Discussion of policies and practices with respect to risk assessment and risk management; 	The preparation of policy for non audit service is in progress

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> To review the Company's internal financials controls and unless expressly addressed by a separate board risk committee composed of independent directors or by the board itself to review the company's internal control and risk management system; Ensuring that a process of sound system of internal control is in place; Ensuring that at least once in every three years an review of the board's risk management, internal controls, business continuity, planning and information security systems are carried out and appropriate remedial action recommended to the board; Ensuring that an effective internal audit function is in place and monitor and review the internal audit activities; Meeting separately, periodically, with management, auditors and internal auditors; Ensuring that there is a mechanism for the confidential receipt, retention and treatment of complaints alleging fraud, received from internal/external sources and pertaining to accounting, internal control or other such matters; Assuring confidentiality to whistle-blowing employees; Setting clear hiring policies for employees or former employees of the Auditors; and Reporting regularly to the Board of Directors. 	
Disclosures	D.3.3	<p>A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"> The names of the Directors (persons in the Parent Company's Committee in the case of a Group Company) comprising the Audit Committee 	<p>Complied</p> <p>Names of the members of the Audit Committee are given on pages 186 to 187 under the section on the 'Composition of the Committee' and disclosure on the independence of the Auditors is found on pages 204 to 205 under the 'Auditors' in the 'Annual Report of the Board of Directors on the Affairs of the Company' on pages 201 to 205.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> The number of meetings held and attendance of each director; The scope of work and how its roles and responsibilities were discharged; <p>The significant issues that the committee considered in relation to the financial statements, and how these issues were addressed</p> <p>An explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length;</p> <p>If the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded ;and</p> <p>The Committee should also make a determination of the independence of the Auditors and should disclose the basis of such determination in the Annual Report.</p> <p>The Annual Report should contain a Report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.</p>	
D.4 Related Party Transactions Review Committee	Principle of Code D.4	The Board should establish a procedure to ensure that the Company does not engage in transactions with 'related parties' in a manner that would grant such parties 'more favourable treatment' than that accorded to third parties in the normal course of business.	Complied
	D.4.1	A related party and related party transactions will be as defined in LKAS 24.	Complied
	D.4.2	The Board should establish a Related Party Transactions (RPT) review committee consisting exclusively of non-executive directors with a minimum of three non-executive directors of whom the majority should be independent. Executive directors may attend by invitation. The chairman should be an Independent non-executive director appointed by the Board.	Complied The RPT Review Committee of Singer (Sri Lanka) PLC, the immediate parent Company acts as the RPT Review Committee of the Company.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
			Senior Independent Director represents the Company in the Group Related Party Review Committee (where parent company is a public quoted company).
	D.4.3	<p>RPT Review committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors. The RPT review Committee's written terms of reference must address;</p> <ul style="list-style-type: none"> • A procedure for documenting related parties in accordance with the definitions in LKAS 24 and the CSE Listing Rules. • A procedure to obtain a statement of related party interest from each such related party at least once in each quarter, when there's a change in the status and in any event prior to entering into any transaction between such related parties and the company, its parent or any of subsidiaries, sub-subsidiaries, fellow subsidiaries, associates, joint ventures and any other entities which are considered related parties as defined in LKAS 24 unless they are exempted related party transactions as defined in CSE Listing Rules. • Key management personal of the Company responsible for contracting, procurement, payments, and any other channel through which an inflow or outflow of resources can result, should have a list of all related parties and have a process in place to capture and report any related party transaction within their area of responsibility. • A procedure to inform all related parties of what constitutes exempted related party transactions. • A procedure to identify and for directors to report recurrent and non-recurrent related party transactions and to obtain Board or shareholder approval by special or ordinary resolution as required by the CSE Listing Rules. 	<p>Complied</p> <p>The Related Party Transactions Review Committee Report on page 192 to 193 sets out the functions of the Committee.</p> <p>Minutes are maintained by the secretary of the committee.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> • A procedure and guideline to delegate to key management personnel to deal with recurrent related party transactions as defined in the CSE Listing Rules. • A procedure for the RPT review committee to review and recommend to the board matters relating to such transactions. • Any interested directors should not participate at the meeting at which the transaction relating to him/her is discussed unless invited to seek clarification/ information. • A procedure and definition of disclosure required to be made by the company on an annual basis, those requiring immediate disclosure and those requiring shareholder approval. • A procedure to identify related party transactions which require immediate disclosure as per the CSE listing rules and to ensure that required disclosures are made by the company to the Colombo Stock Exchange in accordance with the CSE listing rules. • A procedure to identify related party transactions which require shareholder approval by special resolution at an extra-ordinary general meeting. • The Company secretary should maintain a permanent record in manual or electronic form of such statements, submissions, approvals and minutes. • Review and recommend to the Board the related party disclosures to be made in the Annual Report of the Company. 	
D.5 Code of Business Conduct & Ethics	Principle of Code D.5	Companies must adopt a Code of Business conduct & ethics for Directors, Key management personnel and all other employees' including but not limited to; dealing with shares of the Company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance. The Company must disclose waivers of the code for Directors, if any.	Complied The Company adopts the code of business conduct and ethics of its immediate parent, Singer (Sri Lanka) PLC.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	D.5.1	<p>All companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personal and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key Management Personal have declared complied with such Code, and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a code, but all companies should address the following important topics in their respective codes:</p> <ul style="list-style-type: none"> • conflict of interest; • bribery and corruption; • entertainment and gifts; • accurate accounting and record keeping; • Fair and transparent procurement practices; • corporate opportunities; • confidentiality; • fair dealing; • protection and proper use of Company assets; Including information assets; • compliance with laws, rules and regulations (including insider trading laws); and • encouraging the reporting of any illegal or unethical behaviour. 	<p>Complied</p> <p>Please refer page 204.</p>
	D.5.2	The Company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	Complied.
	D.5.3	The Company should establish a policy, process for monitoring and disclosure of shares purchased by any director, key management personnel or any other employee involved in financial reporting.	Complied

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	D.5.4	The chairman must affirm in the Company's annual report that, code of conduct and ethics has been introduced companywide and the procedure for disseminating , monitoring and compliance with that code. He must also disclose that he is not aware of any violation of any of the provisions of the code of business conducts and ethics.	Complied
D.6. Corporate Governance Disclosures	Principle of Code D.6	Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	Complied
	D.6.1	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code:	Complied This Report from pages 102 to 171 sets out the manner and extent to which Singer Finance (Lanka) PLC has complied with the principles and Provisions of the Code.
Section 2: Shareholders E. Institutional Investors E.1 Shareholder Voting	Principle of Code E.1	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Complied
	E.1.1	A listed Company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole:	Complied All shareholders are given adequate time to engage the Board at the AGM and as per the communications policy any shareholder could communicate to the Board through the Company Secretary.
E.2 Evaluation of Governance Disclosures	Principle of Code E.2	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention:	Complied The Institutional Investors are at liberty to give due weight to matters relating to the Board structure and composition, when they consider resolutions relating to Board structure and composition.
F. Other Investors F.1. Investing / Divesting Decision	Principle of Code F.1	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions:	Complied All individual investors are invited to the annual general meeting regardless of the investment size and they are entitled with voting rights.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
F.2. Shareholder Voting	Principle of Code F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights:	Complied Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.
G Internet of things and Cybersecurity	Principle of Code G.1	<p>The Board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cyber security risks that may affect the business.</p> <p>Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the Company's network to send and receive data. Such access could be authorized or unauthorized.</p>	<p>Partially Complied</p> <p>A process is in place to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cyber security risks that may affect the business. This process is handled by IT division of the immediate parent company.</p> <p>Board gets updates through internal and external audits regarding adequacy of controls in place to mitigate cyber risks, and on possible cyber risks that the Company is exposed to.</p> <p>This responsibility is assigned to the Information Technology Division of the immediate parent company. The Company has an IT Policy in place. The cyber security risks are also covered in the IT policy.</p> <p>Further, the Company uses the servers of the immediate parent company. The immediate parent company has developed IT Policy and Cyber Security Policies and in the process of obtaining Board approval.</p>
	Principle of Code G.2	<p>The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cyber security risk management policy which should be approved by the Board.</p> <p>The policy should include a robust cybersecurity risk management process, incident response system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting and the need for cybersecurity insurance.</p>	<p>Partially Complied</p> <p>The Company uses the servers of the immediate parent company. Director IT of the immediate parent company has been appointed by the parent company as the Chief Information Security Officer.</p> <p>The Company has developed IT Policy and the immediate parent company has developed both IT and Cyber Security Policies.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	Principle of Code G.3	<p>The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber-risk management.</p> <p>The matters taken up for the discussion on the board meeting agenda may include;</p> <ul style="list-style-type: none"> • Potential cyber security risks in the Company's business model • CISO's security strategy and status of the current projects\ • Compliance with the cyber security risk management process and incident report • Findings and recommendations from independent reviewers 	<p>Partially Complied.</p> <p>The Board got advice from a Cyber security expert during the financial year.</p>
	Principle of Code G.4	<p>The Board should ensure the effectiveness of the cyber security risk management through independent periodic review and assurance.</p> <p>The scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings:</p>	<p>Not Complied.</p> <p>Security assessments has been carried out and in the process of taking corrective actions.</p>
	Principle of Code G.5	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	<p>Complied.</p> <p>IT risk assessments are carried out by immediate parent company according to ISO 27001: 2013 and ISO 3100: 2018 standards, atleast annually to identify the risk on the IT environment. Identified risks will be evaluated and proper measures are taken by the parent company's IT team to mitigate or minimise the threats. Please refer pages 201 to 205.</p>

H. Environment Society and Governance (Esg)

H.1 ESG Reporting

Main Principle

The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported.

Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. While many ESG factors are 'non-financial', their management and likely impact have financial consequences. Hence, they are important factors

CORPORATE GOVERNANCE

to be built into a company's business model, strategy, governance and risk management framework. ESG factors relevant to the Company could impact the followings;

- Access to financial capital
- Cost savings and productivity
- Brand value and reputation
- Employee recruitment
- Employee retention
- Access to markets
- License to operate
- Market capitalization

Integrating ESG policies and practices into a company's strategy, business model, governance and risk management, and reporting its likely impact and implications are increasingly seen by investors as material to their investment decisions. Further, investors want to understand how well companies are managing the risks associated with ESG issues, as this is seen as a key test of the long term sustainability of the Company. They are also increasing interested in the opportunities presented by low carbon economy, and are allocating capital to companies that are well equipped to benefit from this.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	H.1.1	<p>Companies should provide information in relation to:</p> <ul style="list-style-type: none"> • The relevance of environmental, social and governance factors to their business models and strategy • How ESG issues may affect their business, • How risks and opportunities pertaining to ESG are recognized managed, measured and reported. 	<p>Complied.</p> <p>Sustainability principles related to ESG factors are embedded in the operations of the Company and initiatives implemented to ensure adherence by the Company are discussed in the Management Discussion and Analysis and compliance section of this report.</p>
H 1.2. Environmental Factors	H.1.2.1	<p>Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health, and health and environmental implications of their decisions and activities, including;</p> <ul style="list-style-type: none"> • pollution prevention, • sustainable resource use (eg: water, energy) • climate change • protection of environment • bio diversity • restoration of natural resources 	<p>Complied</p> <p>Sustainability principles related to environmental factors are embedded in the operations of the Company and initiatives implemented to ensure adherence to environmental governance by the Company are discussed in the Management Discussion and Analysis and compliance section of this report.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
H 1.3 Social Factors	H.1.3.1	<p>Social governance of an organization should include its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organization's business model.</p> <ul style="list-style-type: none"> • The organization should adopt an integrated approach to building a relationship with the community and striving for sustainable development including responsible community engagement, fair competition, thereby demonstrating corporate social responsibility. • The organization should adopt an integrated approach to building a relationship with customers. This includes establishing a process for customer engagement, product responsibility and product recall and other matters relevant to the organization's business model. • The labour practice related governance of an organization should encompass all policies and practices in relation to work performed by or on behalf of the organization in accordance with its business model, and should also include policies and practices such as equal opportunity, career development and training, reward and recognition, conditions of work, work-life balance and industrial relations. • The organization should have policies and procedures to ensure that suppliers and outsourced providers comply with social governance norms of the Company. 	<p>Complied</p> <p>Sustainability principles related to social factors are embedded in the operations of the Company and initiatives implemented to ensure adherence to social governance by the Company are discussed in the Management Discussion and Analysis and compliance section of this report.</p>
H.1.4. Governance	H.1.4.1	<p>Companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognizing managing and reporting on all pertinent aspects of ESG.</p> <ul style="list-style-type: none"> • The Company should recognize the key resources/capitals deployed in its business and establish financial and non-financial measures for resource/capital management and related outputs and outcomes. 	<p>Complied</p> <p>Process of managing risks in line with ESG aspects is discussed in the Risk management report.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> The Company should have a process to ascertain, assess and manage risks which have an impact on the sustainability of the Company. The Company should have a process to recognize material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence. The disclosures should deal with how the Company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organizational culture, code of conduct and business model supports sustainability of the Company in the short, medium and long term. 	
H 1.5. Board's Role On ESG Factors	H.1.5.1	<p>ESG reporting is a Board's responsibility and it is designed to add value by providing a credible account of the Company's economic, social and environmental impact.</p> <p>ESG reporting and disclosure should be formalized as part of the Company's reporting process and take place on a regular basis.</p> <p>ESG reporting should link sustainable issues more closely with strategy.</p> <p>ESG reporting may be built on a number of different guidelines, such as:</p> <ul style="list-style-type: none"> Integrated Reporting Framework The Global Reporting Initiative Guidelines 	<p>Complied</p> <p>ESG reporting and disclosure is done as part of the Company's reporting process based on Integrated Reporting Framework and The Global Reporting Initiative Guidelines</p>

Section B

This section covers the Company's extent of adherence to the requirements of the Continuous Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange. This reflects the Company's level of conformity to CSE's Listing Rules which comprise the following fundamental principles:

- Non-Executive Directors
- Independent Directors
- Disclosures Relating to Directors
- Remuneration Committee
- Audit Committee

The following table presents the details of the Company's compliance with Section 7.10 and Section 9 of the CSE Listing Rules on Corporate Governance as at 31st March 2019.

Section	Rule No	Corporate Governance Rule	Details of Compliance
Board of Directors Non-Executive Directors	7.10.1	Number of Non-Executive Directors – One-third of the total number of Directors, subject to a minimum of two.	The Board of Directors comprises eight Directors seven of whom are Non-Executive Directors.
Independent Directors	7.10.2 (a)	Number of Independent Directors – One-third of Non-Executive Directors, subject to a minimum of two.	Three of the Non- Executive Directors are independent.
	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non-independence.	Independent Non-Executive Directors have submitted declarations confirming their Independence.
Disclosures relating to Directors	7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Please refer pages 23 to 25.
	7.10.3 (b)	The Board shall make a determination annually as to the Independence or Non-Independence of each Non- Executive Director. In the event a Director does not qualify as " independent" the Board shall specify the criteria not met and the basis for its determination in the Annual Report.	Complied
	7.10.3 (c)	A brief resume of each Director should be included in the Annual Report including the area of experience.	Please refer Board of Directors section of this report on pages 23 to 25.
	7.10.3 (d)	Provide brief resume of any new Director appointed to the Board.	Please refer Board of Directors section of this report on pages 23 to 25.
Remuneration Committee Composition	7.10.5 (a)	Number of Independent Non-Executive Directors in the Committee to be – a minimum of two (where a Company has only two Directors on the Board), or in all other instances majority of whom to be independent. Separate Committee to be formed for the Company or the Listed Parent's Remuneration Committee to be used. Chairman of the Committee to be a Non-Executive Director.	The Committee Includes three Non-Executive Directors out of them two are Independent Non-Executive Directors A separate Remuneration Committee was formed for the Company. The Board of Directors has appointed an Independent Non-Executive Director as the Chairman of the Committee.
Functions	7.10.5 (b)	Function of the Committee. The committee shall recommended the remuneration payable to the Executive Directors and Chief Executive Officer	The Remuneration Committee Report sets out the functions of the Committee.

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Section	Rule No	Corporate Governance Rule	Details of Compliance
Disclosure in the Annual Report	7.10.5 (c)	The Annual Report should set out – <ul style="list-style-type: none"> Names of Directors comprising the Remuneration Committee Statement of Remuneration policy Aggregate remuneration paid to Executives and Non-Executive Directors 	<p>Please refer page 191</p> <p>Please refer page 191</p> <p>Please refer page 238</p>
Audit Committee			
Composition	7.10.6 (a)	Number of Independent Non-Executive Directors in the Committee to be – <ul style="list-style-type: none"> a minimum of two (where a Company has only two Directors on the Board), or in all other instances majority of whom to be independent. 	The Committee comprises four Directors of whom three are Independent Non-Executive Directors.
		Separate Committee to be formed for the Company or the Listed Parent's Committee to be used.	A separate Audit Committee was formed for the Company.
		Chairman of the Committee to be a Non-Executive Director.	The Board of Directors has appointed an Independent Non-Executive Director as the Chairman of the Committee.
		Chairman or one member of the Committee to be a member of a recognised professional accounting body.	Board Members of the Committee are members of a recognized professional accounting body.
		CEO and CFO to attend Committee meetings, unless otherwise determined by the Audit Committee.	CEO and CFO attend by invitation.
Functions	7.10.6 (b)	Function of the Committee.	The Audit Committee Report sets out the functions of the Committee.
Disclosure in the Annual Report	7.10.6 (c)	Names of Directors comprising the Audit Committee <p>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>The Annual Report shall contain a Report of the Audit Committee in the prescribed manner.</p>	Please refer pages 186 to 187
Public Holding	7.13.1(a)	In case of float adjusted market capitalization is below Rs. 2.5bn, public holding percentage should maintain minimum at 20% and the minimum 500 public shareholders.	<p>Complied</p> <p>There were 6,907 public shareholders as at the year end.</p>

Section	Rule No	Corporate Governance Rule	Details of Compliance
Related Party Transactions Review Committee Composition	9.2.2	Combination of non-executive directors and independent non-executive directors. The committee may include executive directors. The composition of the committee may also include executive Directors, at the option of the listed entity. One independent Non - Executive Director Shall be appointed as chairman of the committee.	The Committee comprises of two Independent Non-Executive Directors and one Executive Director of the parent company. The Senior Independent Non Executive Director of the company attend the meetings by invitation
	9.2.3	Separate Committee to be formed for the Company or the Listed Parent's Committee to be used.	Board of Directors of Singer Finance have resolved to permit the Related Party Transactions Review Committee of the parent Company to function as the Related Party Transactions Review Committee of the Company and appointed Mr. J.A Setukavalar – Senior Independent Non-Executive Director to represent the Company at the BRPTRC.
Functions of the Committee.			The Related Party Transactions Review Committee Report sets out the functions of the Committee.
	9.2.4	Related Party Transactions Review Committee - Meetings. The Committee shall meet at least once a calender quarter.	Partly Complied Refer Committee Report on page 192 to 193.
Disclosure in the Annual Report	9.3.2 (a)	Non-recurrent Related Party Transactions if aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower	Complied No such transactions took place.
	9.3.2 (b)	Recurrent Related Party Transactions – If aggregate value exceeds 10 % Gross/income as in the latest audited accounts	Complied Please refer share information in page 276.
	9.3.2. (c)	The Annual report shall contain a Report of the Related Party Transactions Review Committee in the prescribed manner.	Please refer Related Party Transactions Review Committee report on page 192 to 193.
	9.3.2 (d)	A declaration by the Board of Directors as an affirmative statement of the compliance with the rules pertaining to related party transactions	Complied Please refer page 192 to 193.

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Name of Director	Board Meetings	Audit Committee	Integrated Risk Management Committee	Related Party Transaction Review Committee (Singer (Sri Lanka) PLC)	Nomination Committee	Remuneration Committee	Credit Committee
Mr. Aravinda Perera - Chairman/NED	12/12	03/04	-	-	-	01/01	-
Mr. Jayendran Setukavalar - Senior INED	10/12	04/04	-	(by invitation) 03/03	-	01/01	-
Mr. Priyath Salgado- INED	10/12	04/04	03/04	-	-	-	03/03
Mr Jayanth Perera- INED	10/12	03/04	04/04	-	-	01/01	-
Ms. Darshini Talpahewa- NED	12/12	-	-	-	-	-	-
Mr. Sadeep Perera- NED	10/12	-	-	-	-	-	-
Mr. Gavin Walker- NED- resigned on 10th August 2018	00/04	-	-	00/01	-	-	-
Mr. R S Wijeweera- Chief Executive Officer/ED – retired on 30th June 2018	03/03	-	-	-	-	-	-
Mr. Thushan Amarasuriya- appointed Director/ CEO on 01st July 2018	09/09	-	04/04	-	-	-	02/03
Mr. M. H. Wijewardene - appointed on 21st February 2019	02/02	-	-	01/01	-	-	-
Mr. Deepal Sooriyarachchi*- INED	-	-	-	03/03	-	-	-
Mr. D. K. De S. Wijeyeratne* – INED	-	-	-	03/03	-	-	-
Mr. Asoka Pieris - ED - Resigned on 31st October 2018	-	-	-	01/01	-	-	-

Name of Director	Board Meetings	Audit Committee	Integrated Risk Management Committee	Related Party Transaction Review Committee (Singer (Sri Lanka) PLC)	Nomination Committee	Remuneration Committee	Credit Committee
Mr. Lalith Yatiwella (Alternate Director to G. J. Walker) - ceased to be alternate director on 10th August 2018	03/04	-	-	-	-	-	-
Mr. Thushan Amarasuriya- Alternate Director to Mr. R.S Wijeweera – ceased to be alternate on 30.06.2018	N/A	-	-	-	-	-	-
Mr. Shyam Ramanathan- Alternate Director to Mr. Sadeep Perera - resigned on 24th April 2018	0/01	-	-	-	-	-	-
Mr. Chandana Samarasinghe- Alternate Director to Ms. Darshini Talapahewa - resigned on 31st December 2018	N/A	-	-	-	-	-	-
Mr. Lalith Yatiwella (Alternate Director to Ms. Darshini Talapahewa) - appointed on 21st February 2019	N/A	-	-	-	-	-	-

* Directors of parent company

Note - Date of appointment are given in respective committee reports

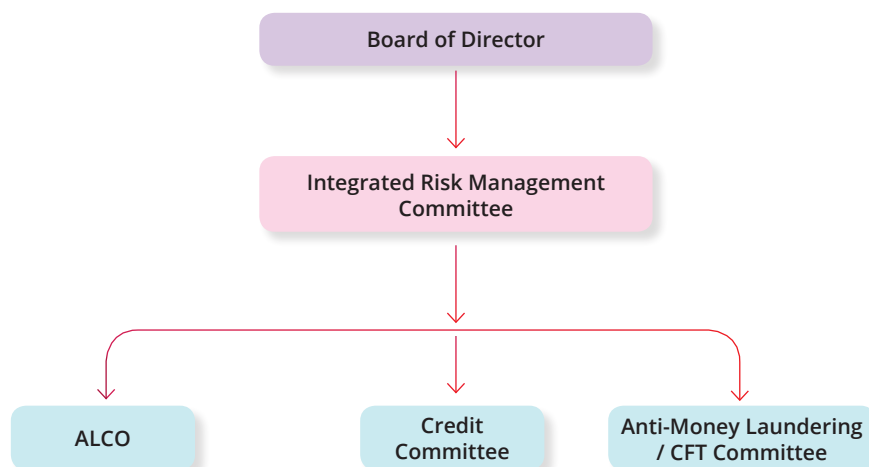
RISK MANAGEMENT

The corporate journey of Singer Finance over the last 15 years represents responsible growth. A solid and effective integrated risk management framework is the cornerstone of this success. We recognise that risk management incorporated into every aspect of our business while complying with regulations will equip us to move ahead capturing emerging growth opportunities, broadening market share, creating long term value and protecting the interests of all stakeholders.

Risk Governance

Board of Directors

The Board is responsible for upholding of prudent risk management mechanisms and systematic implementation of the risk framework in the Company. The Board provides oversight over the risk management function through the Integrated Risk Management Committee and the corporate management of the Company.



As the Board remains the ultimate responsibility of risk management, the Board reviews effectiveness of the Risk Management Framework to ensure that it is update and relevant to dynamic parameters of the external environment. The Board is also responsible for setting the Risk Appetite levels which is implemented by the corporate management. The Board has delegated some of the responsibilities in this area to the relevant Board Sub-Committees which report to the Board on the current risk status of the Company on a periodic basis. The Integrated Risk Management Committee (IRMC) monitors material risks and relevant risk appetites which require Board's attention.

Roles played by the Committees in Risk Management

Integrated Risk Management Committee

- Assists the Board in fulfilling its role in risk management.
- Determines risk appetite, monitors and manages key risks and reviews approach towards risk management.

Audit Committee

- Reviews Company wide risks from an independent perspective and is a part of the third line of defence against all risks. Evaluates and reviews the adequacy of internal controls and reviews the compliance level to internal and external regulations.
- Reviews the adequacy of Compliance with statutory and Corporate Governance requirements.

Credit Committee

- Oversees Management's establishment of appropriate systems to support measurement and control of Credit risk and periodic review on management strategies, policies and procedures for managing credit risk
- Review transactions with high credit risks and monitors material value and overdue accounts. Reviews credit policy in the light of new developments and evaluates the overall credit risk attached to the lending portfolio of the Company.

Assets & Liability Committee

- Oversees and manages the liquidity position and related risks including interest rate risk.

Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) of Singer Finance is a Board subcommittee responsible to the Board for overseeing the risk management function in accordance with Board approved policies and strategies. IRMC is responsible for ensuring that suitable policies are developed for risk management company-wide. The Committee interacts with the Board of Directors, the Credit Committee, the ALCO and the AML/CFT Committee on risk management related activities.

Besides two independent non-executive directors and the Chief Executive Officer as the Board representatives, the IRMC is attended by Chief Operating Officer, Head of Finance, Chief Credit and Recoveries Officer and Compliance Officer by invitation.

Risk Management Framework

To effectively and efficiently deliver its core purpose, Singer Finance has in place a comprehensive and detailed risk management framework. We use a four-step approach to address all risks that will affect our business by identifying, measuring, monitoring and controlling the principal risks assumed in conducting its activities.

The objectives of the risk management framework are as follows:

- To safeguard financial and non-financial value and ensuring financial stability.
- To identify risks and mitigate the harmful effects of such risks prior to it becoming a reality.

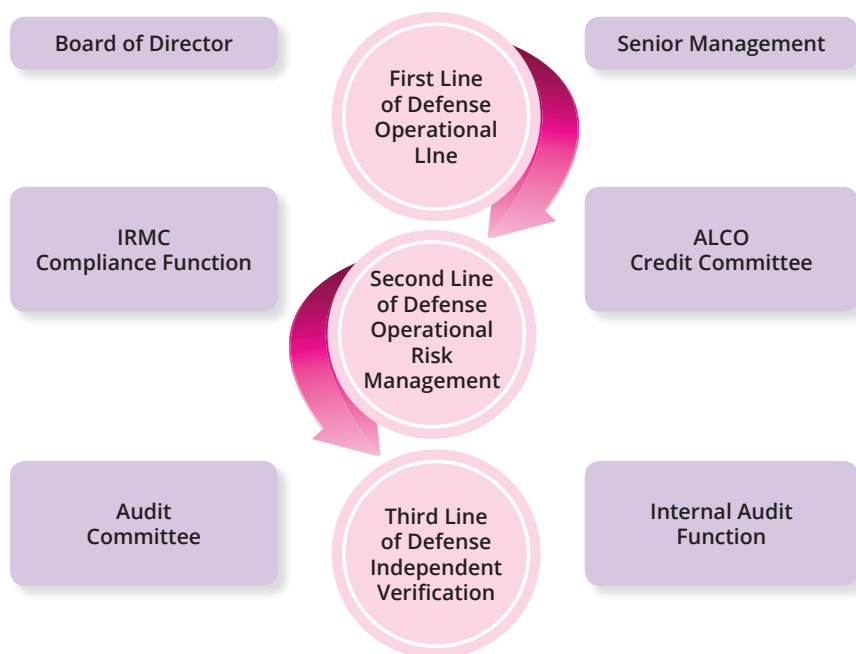
- Protecting Singer Finance against possible losses and taking a proactive stance to tackle future developments.

Risk management goals and objectives are translated into framework, policies, methodologies, allocation of responsibilities, and governance standards. These are cascaded down to each level and embedded into individual responsibilities.

Three Lines of Defense

Singer Finance manages its Risk Management Framework through its Three Lines of Defense strategy. This protects the Company from unexpected risks and protects the organization's assets in the longer term. Every employee is held accountable for managing risk within the capabilities as illustrated which in turn promotes a strong risk culture across the organization.

RISK MANAGEMENT



Creating a Risk Management Culture by Building Awareness and Responsibility

Our employees understand that risk is an inherent part of business. The Company maintain an effective ongoing dialogue across functional departments to ensure that people are aware of the risks inherent in their areas of responsibility and cognisant of their roles as individuals in managing and monitoring risk. The Risk Strategy of the Company is communicated across the Company to ensure that the appropriate risk mitigating measures are carried out at every level of the organisation.

Risk Management Highlights of 2018/19

Company conducted ALCO, Credit Committee and AML/CFT Committee meetings regularly to ascertain risks of the Company

Outcomes of above committee meetings are reported to the Board through IRMC.

After the Easter bombing in April, a Security Committee was formed to mitigate the security risk in the physical locations of the Head office and branches.

Fire drills were conducted at branches to train employees to act in an emergency caused by fire

Company has Policies covering Clear desk, Clear screen and access control

Access control was introduced to the new building in view of the new security arrangements and the fact that the Company is now housed in a separate Head Office Building.

Risk Strategy

As a Licensed Finance Company (LFC) the scope of our business is exposed to multiple risks. In response to these risks and to mitigate the harmful effects of these risks we have developed a structured approach to manage risks and the risk appetite levels. Our risk management strategy is further supported by allocation of resources, formation of committees to ensure governance. Further we strive to embed risk management in our key strategic and operational decision-making processes.

Risk Appetite

Singer Finance defined the risk appetite by setting out measurable targets and thresholds which define the maximum level of risks that Singer Finance is willing to take in the process of engaging the business activities of the Company. The Risk Appetite ensures that the Company works within the Board approved tolerance limits for each material risk category. These limits are set based on discussions between Business Heads and relevant Board Sub-Committees. These limits are reviewed periodically and are always approved by the Board of Directors. The Company maintains a zero appetite for non-compliance with regulatory and non-compliance while it has set acceptable tolerance levels for other risks.

The risk exposures we face as a financial services firm on a containing basis include Strategic, Credit, Market, Operational and Liquidity risks.

Credit Risk

Credit risk is the most significant risk faced by a financial institution like Singer Finance, engaging in offering a portfolio of business and consumer

credit products.

Credit risk refers to the risk that a borrower may not repay what is due on a loan, lease or a credit card and the loss of the principal of the loan or the interest associated with it.

These losses that create a negative impact on the value of our credit portfolio may arise due to default or an overall deterioration in credit quality.

The major drivers of credit risk are default risk, concentrations risk and correlation risk. The latter arises from common risk factors between different borrowers, industries, or sectors which may lead to simultaneous default.

In recognizing that effective credit risk management is a critical component of risk management essential to the sustainable success of the Company, we have adopted comprehensive credit risk management practices that strengthen our assets quality and optimise the capital charge.

Managing Credit Risk

The Credit Policy and Manual governing all credit risk related activities of the Company is the foundation for creating awareness among employees at all levels. From top management to those at the operational level, our employees are required to be familiar with the credit risk policies and procedures of the Company.

The highest authority in credit approval is vested with the Board of Directors. Under the purview of the Board, the Credit Committee regularly reviews the exposure limits of the Company to maintain credit quality and recommends appropriate measures to the Board.

Singer Finance has a structured and standardised credit approval process and a borrowers evaluation model that we use to assess risk associated with credit proposals.

We have introduced a risk-based approach to achieve an appropriate balance between risk and reward while continuing to enhance our risk management capabilities to support the achievement of corporate objectives.

Portfolio Management

Taking a portfolio management approach to credit risk enables us to reap the benefits of diversification and to limit concentration of exposure and associated adverse impacts.

Singer Finance has systems in place for identifying credit weakness and deterioration in credit quality well in advance through periodic monitoring, evaluating portfolio quality and tracking the migration of borrowers from one rating scale to another. These measures enable us effectively to manage the Company's credit portfolio.

Segmentation

The geographic spread of risk for Singer Finance is broad and island wide as our loan portfolio consists of credit originating from all branches of the Company and from the Head Office.

We are in the process of refining the segmentation of our loan book further with a view to improving the assessment of the portfolio credit risk in a more proactive manner. This means developing even more effective strategies for risk management and mitigation.

Continuing Emphasis on Asset Quality

The Company continuously emphasises the critical value of good asset quality.

From the inception, the management of Singer Finance has maintained a laser focus on the effectiveness of our systems and controls for identifying, monitoring and addressing asset quality in a timely manner.

This focus has certainly borne fruit, as Singer Finance non-performing asset levels are significantly below the industry.

Provisioning Policies

We make provisions for non-performing loans and advances based on a continuous review of our portfolio in accordance with applicable Accounting Standards and Regulations imposed by the Central Bank of Sri Lanka. The provisioning policy of the Company is elaborated under the Accounting Policies in page 229 to 233 in this Annual Report.

Concentration Risk

Identifying the concentration of exposures in our credit portfolio is an important aspect of credit risk management. Concentration risk arises due to two forms of imperfect diversification.

Name Concentration risk relates to the imperfect diversification of idiosyncratic risk in the portfolio due to large exposures to specific individuals.

We manage Name, Concentration by monitoring and stipulating prudential risk limits on various risk parameters including single borrower limits.

Sector Concentration Risk arises from imperfect diversification across sectors

At Singer Finance, we manage Sector Concentration Risk by setting sector and industry exposure limits. The wide geographical spread of our branches and the service center network also plays a key role in helping manage the

RISK MANAGEMENT

potential risks of sector concentration. We are continuing the drive to open new branches in new areas with growth potential, as it also helps spread our risks among various sectors. This is particularly helpful in mitigating risks arising from natural disasters, floods, droughts, landslides that affect the agricultural sector.

At present, the Company's credit portfolio is split between consumer and business sectors. The new products, credit cards and gold loans further reduce our reliance on business customers, spreading risk.

Market Risk

Market risk arises due to adverse changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices. Mismatches carried in interest rates, currency and equity products exposed to general and specific market movements and volatility of interest rates, foreign exchange rates and equity prices generate market risk to the Company.

Managing Market Risk

Singer Finance uses a multi-pronged approach to managing market risk.

We manage interest rate risk arising from our day to day lending activities and deposit acceptance using proper classifications, valuation, accounting and reporting measures.

We exercise effective controls over the operation and execution of market-related transactions while facilitating business growth within our transparent risk management framework.

We keep a critical focus on ensuring that the Company's overall risk exposure so that it is maintained at prudent levels and remains consistent with available capital at point in time.

We place great emphasis on compliance with regulatory requirements as we recognize that they have been established especially for the purpose of limiting risk for non-bank financial institutions such as ours.

Interest Rate Risk

Interest rate risk is the risk where changes in the market interest rates may adversely affect a company's financial condition. The impact of changes in interest rates affects the Company's earnings in the near term. The long-term impact would be on the Company's net worth as the economic value of its assets and liabilities linked to different rates gets affected by the movement in the market interest rates.

Managing Interest Rate Risk

We closely monitor the Company's Net Interest Margin (NIM) for variance, and take appropriate remedial action. This has enabled Singer Finance maintain our NIM at an acceptable level, ensuring that projected earnings of the Company fall well within the expected levels. The Company uses gap analysis to measure the re-pricing risk of our assets and liabilities. This give us an indication of the impact of interest rate changes on the profitability of the Company. Based on the outcome of the gap analyses, the Company takes measures to mitigate potential adverse impacts. Interest rate is managed with different products such as Leasing, Consumer Financing (Group Sales and Mega), Loans, Gold Loans and Factoring. Although out of the entire receivable portfolio, about 80% is leasing, the leasing portfolio is divided among various sectors, products, geographies by allocating exposure limits to manage risk.

In order to match longer term receivables, the company has obtained long term financing to manage the maturity gap. Further, the company focuses on increasing the FD portfolio

to broad base its borrowings. Company is focusing to canvass more Savings (Children and Normal) as the cost of borrowings is low.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting its obligations on financial liabilities as and when they fall due. Liquidity risk brings with it the possibility that the Company may need to sell assets at a value below their underlying worth or may result in inability to exit from the liabilities.

Managing Liquidity Risk

The Company manages liquidity risk in accordance with the regulatory guidelines set by the Central Bank of Sri Lanka. Efficient cash flow management, maintaining a highly liquid assets portfolio as required by regulations and adopting a prudent funding strategy helps the company manage liquidity risk effectively. We monitor our liquidity ratios continuously to adhere to internal guidelines and regulatory requirements.

The Company ensures it has access to diverse sources of liquidity to allow us the flexibility in meeting our obligations as they fall due.

Fixed deposits form a significant part of the Company's ongoing sources of funding. In recognizing the importance of this segment to our overall profitability as well as liquidity, the Company strives to sustain and grow this segment of our portfolio.

Singer Finance also has the option of managing liquidity by borrowing from banks as well as its Parent Company, Singer (Sri Lanka) PLC.

Overall, the Company follows a conservative approach to managing liquidity by having in place a healthy governance structure, policy framework and review mechanism that ensures the

availability of adequate liquid resources even under stress market conditions.

Operational Risk

Operational risk is the direct or indirect losses resulting from inadequate or failed internal processes, people, systems and the impact of external events. The Company recognises the significance of operational risk inherent in all areas of our business.

As part of the Integrated Risk Management Committee reviews, the Company prepares an Operational Risks Heat map in which identified risks are rated in terms of their potential impact, likelihood of occurrence, level of vulnerability and the speed of onset.

Besides the potential adverse changes in the business environment in which the Company operates, the Integrated Risk Management Committee of Singer Finance has identified, at the end of the period under review, a number of areas that pose a significant level of operational risk to the company.

These include information security breaches, potential privacy violations, credit card tampering, risks stemming from outsourced operations and contractors, potential issues with compliance in respect of Anti-Money Laundering and Combating Terrorist Financing especially in respect of corporate customers and the implementation of Customer Due Diligence procedures.

Fire hazards at some Company locations, inadequacies in certain operational procedures, inadequate knowledge and training on new products and the inability to attract suitable personnel have been highlighted in the Company's Operational Risks Heat Map.

On an ongoing basis, the Company is committed to minimising the exposure to operational risks. This is achieved by implementing improved management and measurement approaches including systems that ensure operational risks highlighted are promptly dealt with in a suitable manner to mitigate their effects.

Operational Risk Management Framework

The Company's Operational Risk Management Framework ensures the consistent application policies, procedures and systems for identifying, measuring, monitoring, reporting and controlling operational risk. It is also geared towards ensuring that all new or changed activities such as the introduction of new products, new services, system conversions and implementations are evaluated for operational risks prior to implementation.

The Company organization culture places a high priority on effective operational risk management and adherence to sound operational controls. Ownership, management and accountability of operational risk rests with the business and functional heads.

Information Security

Securing and protecting Singer Finance against data breaches, online privacy violations and safeguarding the Company and its operations overall from the adverse effects of malicious actors operating in the cyber environment is an ongoing challenge.

A well-defined, up to date, and strong IT Security Policy ensures that all critical systems are protected against known

security threats.

Other information security measures

The Company educates employees on the importance of data security, integrity and privacy and enforces secure password algorithms.

The company has installed and maintains up to date anti-virus software for servers, at Head Office, and at branches.

Regular IT audits and disaster recovery drill testing are part of company IT Security procedures.

As part of the Business Continuity Plan, regular database backups are taken and stored at an offsite location from the Head Office. The company also maintains encrypted database backups to secure company and customer information.

The IT Security Policy also ensures that any new products and services to be introduced by the company and new systems that are integrated into the Company IT infrastructure are validated and tested thoroughly before implementation. The Company's Information Technology Division proactively implements policies and puts in place procedures that enhance and maintain information security controls and systems.

The Company implements policies and procedures to safeguard the confidentiality of information. All Singer Finance employees are made aware of the importance of the security of information and confidentiality. Certain critical information is made available only to selected employees. The ethical values that the Company propagates also stress the need to maintain

RISK MANAGEMENT

confidentiality.

Business Continuity Plan

A key function of risk management is to ensure business continuity; ensuring that the company is able to recover with speed from any crises it encounters and get back to normal operations.

A comprehensive Business Continuity Plan (BCP) that is being developed is a plan of actions that spells out the processes, procedures and systems which are essential to continue or restore the operations of the Company in the event of disasters, defined by several levels of severity.

As part of its BCP, Singer Finance maintains a real time, online data replication system in an external location. In the event of any unforeseen disability of the main system, the Company is now in a position to operate the IT system to continue its operations without setbacks.

As a key requirement of the Company's BCP, a comprehensive disaster recovery center has been commissioned outside the Company premises with alternate arrangements to facilitate continuing key operations in the event of various pre-defined scenarios.

Internal and External Audit

Audits—internal and external—are crucial elements in our risk management process.

The Board appointed Audit Committee of the Company reviews and takes prompt action on significant risks that have been identified and highlighted by audit reports. The reporting structure of the Internal Audit function given in the pages 186 to 187.

The Company's system of internal controls covers all policies and procedures, enabling significant

strategic and operational risks to be managed effectively.

Insurance

The Company uses insurance effectively as part of its risk mitigation toolbox. Where feasible and appropriate, the Company uses insurance policies to transfer the risk of high severity losses arising from fraud and external events beyond the Company's control, including natural disasters, theft, burglaries,

Compliance

Compliance risk is the risk of failure to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct, which apply to the Company's business.

At Singer Finance, compliance describes the way we do business, the way we make decisions and the way we act in order to uphold integrity throughout the Company. Adherence to the law and to internal regulations is the foundation of all our business activities.

The Company strives to the highest standard of compliance best practices to apply in all the areas we operate. In keeping with our core values, the Company endeavours to comply with the highest professional standards of integrity and behaviour which build trust. The Company is subject to extensive supervisory and regulatory governance by the Central Bank of Sri Lanka (CBSL).

The Compliance Officer of Singer Finance reports to the Board of Directors. The Compliance officer is responsible for ensuring management of compliance risk within the Company. Compliance risk is managed through internal policies and procedures which include legal, regulatory and other

technical requirements relevant to the business.

Regulatory Compliance

The Company considers compliance with the regulatory requirements and guidelines as core to its business and good governance. The Compliance Officer is responsible for regulatory compliance and also dissemination of regulatory instructions across the Company. As per the Corporate Governance Directives of the Central Bank, the Board ensures compliance with all prudential requirements, regulations, laws and internal controls affecting the Company.

During the period under review, there were no material non-compliance with prudential requirements, regulations, laws and internal controls pertaining to the Company except as stated in the Disclosures Report under the Finance Companies Corporate Governance Direction No. 3 of 2008 in page 185 of the report.

Anti-Money Laundering and Combating Terrorist Financing

The Company complies with the directives and legislative requirements of the Government of Sri Lanka including the due completion of the Know Your Customer (KYC) and Customer Due Diligence (CDD) documentation in respect of all our customers and transactions. Since the introduction of the Anti-Money Laundering (AML) and Combating Terrorist Financing (CTF) rules the Company continues to implement policies that enable us to fulfill our obligations in terms of customer identification and verification, record keeping, monitoring and the establishment and maintenance of an effective AML/CTF programme.

Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) is

an indication of a company's financial stability. Singer Finance complies with regulatory requirement for CAR as required by the CBSL and applies the standardised measurement method for Market Risk and Operational Risk. This framework requires risk weighted assets to be calculated for credit risk and operational risk as stipulated by The Central Bank of Sri Lanka. According to these proposals Tier 1 and Total Capital Adequacy Ratios should be within the benchmarks of 6% and 10% respectively. On these bases, our CAR is at a strong position, which is above the minimum required by the regulator for providing a healthy cushion against any potential losses.

Caveat

Although the key sources of risk and their mitigation procedures have been discussed in this document, no assurance can be given that the Company is fully-protected against all possible risks. As noted in the Report the best that can be achieved is reasonable management of risks through a sound operational framework that identifies, evaluates and mitigates the negative impact in a timely manner at multiple intervals. In this context, the Company is confident that all material risk factors have been adequately assessed and managed to ensure the uninterrupted and profitable continuity of the business.

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Remarks
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	Inner Back Cover	
	102-2 Activities, brands, products and services	82	
	102-3 Location of headquarters	Inner Back Cover	
	102-4 Location of operations	67	
	102-5 Ownership and legal form	Inner Back Cover, 212	
	102-6 Markets served	67	
	102-7 Scale of the organisation	8-9	
	102-8 Information on employees and other workers	70	
	102-9 Supply chain	Please use the QR code in page 3	
	102-10 Significant changes to the organisation and supply chain	N/A	There are no significant changes to the supply chain during the reporting period
	102-11 Precautionary principle	Please use the QR code in page 3, 85	
	102-12 External initiatives	Refer About this Report & Social & relationship Capital	
	102-13 Membership of associations	88-89	
	102-14 Statement from senior decision maker	15	
	102-16 Values, principles, norms and standards of behaviour	1, 86, 93, 100-103	
	102-18 Governance Structure	101	
	102-40 List of stakeholder groups	37-38	
	102-41 Collective bargaining agreements	N/A	The Company does not have collective bargaining agreements in place
	102-42 Identifying and selecting stakeholders	37-38	
	102-43 Approach to stakeholder engagement	39-49	

GRI Standard	Disclosure	Page number	Remarks
	102-44 Key topics and concerns raised	36	
	102-45 Entities included in the consolidated financial statements	N/A	We do not have subsidiaries or associates
	102-46 Defining report content and topic boundary	36-49	
	102-47 Material topics	36	
	102-48 Restatement of information	N/A	There are no restatements in sustainability reporting criteria
	102-49 Changes in reporting	No Changes	
	102-50 Reporting period	6	
	102-51 Date of most recent report	7	
	102-52 Reporting cycle	6	
	102-53 Contact point for questions regarding Report	6	
	102-54 Claims of reporting in accordance with GRI Standards	7	
	102-55 GRI context index	178-182	
	102-56 External assurance		Voluntary reporting under GRI guidelines

Management Approach

GRI 103: Management Approach

103-1 Explanation of material topics and its boundaries	36
103-2 The Management Approach and its components	39-49
103-3 Evaluation of the Management Approach	39-49

Material topics

Economic Performance

GRI 201: Economic Performance

201-2- Financial implications and other risks and opportunities due to climate change	N/A	Being in the industry of Financing , climate change does not have a significant impact on our business. Accordingly during the reporting period, no records were maintained to catalogue the effect of climate change on our business.
201-3 Defined benefit plan obligations and other retirement plans	224-225	

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Remarks
Market Presence			
GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	78	There is no entry level wage rate imposed on financing industry. However, Company's entry level wage is higher than the national minimum wage rate and offer equal pay for equal work without discrimination between men and women.
	202-2 Senior management hired from the local community	88	All senior managers of the Company are local hires (Sri Lankan).
Anti – Corruption			
GRI 205: Anti - Corruption	205-1 Confirmed incidents of corruption and actions	N/A	No incidents of corruption were reported in 2018/19 financial year
	205-2 Communication and training about anti-corruption policies and procedures	N/A	Given knowledge to the Board of Directors about Cyber Security by hired consultant.
Anti – Competitive Behaviour			
GRI 206: Anti – Competitive Behaviour	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	N/A	No legal actions against the company.
Energy			
GRI 302: Energy	302-1 Energy consumption within the organization	96-97	
Biodiversity			
GRI 304: Biodiversity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	No branch is located in protected areas.
Environmental Compliance			
GRI 307: Environmental Compliance	307-1 Non-Compliance with environmental laws and regulations	N/A	No fines and non-monetary sanctions for non-compliance with environmental laws and regulations.
Employment			
GRI 401: Employment	401-1 New employee hires and employee turnover	70,73	

GRI Standard	Disclosure	Page number	Remarks
	401-2 Benefits provided to full-time employees that are not provided to temporary or part time employees	74	
Labour / Management Relations			
GRI 402: Labour / Management Relations	402-1 Minimum notice periods regarding operational changes	N/A	Adequate notice given as required
Occupational Health and Safety			
GRI 403: Occupational Health and Safety	403-1 Occupational Health & Safety management system	79	We do not have an occupational health and safety management system but we have set-out clear guidelines to ensure the safety of all those within our premises at any given time.
	403-3 Occupational health services	79	
	403-9 Work-related injuries	N/A	No reported incidents during the reporting period.
Training and Education			
GRI 404: Training and Education	404-1 Average hours of training per year per employee	70, 76-77	
	404-2 Programmes for upgrading employee skills and transition assistance programmes	76-77	
	404-3 Percentage of employees receiving regular performance and career development reviews	77	
Diversity and Equal Opportunity			
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	73	
	405-2 Ratio of basic salary and remuneration of women to men	78	
Human Rights			

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Remarks
GRI 406: Non - Discrimination	406-1 Incidents of discrimination and corrective actions taken	N/A	No reported incidents during the reporting period.
Child Labour			
GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	N/A	We have not recruited any child labour.
Local Communities			
GRI 413: Local Communities	413-1 local community engagement, impact assessments and development programs	83	
Customer Health and Safety			
GRI 416 : Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	N/A	As a service organization, health and safety impacts of our products & service categories cannot be assessed.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	N/A	
Marketing and labelling			
GRI 417: Marketing and labelling	417-3 Incidents of non-compliance concerning marketing communications	83	No incident was reported during the reporting period in this regard.
Customer Privacy			
GRI 418-1 Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	84	Not received any sustained complaints regarding this.
Socioeconomic Compliance			
GRI 419-1 Socioeconomic Compliance	419-1 non-compliance with laws and regulations in the social and economic area	N/A	No incident of fines or non-monetary sanctions for non-compliance with laws and regulations in the social and economic area were reported during the period.

DISCLOSURE REPORT UNDER FINANCE COMPANIES CORPORATE GOVERNANCE DIRECTION NO. 3 OF 2008

Finance Companies Corporate Governance Direction No.3 of 2008 and Finance Companies Corporate Governance Amendment Direction No.4 of 2008, sets out the Corporate Governance Guidelines and Directions of the Central Bank of Sri Lanka. All Finance Companies are required to be compliant with the said Directions.

This report aims to disclose a selected set of Directions that the guideline requires explicit disclosure by way of a certification.

Reporting to Central Bank

- The Company hereby certifies that Weekly, Monthly, Quarterly and Annual prudential reports were submitted to the Financial Information Network (FinNet) on a timely manner and that there are no penalties affected on the Company due to late submission.
- The Company also certifies that the aforementioned prudential returns and other information submitted to the Central Bank of Sri Lanka contains accurate information and does not include any material and intentional misstatements.
- Large transactions report due to be submitted to the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka has been submitted on a bi monthly basis as per requirement.

Disclosure Under Direction No.3 of 2008

- It is hereby certified that the Company is in compliance with prudential requirements, regulations, laws and internal controls. There was no necessity to take any corrective action on non-compliance during the period under review.
- It is hereby certified that no supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have occurred that required communication to the Director of the Department of Supervision of Non-Bank Financial Institutions, except for an instance of Non Compliance in relation to Finance Companies (Single Borrower Limit) Direction No.4 of 2006/1 which is disclosed below, under Deviations with the Act, Rules and Directions.
- It is hereby certified that the Company is in compliance with the Act, rules and directions issued by the Monetary Board during the period under review, except for the deviation mentioned below.

Deviations with the Act, Rules and Directions

Under the Finance Companies (Single Borrower Limit) Direction No. 4 of 2006/1, the value of unsecured accommodations granted to and outstanding at any point of time from all borrowers should not exceed 5% of the capital funds as shown in the last audited balance sheet. However, as of 31/03/2019, this balance has been exceeded in the Credit Card product. Please refer page 273 for more details.

Measures taken by the Company to Address the Reported Deviation

The Company has written to the Central Bank of Sri Lanka, proposing alternate options of overcoming the limitation placed by this direction. At the same time, Management is working on a course of action to align within the framework of the above direction.



Thushan Amarasinga
Chief Executive Officer



Jayendran Setukavalar
Chairman - Audit Committee



Suranga Jayaweera
Senior Manager - Compliance

Colombo
06th May 2019

AUDIT COMMITTEE REPORT

Preamble

The Committee is empowered to review and monitor the financial reporting process of Singer Finance (Lanka) PLC so as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective review. As such, the Audit Committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities on ensuring the quality of financial reporting and related communications to the shareholders and the public.

Composition of the Committee

Mr. Jayendran Setukavalar (Senior INED)
-Chairman

Mr. Priyath Salgado (INED)

Mr. Aravinda Perera (NED)

Mr. Jayanth Perera (INED)

The Board of Directors has established the audit committee in accordance with best practices on audit committees. As at year end, the Audit Committee comprised of three Independent Non-Executive Directors and One Non Executive Director of the Board. Hayleys Group Services (Pvt) Ltd functions as the Secretary to the Committee. Chief Executive Officer, Chief Operating Officer, Head of Finance, Chief Credit and Recoveries Officer and Senior Manager Compliance represent the management at the Audit Committee by invitation and when necessary, Audit Staff, Representatives of External and Internal Auditors and relevant operational managers attend the meetings by invitation.

Responsibilities and Duties of the Committee

The Audit Committees authority, responsibilities and specific duties have been formalised through an Audit

Committee Charter. By this, the Audit Committee is empowered among other things to examine any matters relating to the financial affairs of the Singer Finance (Lanka) PLC and to review the adequacy of the internal control procedures, coverage of internal and external audit programmes, preparation, presentation and adequacy of disclosure in the financial statements and Compliance with Statutory and Corporate Governance requirements. The Committee also assess the Company's ability to continue as a going concern in the foreseeable future.

The Committee also provides a forum for the impartial review of the reports of internal and external auditors and to take into consideration findings and recommendations stated therein, related to significant business and internal control risks.

The Audit Committee reviews significant business and internal control risks and suggests, where necessary, appropriate remedial measures.

The Committee and the Board reviews the Quarterly Financial Results to ensure compliance with mandatory, statutory and other regulatory requirements laid down by the authorities.

The Compliance Officer monitors the Singer Finance (Lanka) PLC compliance with the applicable laws and regulations, including any internal policy on code of conduct of its employees. Thus the committee ensures that a sound financial reporting framework, which is well monitored to give accurate, appropriate and timely information to the Board of Directors, Management, Regulatory Authorities and shareholders is in place.

Internal Audit

The internal audit function of the branches is outsourced to Messer's BDO Chartered Accountants. The Head office functions are audited by the Internal Audit division of the parent company headed by the Head of Risk Management. The internal auditors are responsible to review and report on the efficacy of the internal control system and compliance with statutory and other regulations and the Company's accounting and operational policies.

Meetings of the Committee

During the year, Four Audit Committee meetings were held to discuss the reports of the Internal and External Auditors, quarterly and Annual Financial Accounts. The Audited accounts were also discussed and recommended at the meeting held on 06th May 2019. The minutes of the meetings are tabled at the meeting of the Board of Directors for information and necessary action.

The committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company is well monitored.

External Auditors

The committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services do not impair their independence.

The Audit Committee recommended to the Board of Directors that Messrs KPMG Chartered Accountants be reappointed as the External Auditors for the year ending 31st March 2019 subject to the approval of the Shareholders at the Annual General Meeting.

Finance Companies (Corporate Governance) Direction No.3 of 2008

In terms of the Section 8 (2) 1 of the above direction the Chief Finance Officer, the Chief Internal Auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months; the committee shall meet with the external auditors without the Executive Directors being present. The Audit Committee Chairman last met with the external auditors without the presence of the Executive Directors and Management on the 21st March 2019.

Conclusion

Finally, I thank all the members who served on the audit committee during the year for their valuable contribution to the deliberations of the committee.



Jayendran Setukavalar

Chairman – Audit Committee

Colombo

06th May 2019

BOARD NOMINATION COMMITTEE REPORT

Role of the Committee

The main role and responsibilities of the Committee are to propose a suitable charter for the appointment and re-appointment of directors to the Board and to act in accordance with such Charter in proposing appointments and re-appointments. Such Charter shall cover areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict vis-a-vis the business of the Company etc.

Further, the committee reviews the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and makes recommendations to the Board with regard to any changes if necessary.

Composition and Quorum

Committee comprise of two Independent Non-Executive Directors and one Non-Executive Director. Chief Executive Officer of the Group attends by invitation. The Chairman of the Committee is an Independent Non-Executive Director appointed by the Board.

Mr. Jayanth Perera (INED)-Chairman

Mr. Aravinda Perera (NED)

Mr. Priyath Salgado (INED)

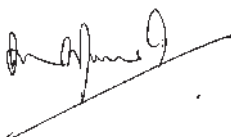
An Alternate Director who is also the Finance Director of the parent company functions as the Secretary to the Committee.

Meetings and Activities

During the reporting period, Nomination Committee meetings were not held, whereas appointments were approved by the Board via circular resolutions.

Conclusion

I wish to thank and place my record of appreciation to all the members who served in the committee during the year for their contribution to the deliberations of the committee.



Jayanth Perera

Chairman – Board Nomination Committee

Colombo
06th May 2019

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Role of the Committee

The main role and responsibilities of the Committee are to assist the Board in fulfilling its oversight responsibilities for all aspects of risk management. In this connection the Committee focuses on, and reviews risks such as credit, market, liquidity, operational and strategic risks through appropriate risk indicators and management information.

In addition to the above, the Committee is responsible for reviewing and/or recommending the following which are identified in the Charter of the Integrated Risk Management Committee:

- Review and oversee the risk and compliance profile of the Company within the context of the Board determined risk parameters.
- Make recommendations to the Board concerning the Company's risk appetite and particular risk or compliance management practice of the Company.
- Review and oversee the management's plan for mitigating of the material risks faced by the various business units of the Company.
- Oversee and review the implementation of risk management and regulatory compliance throughout the Company.

Composition and Quorum

The following Directors serve as the members of the Committee during the year under review:

Mr. Jayanth Perera (INED)-Chairman
Mr. Priyath Salgado (INED)
Mr. Thushan Amarasuriya (CEO)

Four executives representing different risk areas of the Company participate for the meeting. Group Head of Risk Management functions as the Secretary to the Committee.

The quorum of the Committee is three members.

The other members of the staff are invited to attend the meeting when the Committee requires their presence.

Meetings and Activities

The Committee met four times during the year under review.

The Committee is conscious, when carrying out its responsibilities, that the Company is in the business of taking risk. The aim of the Company and the Committee is therefore not to minimise risks but to optimise it by ensuring that risks being taken are, properly identified and understood, appropriate, relative to the scale and type of business, affordable, properly controlled and managed and earning an appropriate return.

The Committee works closely with the Audit Committee and reviews the Whistle-Blower Policy of the Company.

The Committee reports to the Board by way of minutes and provides recommendations when necessary. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and follow up action is taken on outstanding matters.

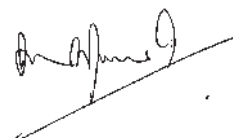
Anti-Money Laundering and Combating the Financing of Terrorism Committee (AML/CFT Committee)

In keeping in line with regulatory requirements the Company established an AML/CFT committee to oversee the risks associated with AML/CFT. The Committee comes under the aegis of the IRMC. The Chairman of this

committee is the Chief Executive Officer and the Senior Manager Compliance serves as the Secretary. The committee also comprises of the Chief Operating Officer, Chief Credit & Recoveries Officer, Head of Finance, Head of Risk Management, Operations Manager, Manager Deposits and Assistant Manager IT. Minutes of the quarterly meetings are escalated through the IRMC to the Board.

Conclusion

The Committee is of the view that the Company has made progress towards meeting the challenges of risk management and compliance, complying with International Standards. In view of accomplishing this task the above mentioned Risk Management Committee assesses the credit, market, liquidity, operational and strategic risks on a regular basis through appropriate risk indicators and management information.



Jayanth Perera

Chairman - Integrated Risk Management Committee

Colombo
06th May 2019

CREDIT COMMITTEE REPORT

Purpose

The Credit Committee (the 'Committee') of Singer Finance (Lanka) PLC (the 'Company') is responsible for exercising oversight of Senior Management's identification and management of the Company's credit exposures on an enterprise-wide basis and the Company's responses to trends affecting those exposures, and oversight of Management's actions to ensure the adequacy of the allowance for credit losses and the Company's credit-related policies.

Committee Authority and Responsibilities

In performing its oversight responsibilities as set forth above, the Committee shall oversee Management's establishment of policies and guidelines, to be adopted by the Board, articulating the Company's tolerances with respect to credit risk, and shall oversee management's administration of, and compliance with, these policies and guidelines. The Committee shall oversee Management's establishment of appropriate systems (including policies, procedures and management committees) that support measurement and control of credit risk, and shall periodically review management's strategies, policies and procedures for managing credit risk, including credit quality administration, and the establishment and testing of allowances for credit losses.

The Committee shall oversee Management's Administration of the Company's credit portfolio, including Management's responses to trends in credit risk, credit concentration and asset quality, and shall receive and review reports from Management regarding compliance with applicable credit risk related policies, procedures and tolerances.

The members of the Committee were:

Mr. Priyath Salgado (INED) - Chairman

Mr. Jeevaka Jayawardena - Secretary

Mr. Thushan Amarasuriya

Mr. Iman Perera

Mr. Ruwan Jayasuriya

Mr. Thilan Rupasinghe

Mr. Eraj Fernando

Conclusion

The Committee is of the view that the Company has made progress towards meeting the challenges of credit evaluation and the Management of the Company's credit exposures complying with best practices. Finally, I would like to thank all the members who served on the Credit Committee during the year for their valuable contribution to the deliberations of the Committee.

For and on behalf of the Credit Committee.



Priyath Salgado

Chairman - Credit Committee

Colombo

06th May 2019

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is appointed by the Board of Directors of the Company.

The Members of the Remuneration Committee;

Mr. Jayanth Perera (INED)-Chairman

Mr. Aravinda Perera (NED)

Mr. Priyath Salgado (INED)

The Remuneration Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. An Alternate Director who is also the Finance Director of the parent company functions as the Secretary to the Committee by Invitation. Group Chief Executive Officer attends the Committee by invitation. The Committee is chaired by an Independent Non-Executive Director. The Group Chief Executive Officer assists the Committee by providing the relevant information and participating in its analysis and deliberations.

The scope of the Committee is to “look into fees, remuneration and perquisites of the Chief Executive Officer, Independent Directors, Non Executive Directors and Executive Director of the Board of the Company and approve recommendations made by the Group Chief Executive Officer.

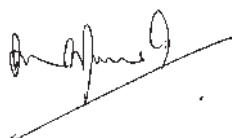
The Committee also reviews the policies pertaining to the remuneration and perquisites of the Executives of the Company.

A primary objective of the compensation packages is to attract and retain a highly qualified and experienced workforce and

reward performances. These compensation packages should provide compensation commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long-term shareholder returns.

The Committee meets from time to time and reviews the Company's remuneration and fee structures to assure alignment with strategic priorities and with compensation offered by comparative companies. The Committee met once during the period.

I wish to thank members of the Committee, the Group Chief Executive and former Group Chief Executive Officer Mr. Asoka Pieris, for their valuable contributions to the deliberations of the Committee.



Jayanth Perera

Chairman - Remuneration Committee

Colombo
06th May 2019

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Composition of the Board Related Party Transactions Review Committee

The Board of Singer (Sri Lanka) PLC, the Parent Company established the Related Party Transactions Review Committee (RPTRC) for Singer Group of Companies with effect from 25th February 2016 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules"). The establishment of a RPTRC with effect from 1st January 2016 was mandatory in terms of the Code. In terms of section 9.2.3 of the listing rules, in a situation where both the parent company and the subsidiary are listed entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary. Sighting this section of the listing rules, the Board of Directors of Singer Finance have resolved to permit the RPTRC of the parent company to function as the Related Party Transactions Review Committee of the Company and appointed Mr. Jayendran Setukavalar – Senior Independent Non-Executive Director to represent the Company at the RPTRC by Invitation. The Related Party Transactions Review Committee comprises of Two Independent Non-Executive Directors, and one Executive Director. The following Directors serve on the Committee.

Mr. Deepal Sooriyaarachchi - Chairman (INED)

Mr. Dilip K De S Wijeyerathne (INED) -appointed on 14th May 2018

Mr. M. H. Wijewardene - appointed on 05th February 2019

Mr. Gavin Walker (NED) – resigned w.e.f. 29th November 2018

Mr. Asoka Pieris (ED)-CEO-Singer Group – resigned w.e.f 31st October 2018

Mr. Jayendran Setukavalar (Senior INED of Singer Finance (Lanka) PLC) (By Invitation - Represents Singer Finance (Lanka) PLC)

The above composition is in compliance with the provisions of the Code regarding the composition of the Related Party Transactions Review Committee. Brief profiles of the members are given on pages 23 to 25 of this Annual Report.

Hayleys Group Services (Pvt) Ltd functions as the Secretary to the Parent Company's Board Related Party Transactions Review Committee.

Meetings

During 2018/19 the committee met thrice. Attendance by the Committee members at this meeting is given in the table on page 170 of the Annual Report.

Role and Responsibilities

The mandate of the Committee is derived from the Code and the Rules and includes the following

1. Developing a Related Party Transaction Policy consistent with the provisions of the Code and the Rules for adoption by the Board of Directors of the Company and its listed subsidiaries.
2. Reviewing in advance all proposed Related Party Transactions ("RPTs") within the Singer Group in compliance with the provisions of the Code
3. Advising the Board on making Immediate Market Disclosures and Disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Code and the Rules.

Policies & Procedures Adopted by the BRPTRC for reviewing Related Party Transactions (RPT's)

1. Relevant information to capture RPTs is fed into the Company data collection system.
2. All officers concerned are informed of the applicable regulatory requirements relating to the reporting of RPTs
3. Key Management Personnel (KMPs) and their Close Family members (CFMs) are identified half yearly together with their NIC numbers and business registration numbers. This information is in the system.
4. Systems are updated with KMP and their CFM details on a half yearly basis or as and when the need arises in the event of a material change.
5. Data is extracted from the system, verified and validated.
6. All managers are advised to report RPTs to the Secretary to RPTRC of the parent company who has been identified as the Focal Point, for this purpose.
7. Data is shared with the Finance Director of the parent company to meet the regulatory requirements if required.

Review Function of the Committee

Review of the relevant related party transactions was done commencing 15th November 2016. Further it has communicated its observations to the Board on the RPTs published in the Note No. 38 to the Financial Statements.

Reporting to the Board

The Minutes of the RPTRC meetings are tabled at Board meetings enabling all Board members to have access to same.

Appreciation

I appreciate the contribution made by Mr. Asoka Pieris and Mr. Gavin Walker who served as Members of the Committee and resigned during the year.

I wish to take this opportunity to thank all Members who served in the Committee and for their valuable contribution made to the deliberations of the Committee during the year.

On behalf of the Related Party Transactions Review Committee



Deepal Sooriyaarachchi

Chairman - Related Party Transactions Review Committee

Colombo
16th May 2019

AUDITOR'S REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
Internet : www.kpmg.com/lk

TO THE BOARD OF DIRECTORS OF SINGER FINANCE (LANKA) PLC

We were engaged by the Board of Directors of Singer Finance (Lanka) PLC ("the Company") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the Annual Report for the year ended 31st March 2019 as set out in pages 196 and 197 in the Annual Report.

Responsibilities of the Management and Those Charged with Governance for the Statement on Internal Control

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 10 (2) (c) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 by the Institute of Chartered Accountants of Sri Lanka.

Scope of the engagement in compliance with SLSAE 3051

Our responsibility is to issue a report to the Board on the Statement based on the work performed. We conducted

our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051 – Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.

(b) Reviewed the documentation prepared by the Management to support the Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(f) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

M.R. Mihutur FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekera ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.J. Perera FCSA(UK), LUB, Attorney-at-Law, H.S. Goonewardene ACA



Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

A handwritten signature of the KPMG firm, written in a stylized, cursive script.

CHARTERED ACCOUNTANTS

6th May 2019

Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

In line with the Finance Business Act No. 42 of 2011; Finance Companies (Corporate Governance) Direction No.03 of 2008; the Board of Directors presents this Report on Internal Control.

The Board of Directors (Board) is responsible for the adequacy and effectiveness of the Singer Finance (Lanka) PLC ('the Company') system of internal controls. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and Board appointed sub committees in accordance with the Guidance for Directors of Company on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability

of financial reporting, and that the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of Internal Control System on Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various appointed committees are established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit function of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is

reviewed and approved by the Board Audit Committee. Findings of the internal audit are submitted to the Board Audit Committee for review at their periodic meetings.

- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Division, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The Minutes of the Board Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company. Further, details of the activities undertaken by the Board Audit Committee of the Company are set out in the 'Board Audit Committee Report' which appears on pages 186 & 187.
- The comments made by the External Auditors in connection with internal control system during the financial year 2018/2019 were taken into consideration and appropriate steps will be taken to incorporate them where appropriate during the ensuing year.
- In assessing the internal control system, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.
- The Board has considered the requirements of the Sri Lanka Accounting Standard – SLFRS 9 on

"Financial Instruments" and has implemented necessary changes to the calculation of impairment of financial instruments by developing a model with the assistance of an expert hired for the purpose. SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' model. The day 1 impact was adjusted through the equity statement and the comparative in the balance sheet was not adjusted as allowed by the accounting standards.

Confirmation

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

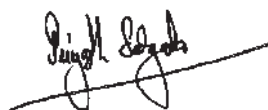
The External Auditors have reviewed the above Directors' Statement on Internal Controls included in the Annual Report of the Company for the year ended 31 March 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system over financial reporting of the Company.

By order of the Board



Jayendran Setukavalur

Chairman – Audit Committee



Priyath Salgado

Director



Thushan Amarasuriya

Director/CEO

Colombo
06th May 2019

BOARD OF DIRECTORS COMMUNICATION POLICY

Policy Statement

Singer Finance (Lanka) PLC (the “Company”) values the input and insights of all its stakeholders, including lenders , creditors , shareholders and borrowers and other interested parties and believes that effective communication strengthens the role of the Company's Board of Directors (the “Board”) as an active, informed and engaged body. To facilitate communication, this Policy outlines the procedures for communicating with the Board, its Committees and its members.

This policy has been approved by the Board of Directors and became effective from the 31st of March 2016. The Board of Directors will oversee this Policy and will review it and may recommend any changes from time to time. The Board can modify this Policy unilaterally at any time without notice.

Communications to the Board

Stakeholders and other interested parties can communicate with the Board as a whole, the independent directors, or any individual member of the Board or any Committee of the Board. All such written communications should be submitted by mail to the following address,

Hayleys Group Services (Pvt) Ltd

Company Secretaries
No 400, Deans Road,
Colombo 10

Procedures for Handling Communications to the Board

The Board has designated the Company's Board Secretary as its agent to receive and review written communications addressed to the Board, any of its Committees, or any Board member or group of members. The Board Secretary may communicate with the sender for any clarification. In addition, the Board

Secretary will promptly forward to the Chairman of the Audit Committee any communication regarding legal, ethical or compliance issues by management or any other matter deemed by the Board Secretary to be potentially material to the Company.

As an initial matter, the Board Secretary will determine whether the communication is a proper communication for the Board. The Board Secretary will not forward to the Board, any Committee or any Director communications of a personal nature or not related to the duties and responsibilities of the Board, including, without limitation, junk mail and mass mailings, business solicitations, opinion survey polls or any other communications deemed by the Board Secretary to be immaterial to the Company.

Separately, the parent Company's Audit Committee has established a Group Whistle-blower Policy for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, fraud and unethical business practices, sexual harassment/ misconduct, racial or religious discrimination and the confidential, anonymous submission by employees or any other concerned persons of concerns regarding questionable practices or events that would be harmful to the Company's progress and reputation.

Hayleys Group Services (Pvt) Ltd

Company Secretaries
No 400, Deans Road,
Colombo 10



Over the years, we have been growing in many parameters of financial success – reflecting our increasing profitability and stability.

FINANCIAL REPORTS

FINANCIAL CALENDAR | ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY
STATEMENT OF DIRECTORS' RESPONSIBILITY | INDEPENDENT AUDITORS' REPORT | STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME | STATEMENT OF FINANCIAL POSITION | STATEMENT OF CHANGES IN
EQUITY | STATEMENT OF CASH FLOWS | NOTES TO THE FINANCIAL STATEMENTS

Financial Calendar - 2018/19

Annual Report 2017/18	16th May 2018
Eleventh Annual General Meeting	28th June 2018
Interim Dividend Payment	29th March 2018

Interim Financial Statements in terms of listing Rule 8.3 of the Colombo Stock Exchange.

1st Quarter

For the three months ended 30th June 2018 (Unaudited)	08th August 2018
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2nd Quarter

For the six months ended 30th September 2018 (Unaudited)	01st November 2018
---	--------------------

3rd Quarter

For the nine months ended 31st December 2018 (Unaudited)	23rd January 2019
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4th Quarter

For the twelve months ended 31st March 2019 (Unaudited)	08th May 2019
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Annual Report & Annual General Meeting

Annual Report 2018/19 Approved on	06th May 2019
Twelfth Annual General Meeting	17th July 2019
Interim Dividend Payment	28th May 2019

Proposed Financial Calendar 2019/20

1st Quarter Results

For the three months period ending 30th June 2019 (Unaudited)	August 2019
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2nd Quarter Results

For the six months period ending 30th September 2019 (Unaudited)	November 2019
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3rd Quarter Results

For the nine months period ending 31st December 2019 (Unaudited)	February 2020
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4th Quarter Results

For the twelve months period ending 31st March 2020 (Unaudited)	May 2020
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Annual Report and Accounts for 2019/20

(audited)	June 2020
Thirteenth Annual General Meeting	June 2020

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

The Board of Directors of Singer Finance (Lanka) PLC has pleasure in presenting their Report on the affairs of the Company together with the Audited Financial Statements of the Company for the year ended 31st March 2019.

Review of the Year

The Chairman's Letter (pages 10 to 13), the Group Chief Executive Officer's Review (pages 14 to 17), Chief Executive Officer's review (Pages 18 to 21) and Management Discussion & Analysis (pages 51 to 57), describe the Company's affairs and mention important events that occurred during the year, and up to the date of this Report. The Financial Review on pages 58 to 65 elaborates the financial results of the Company. These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

Principal Activities

The principal activities of the Company consist of finance leasing, mobilizing of fixed and saving deposits, financing of consumer durables under loan scheme, providing gold loans, factoring business including invoice discounting, granting loans including Micro Loans and credit card business.

Independent Auditors' Report

The independent Auditors' report on the Financial Statements is given on pages 207 to 209 in this Annual Report.

Financial Statements

The Financial Statements for the year ended 31st March 2019 are prepared in accordance with Sri Lanka Accounting Standards, SLFRS/LKAS, issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of Section 151 of the Companies Act No.7 of 2007.

The Financial Statements duly signed by the Directors are provided on pages 210 to 277 in this Annual Report.

Accounting Policies

The accounting policies adopted in preparing the Financial Statements are provided in detail in the notes to the Financial Statements on pages 214 to 234. The accounting policies adopted are consistent with the previous financial year.

Property, Plant & Equipment

During the year under review, the Company invested Rs. 141.1 million (including Capital Working Progress) in Property, Plant & Equipment. Rs. 53.9 million was spent on renovating and upgrading leasehold premises. Further Rs. 14.9 million, Rs. 38.9 million, and

Rs. 8.3 million were spent on purchasing of EDP Equipment, office equipment and furniture & fittings respectively. The Company also invested Rs. 25.2 million as work in progress.

Details of Property, Plant and equipment and their movements are given in Note No. 23 to the Financial Statements.

Intangible Assets

During the year under review, the Company acquired Rs. 2.8 million worth of software to develop the IT infrastructure of the Company. Total investment in software as at Balance Sheet date was Rs. 125.6 million. Details of intangible assets are given under Note No. 22 to the Financial Statements.

Directors' Responsibilities

The Statement of Directors' Responsibility is given on page 206.

Corporate Governance

The Company has complied with Corporate Governance Rules laid down under the Listing Rules of the Colombo Stock Exchange, Code of best practice on Corporate Governance

Profit and Appropriations	2019 Rs.	2018 Rs.
Company profit before tax for the year ended 31st March after deducting all expenses, known liabilities and depreciation amounts to	722,903,656	700,298,861
From this has to be deducted the provision for income tax cost	181,169,764	257,153,321
Making a profit after tax for the year of	541,733,892	443,145,540
To this has to be added a balance brought forward from the previous year	1,202,658,012	1,161,430,932
Interim dividend of Rs. 1.10 per share (2018/19)	(222,281,483)	-
Interim dividend of Rs. 0.97 per share (2017/18)	-	(196,011,853)
Final dividend of Rs. 1.06 per share (2016/17)	-	(175,253,333)
Leaving a total available for appropriation of	1,522,110,421	1,233,311,286
The following appropriations have been proposed:		
Transfer to Reserve fund	(27,086,695)	(22,157,277)
Direct Cost on Right Issue	-	(1,989,651)
Impact of adopting SLFRS-09	(109,338,621)	-
Actuarial (Loss)/Gain on Retirement Benefit Obligation	(1,791,933)	(9,036,592)
Tax on Other Comprehensive Income	501,741	2,530,246
Making a total appropriation before Other Comprehensive Income	(137,715,508)	(30,653,274)
Leaving a balance on Company basis to be carried forward of	1,384,394,913	1,202,658,012

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

issued in year 2017 by the Institute of Chartered Accountants of Sri Lanka and the Corporate Governance Direction No 3 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No 4 of 2008 issued by the Central Bank of Sri Lanka. The corporate governance section on pages 102 to 171 describes the good corporate governance principles adopted by the Company.

Reserves

The Company's Reserves and Retained Equity as at 31st March 2019 amounted to Rs. 1,547.5 million vs Rs. 1,338.7 million as at 31st March 2018. The break-up and movement are shown in the Statement of Changes in Equity in the Financial Statements.

Stated Capital

As per the terms of the Companies Act No. 07 of 2007, the stated capital of the Company was Rs. 1,996,444,457 as at 31st March 2019. Details and movement of the stated capital are given in Note No 31 to the Financial Statements on page 256.

Events after the Reporting Period

No circumstances have arisen since the reporting date, which would require adjustment or disclosure.

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors' Responsibility on page 206.

Directors Interests and Interest Register

Details of transactions with Director-related entities are disclosed in Note No 38 to the Financial Statements on pages 274 to 276 and have been declared at the Board Meetings, pursuant to the Section 192 (2) of the Companies Act No. 07 of 2007.

Board Committees

Audit Committee

Following are the names of the Directors comprising the Audit Committee of the Board:

Mr. Jayendran Setukavalar (Senior Independent Non-Executive Director) - Chairman

Mr. Priyath Salgado (Independent Non-Executive Director)

Mr. Aravinda Perera (Non-Executive Director)

Mr. Jayanth Perera (Independent Non-Executive Director)

The Report of the Audit Committee on pages 186 & 187 sets out the manner of compliance by the Company in accordance with the requirements of Finance Companies (Corporate Governance) Direction No. 03 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No. 04 of 2008 issued by The Central Bank of Sri Lanka and the Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

Integrated Risk Management Committee

Following are the names of the Directors and Executives comprising the Integrated Risk Management Committee of the Board:

Mr. Jayanth Perera (Independent Non-Executive Director) - Chairman

Mr. Priyath Salgado (Independent Non-Executive Director)

Mr. Thushan Amarasuriya (Executive Director) - Chief Executive Officer

Mr. Priyanjith Meegoda - Secretary

By invitation

Mr. Iman Perera - Chief Operating Officer

Mr. Eraj Fernando - Head of Finance

Mr. Ruwan Jayasuriya - Chief Credit & Recoveries Officer

Mr. Jeevaka Jayawardena - Senior Manager Credit

Mr. Suranga Jayaweera - Senior Manager Compliance

The Report of the Integrated Risk Management Committee on page 189 sets out the manner of compliance by the Company in accordance with the requirements of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No. 04 of 2008 issued by the Central Bank of Sri Lanka and Code of Best Practice on Corporate Governance issued in 2017 by the Institute of Chartered Accountants of Sri Lanka.

Remuneration Committee

Following are the names of the Directors comprising the Remuneration Committee of the Board:

Mr Jayanth Perera - (Independent Non-Executive Director) -Chairman

Mr. Aravinda Perera - (Non-Executive Director)

Mr. Priyath Salgado - (Independent Non-Executive Director)

Mr. Lalith Yatiwella - Secretary

The Report of the Remuneration Committee on page 191 contains a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the Financial Year are given in Notes 12 and 38.5 to the Financial Statements on pages 238 and 276.

Board Nomination Committee

Following are the names of the Directors comprising the Nomination Committee of the Board:

Mr Jayanth Perera (Independent Non-Executive Director)-Chairman

Mr. Aravinda Perera (Non-Executive Director)

Mr. Priyath Salgado (Independent Non-Executive Director)

Mr. Lalith Yatiwella - Secretary

The Report of the Board Nomination Committee on page 188 sets out the manner of compliance by the Company in accordance with the requirements of the Code of Best Practice on Corporate Governance issued in 2017 by the Institute of Chartered Accountants of Sri Lanka.

Related Party Transactions Review Committee

The Parent Company's Board of Directors formed a Related Party Transactions Review Committee (RPTRC) to assist the Board in reviewing all related party transactions in accordance with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. Mr. Jayendran Setukavalar represents Singer Finance (Lanka) PLC at the RPTRC by Invitation and following are the other Directors comprising the Board Related Party Transaction Review Committee from the parent company, Singer (Sri Lanka) PLC.

Mr. Deepal Sooriyaarachchi
(Independent Non-Executive Director)-
Chairman

Mr. Dilip K De S Wijeyeratne
(Independent Non-Executive Director) –
appointed on 14th May 2018

Mr. Mahesh Wijewardene (Executive
Director) - appointed on 05th February
2019

Mr. Gavin Walker (Non-Executive
Director) – resigned on 29th November
2018

Mr. Asoka Pieris - (Group Chief
Executive Officer) - resigned on 31st
October 2018

Hayleys Group Services (Pvt) Ltd -
Secretary

The report of the Related Party
Transactions Review Committee on
page 192 to 193 sets out the manner of
compliance by the Company.

The Board of Directors has given the
following statement;

"The related party transactions of the Company, during the financial year have been reviewed by the Related Party Transactions Review Committee of Singer (Sri Lanka) PLC and are in compliance with the Section 09 of the Listing Rules."

Directors' Indemnity and Insurance

The Directors and Officers of the Company are covered in respect of the Directors' and officers' liability by the Insurance Policy obtained by the Company.

Share Information and Substantial Shareholdings

The distribution of shareholding, Public holding percentage, market value of shares, twenty largest Shareholders are given on pages 280 to 284 in this Annual Report.

Earnings per share, dividend per share, dividend payout and net assets value per share are given in the Financial

Highlights of this Annual Report.

Retirement, Re-election, Resignation and Appointment of Directors

In terms of Article 24(9) of the Articles of Association of the Company, Mr. Thushan Amarasuriya and Mr. Mahesh Wijewardene who have been appointed to the Board since the last Annual General Meeting are subject to re-election by the shareholders at the forthcoming Annual General Meeting.

In terms of Article 24(4) of the Articles of Association of the Company, Mr. Jayendran Setukavalar retires by rotation and being eligible offers himself for re-election.

Directors' Interest in Ordinary Shares and Debentures

The Shareholding of Directors and Chief Executive Officer at the beginning of the year and as at the end of the year were as follows:

	Shareholding		Debenture Holding	
	31.03.2019	01.04.2018	31.03.2019	01.04.2018
Name of the Director	No of shares	No of shares	No of Debenture	No of Debenture
Mr. Aravinda Perera	-	-	-	-
Mr. Jayendran Setukavalar	-	-	-	-
Mr. Priyath Salgado	12,224	12,224	-	-
Mr. Jayanth Perera	-	-	-	-
Mr. Shantha Wijeweera*	37,892	37,892	-	10,000
Mr. Gavin Walker**	-	-	-	-
Ms. Darshini Talpawewa	-	-	-	-
Mr. Sadeep Perera	-	-	-	-
Mr. Mahesh Wijewardene***	-	-	-	-
Mr. Thushan Amarasuriya#	50,155	50,155	-	-
Mr. Lalith Yatiwella##	-	-	-	10,000
Mr. Shyamsunder Ramanathan+	-	-	-	-
Mr. Chandana Samarasinghe++	-	-	-	-

* Retired on 30th June 2018

** Resigned w.e.f. 10th August 2018

*** Appointed on 21st February 2019

Appointed Director/CEO on 01st July 2018

Ceased to be an alternate director to Mr. Shantha Wijeweera on 30th June 2018

Appointed on 21st February 2019 as an Alternate director to Ms. Darshini Talpawewa
Resigned w.e.f. 10th August 2018 as an Alternate director of Mr. Gavin Walker

+ Resigned w.e.f. 24th April 2018 as an Alternate director of Mr. Sadeep Perera

++ Resigned w.e.f. 31st December 2018 as an Alternate director of Ms. Darshini Talpawewa

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

The names of Directors of the Company as at 31st March 2019 and their brief profiles are shown on pages 23 to 25.

Employment

The number of persons employed by the Company as at 31st March 2019 was 518 (2018 – 389).

Details of human resource initiatives are detailed in the employees' section of the sustainability report.

Independence of Directors

In accordance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, Finance Companies (Corporate Governance Amendment) Direction No. 4 of 2008, Section A 5.4 of Code of Best Practice on Corporate Governance and Rule 7.10.2(b) of the Colombo Stock Exchange (CSE) Listing Rules, Mr. Jayendran Setukavalar, Mr. Priyath Salgado and Mr. Jayanth Perera who are Independent Non-Executive Directors of the Company, have submitted signed and dated declarations as per the specimen given in appendix 7A of continuing listing requirement of CSE.

The Board has designated Mr. Jayendran Setukavalar as a Senior Independent Director in order to ensure compliance with the section 4 (4) of Finance Companies (Corporate Governance) Direction No. 3 of 2008 by virtue of the ability to make such appointment vested by section 7 (2) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008

Independent Non-Executive Directors

Mr. Jayendran Setukavalar (Senior Independent Non-Executive Director)

Mr. Priyath Salgado (Independent Non-Executive Director)

Mr. Jayanth Perera (Independent Non-Executive Director)

Corporate Governance

Director's Declaration

The directors declare that having considered all information and explanations made available to them that:

- (a) The Company complied with all applicable laws and regulations in conducting its business
- (b) The Directors have declared all material Interest in contracts involving the Company and refrained from voting on matters in which they were materially interested
- (c) The Company has made all endeavour to ensure the equitable treatment of shareholders
- (d) The business is a going concern with supporting assumptions or qualifications as necessary , and
- (e) Have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The Corporate Governance report is given under the governance section of the Annual Report.

Donations

During the year, the Company has not made any donations. (2018 - Rs. 239,200)

Appraisal of the Board Performance

Performance of the Board, and Committees of the Board are reviewed

periodically. Chairman gets feedback on the status and affairs of respective committees through respective Chairmen of such Committees quarterly. Further, the members of the board are subjected to an annual self-evaluation of their performance.

Code of Conduct and Ethics

The company is following the Code of conduct established by the Singer Group. All the Key and Senior Managers need to adhere to the code of the parent company and escalate down the same to their reports. If there are any deviations, such matters need to be brought to the notice of the Chief Executive Officer.

Cyber Security Risk

Internet connectivity of the company is channelled through the servers of the parent company. The parent company reviews its Cyber risk periodically.

Auditors

The financial statements for the period under review were audited by Messrs KPMG, Chartered Accountants who offer themselves for re-appointment for the ensuing year. As recommended by the Audit Committee , The Directors propose the re-appointment of Messrs KPMG, Chartered Accountant as Auditors of the Company for the year 2019/20.

A resolution proposing Messrs KPMG as Auditors of the Company and authorise Director to determine their remuneration will be put to the shareholders at the Annual General Meeting.

The audit and non-audit fees paid to the Auditors by the Company is disclosed in Note No 12 on page 238 in this Annual Report.

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company.

The Audit Committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditors. Details on the work of the Audit Committee are set out in the Audit Committee Report.

Notice of Meeting

The 12th Annual General Meeting will be held at the Head office of Hayleys PLC, No. 400, Deans Road, Colombo 10., Sri Lanka, on Wednesday, 17 July 2019 at 9.00 a.m.

The Notice of the Annual General Meeting of the shareholders is given on page 288.

For and on behalf of the Board,



Aravinda Perera

Chairman - Non-Executive Director



Thushan Amarasuriya

Director/CEO



Hayleys Group Services (Pvt) Ltd

Secretaries for
Singer Finance (Lanka) PLC

Colombo
06th May 2019

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Companies Act No. 07 of 2007 requires Directors to ensure that the Company keeps accounting records, which correctly record and explain the Company's transactions and prepare Financial Statements that give a true and fair view of the state of the Company's affairs as at the Reporting Date and of the Profit & Loss for the year.

The Directors are also required to ensure that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), the Directions issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011 and the Rules of the Colombo Stock Exchange. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of Internal Controls with a view to the prevention and detection of fraud and other irregularities.

The Directors are of the view that these Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) as laid down by The Institute of Chartered Accountants of Sri Lanka.

The Directors endeavour to ensure that the Company maintains sufficient records to be able to disclose, with reasonable accuracy, the financial position of the Company and to be able to ensure that the Financial Statements of the Company meet with the requirements of the Companies Act, Sri Lanka Accounting Standards, the Directions issued by the Monetary Board of the Central Bank of Sri Lanka, Finance Business Act No. 42 of 2011 and the Rules of the Colombo Stock Exchange.

The Directors have a reasonable expectation, that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore, have continued to adopt the going concern basis in preparing the accounts.

Messrs KPMG, Chartered Accountants, the Auditors of the Company, have examined the Financial Statements made available by the Board of Directors together with all relevant financial records, related data, minutes of Shareholders' and Directors' meetings and express their opinion in their Report on pages to of the Annual Report.

Compliance Report

Based on the Report of the Compliance Officer, the Directors confirm that to the best of their knowledge and belief, 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 all other known statutory dues as were due and payable by the Company as at the reporting date have been paid, or were provided.

By Order of the Board



Hayleys Group Services (Pvt) Ltd
Company Secretaries

Singer Finance (Lanka) PLC

Colombo
06th May 2019

INDEPENDENT AUDITOR'S REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF SINGER FINANCE (LANKA) PLC Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Singer Finance (Lanka) PLC ("the Company"), which comprise the statement of financial position as at March 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 210 to 277 of the annual report.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial of the current period. These matters were addressed in the context of our audit of the Company financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk Description

Impairment allowance for loans and advances, finance lease receivables and hire purchases including transition to SLFRS 9

The determination of impairment allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, macroeconomic forecasts, exposures at default and discount rate, adjustments for forward looking information and other adjustment factors. In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Companies internal credit risk management strategy. Management judgment is involved in the selection of those parameters and the application of assumptions.

At 31 March 2019 91% of its total assets of the Company consisted of loans and advances, finance lease receivables and hire purchases totalling to Rs. 17.8 Bn., net of impairment allowance of Rs. 580 Mn. Included in the impairment allowance the day one impact on transition to SLFRS 9 has been quantified as Rs.109Mn.

Our Responses

Our audit procedures included the following:

Understanding and assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans and advances, finance lease receivables and hire purchases and the measurement of provisions for impairment.

Assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments and assessing the reasonableness of key management judgment;

INDEPENDENT AUDITOR'S REPORT



Risk Description	Our Responses
<p>We identified the impairment of loans and advances, finance lease receivables and hire purchases as a key audit matter because of the inherent uncertainty and management judgment involved and the materiality of the reported amounts for loans and advances, finance lease receivables and hire purchases (and impairment allowance thereof).</p>	<p>Evaluating the model methodology and key assumptions by testing the completeness and accuracy of key inputs in to models and assessed the appropriateness of other assumptions. We substantially tested the completeness and accuracy of key inputs in to models and assessed the appropriateness of assumptions.</p>
<p>Refer to note 5 and note 18 to the financial statements and the accounting policies in the note 3.25.</p>	<p>Recalculating the amount of credit loss allowance for samples of loans and advances, finance lease receivables and hire purchases to verify the calculation accuracy of the credit loss allowance.</p>
	<p>We involved our IT specialists to assess the logics and compilation of the overdue information of loans and advances, finance lease receivables and hire purchases.</p>
	<p>Evaluating whether the disclosures on impairment of loans and advances, finance lease receivables and hire purchases meet the disclosure requirements of the prevailing accounting standards.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with SLAuSS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1224.



CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
06 May 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March

	Note	2019 Rs.	2018 Rs.
Gross Income	6	4,129,844,799	3,277,570,034
Interest Income	7	3,818,504,475	3,014,717,882
Interest Expense	8	(1,645,623,610)	(1,287,377,991)
Net Interest Income		2,172,880,865	1,727,339,891
Fee and Commission Income	9	237,077,127	176,666,121
Trading Income	10	1,515,964	902,944
Other Operating Income	11	72,747,233	85,283,087
Total Operating Income		2,484,221,189	1,990,192,043
Impairment Charges and Other Credit Losses on Financial Assets	12.1	(281,988,326)	(177,669,292)
Net Operating Income		2,202,232,863	1,812,522,751
Expenses			
Personnel Cost	12.2	(480,022,770)	(366,150,665)
Administration and Selling Expenses		(698,110,495)	(541,676,653)
Depreciation & Amortization		(40,239,831)	(33,333,771)
Operating Profit Before VAT (Value Added Tax), NBT (Nation Building Tax) & DRL (Debt Repayment Levy) on Financial Services	12	983,859,767	871,361,662
VAT, NBT and DRL on Financial Services	13	(260,956,111)	(171,062,801)
Profit Before Income Tax		722,903,656	700,298,861
Income Tax Expense	14	(181,169,764)	(257,153,321)
Profit for the Year		541,733,892	443,145,540
Other Comprehensive Income			
Items that will never be Classified to Profit or Loss			
Employee Benefit Plan Actuarial Loss	30.1	(1,791,933)	(9,036,592)
Deferred Tax on Actuarial Loss on Employee Benefit Plan	29.1	501,741	2,530,246
Total Other Comprehensive Income for the Year, Net of Tax		(1,290,192)	(6,506,346)
Total Comprehensive Income for the Year		540,443,700	436,639,194
Earnings per Share	15	2.68	2.52
Dividend per Share	16	1.10	0.97

The Notes on pages 214 through 277 form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March

	Note	2019 Rs.	2018 Rs.
ASSETS			
Cash and Cash Equivalents	17.1	317,308,939	295,702,611
Placement with Banks		83,323,971	81,504,012
Financial Assets at Amortised Cost-Hire Purchase Receivables	18.1	14,583,898	82,844,908
Financial Assets at Amortised Cost-Finance Lease Receivables	18.2	13,950,247,686	11,383,225,317
Financial Assets at Amortised Cost-Loans and Advances	18.3	3,883,299,663	2,900,362,915
Financial Assets Measured at Fair Value through Other Comprehensive Income/ Financial Instruments - Available-for-Sale	19	41,300	41,300
Financial Assets at Amortised Cost-Debt and Other Financial Instruments /Financial Instruments - Held-to-Maturity	20	623,372,330	671,382,640
Due From Related Companies	27	92,444,219	336,268,877
Other Debtors and Prepayments	21	290,636,035	210,265,262
Deferred Tax Assets	29.1	15,632,099	-
Intangible Assets	22	46,293,489	49,420,130
Property, Plant and Equipment	23	221,884,867	120,587,371
Total Assets		19,539,068,496	16,131,605,343
LIABILITIES & EQUITY			
Liabilities			
Other Financial Liabilities Due to Customers	24	6,095,815,777	5,356,078,444
Financial Liabilities at Amortised Cost - Interest Bearing Loan and Borrowings	25	6,631,190,416	4,313,599,993
Trade and Other Payables	26	848,021,443	764,415,449
Due to Related Companies	27	1,001,569,894	1,465,346,129
Bank Overdraft	17.2	1,134,835,645	676,917,150
Current Tax Liabilities	28	220,581,391	10,046,896
Deferred Tax Liabilities	29	-	154,875,874
Retirement Benefit Obligations	30	63,118,414	55,213,488
Total Liabilities		15,995,132,980	12,796,493,423
Equity			
Stated Capital	31	1,996,444,457	1,996,444,457
Statutory Reserves	32	163,096,146	136,009,451
Retained Earnings		1,384,394,913	1,202,658,012
Total Equity		3,543,935,516	3,335,111,920
Total Liabilities & Equity		19,539,068,496	16,131,605,343

The Notes on pages 214 through 277 form an integral part of these Financial Statements.

I certify that the Financial Statements of the Company comply with the requirements of the Companies Act No 07 of 2007



Eraj Fernando
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Singed for and on behalf of the Board,



Aravinda Perera
Chairman



Thushan Amarasuriya
Director/Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to Equity Holders of the Company			
		Stated Capital Rs.	Reserve Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2017		1,445,333,342	113,852,174	1,161,430,932	2,720,616,448
Total Comprehensive Income For The Year					
Profit for the Year		-	-	443,145,540	443,145,540
Other Comprehensive Income					
Employee Benefit Plan Actuarial Loss		-	-	(9,036,592)	(9,036,592)
Deferred Tax on Actuarial Loss on Employee Benefit Plan		-	-	2,530,246	2,530,246
Total Comprehensive Income for the Year		-	-	436,639,194	436,639,194
Transactions with Owners, Recognized Directly in Equity					
Issue of Shares	31.1.1	551,111,115	-		551,111,115
Direct Cost on Right Issue		-	-	(1,989,651)	(1,989,651)
Distribution to Owners of the Company					
Transferred to/(from) during the year		-	22,157,277	(22,157,277)	-
Dividends		-	-	(371,265,186)	(371,265,186)
Total Transactions with Equity Owners		551,111,115	22,157,277	(395,412,114)	177,856,278
Balance as at 31st March 2018		1,996,444,457	136,009,451	1,202,658,012	3,335,111,920
Impact of Adopting SLFRS-09	18.4.1	-	-	(109,338,621)	(109,338,621)
Balance as at 1st April 2018		1,996,444,457	136,009,451	1,093,319,391	3,225,773,299
Total Comprehensive Income for the year					
Profit for the Year		-	-	541,733,892	541,733,892
Other Comprehensive Income					
Employee Benefit Plan Actuarial Loss		-	-	(1,791,933)	(1,791,933)
Deferred Tax on Actuarial Loss on Employee Benefit Plan		-	-	501,741	501,741
Total Comprehensive Income for the Year		-	-	540,443,700	540,443,700
Transactions with Owners, Recognized Directly in Equity					
Distribution to Owners of the Company					
Transferred to/(from) during the year		-	27,086,695	(27,086,695)	-
Dividends		-	-	(222,281,483)	(222,281,483)
Total Transactions with Equity Owners		-	27,086,695	(249,368,178)	(222,281,483)
Balance as at 31st March 2019		1,996,444,457	163,096,146	1,384,394,913	3,543,935,516

The Notes on pages 214 through 277 form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

CASH FLOW STATEMENT

For the Year Ended 31st March

	Note	2019 Rs.	2018 Rs.
Cash Flows From Operating Activities			
Profit Before Income Tax		722,903,656	700,298,861
Adjustments For			
Non-Cash Items Included In Profit Before Income Tax			
Interest Income from Investing Activities		(57,812,453)	(67,053,679)
Interest Income from Placement With Banks		(8,493,062)	(9,437,702)
Finance Cost		1,313,938,037	1,143,677,669
Depreciation/Amortisation		40,239,831	33,333,771
Provision for Defined Benefit Plans - Gratuity	30.1	14,053,523	11,417,050
Impairment Charges and Other Credit Losses on Financial Assets	12.1	281,988,326	177,669,292
Loss on Sales of Property, Plant & Equipment		85,700	-
Issue Cost of Securitization		7,380,720	-
Issue Cost of Debenture		7,058,246	8,581,584
Operating Profit Before Changes In Operating Assets And Liabilities		2,321,342,524	1,998,486,846
Changes In:			
Increase in Lease Rentals Receivables		(2,757,145,322)	(2,125,405,069)
Decrease in Hire Purchase Receivables		69,964,297	247,606,471
Increase in Loans and Advances		(1,185,844,027)	(1,113,843,588)
Increase in Other Debtors And Prepayments		(105,196,018)	(14,271,921)
Increase in Due from Related Companies		(145,296,106)	(134,403,511)
Increase in Public Deposits		763,240,707	2,041,137,893
(Decrease) / Increase in Amounts Due to Related Companies		(74,655,472)	194,111,279
(Decrease) / Increase in Trade and Other Payables		(106,681,296)	190,792,496
Cash Flows (Used In)/ From Operations		(1,220,270,713)	1,284,210,896
Finance Costs Paid		(1,297,700,274)	(1,036,589,797)
Retiring Gratuity Paid	30	(7,940,530)	(2,082,204)
ESC Paid		(19,474,887)	(42,125,664)
Income Tax Paid		(96,341,369)	(172,904,627)
Net Cash (Used In)/ From Operating Activities		(2,641,727,773)	30,508,604
Cash Flows From Investing Activities			
Acquisition of Property Plant & Equipment		(141,171,848)	(24,471,821)
Proceeds from Sale of Property, Plant and Equipment		5,445,973	-
Incurred on Software Development	22	(2,770,511)	(22,201,019)
Net Change in Investment Securities		45,083,454	(125,000,009)
Interest Income Received		67,412,411	72,499,426
Net Cash Flows Used In Investing Activities		(26,000,521)	(99,173,423)
Cash Flows From Financing Activities			
Proceeds from issuance of Right Issue		-	551,111,115
Direct Cost on Right Issue		-	(1,989,651)
Issue of Commercial Papers		-	6,404,398
Proceed from Securitization Loan	25.3	2,050,000,000	-
Loans Obtained During the Year Other Than Related Party	25.2	3,760,000,000	4,650,000,000
Loans Obtained During the Year From Related Party	27.6.1	625,000,000	1,100,000,000
Repayment of Loans Other Than Related Party	25.2	(2,946,660,000)	(4,840,000,000)
Re-Payment of Interest Bearing Loans - Related Party	27.6.1	(625,000,000)	(600,000,000)
Repayment of Commercial Papers		-	(112,578,530)
Repayment of Debenture		(416,668,000)	(416,666,000)
Repayment of Securitization Loan	25.3	(153,500,000)	-
Securitization Loan Issue Cost		(29,761,680)	-
Dividends Paid		(31,994,193)	(337,461,316)
Net Cash Flows From/ (Used In) Financing Activities		2,231,416,127	(1,179,984)
Net decrease in Cash and Cash Equivalents		(436,312,167)	(69,844,803)
Cash And Cash Equivalents At The Beginning Of The Year		(381,214,539)	(311,369,736)
Cash And Cash Equivalents At The End Of The Year	17.2	(817,526,706)	(381,214,539)

The Notes on pages 214 through 277 form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Reporting Entity

1.1.1. General

Singer Finance (Lanka) PLC ("Company"), regulated under the Finance Business Act No. 42 of 2011, was incorporated on 19th April 2004 as a Public Limited Liability Company domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007.

The registered office of the Company is located at No.498, R.A. De Mel Mawatha, Colombo 03 and the principal place of business is situated at the same place.

The Company was listed on the Main Board of the Colombo Stock Exchange on 17th January 2011.

The Staff strength of the Company as at 31st March 2019 was 518 (389 as at 31st March 2018).

1.1.2. Principal Activities and Nature of Operations

The principal activities of the Company consist of finance leasing, hire purchase financing, gold loan, financing of consumer durables under loan scheme and granting loans, factoring, credit card, authorised foreign currency dealing and mobilising of fixed deposits and savings.

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

1.1.3. Parent Enterprise and Ultimate Parent Enterprise

The Company's parent

undertaking is Singer (Sri Lanka) PLC. The Company's ultimate parent undertaking and controlling party is Hayleys PLC, which is incorporated in Sri Lanka.

1.2 Basis of Preparation

1.2.1. Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

1.2.2. Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Statement of Director's Responsibilities" and the Certification on the Statement of Financial Position.

These Financial Statements include the following components:

- A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review.
- A Statement of Financial Position providing the information on the financial position of the Company as at the year-end.
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company.
- A Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

1.2.3. Approval of Financial Statement

The Financial Statements for the year ended 31st March 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 06th May 2019.

1.2.4. Basis of Measurement

The Financial Statements have been prepared on an accrual basis except for cash flow information and under the historical cost convention except for following material items in the statement of financial position:

- Financial investments – Fair Value through Other Comprehensive Income measured at fair value.
- Liability for Defined Benefit Obligations is recognised as the present value of the defined benefit obligation.

1.2.5. Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the Functional Currency).

There was no change in the Company's Presentation and Functional Currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees, the Company's Functional and Presentation Currency.

1.2.6. Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statements of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

1.2.7. 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 01

on "Presentation of Financial Statements".

1.2.8. Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

1.2.9. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

1.2.10. Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 on "presentation of Financial Statements".

1.2.11. Comparative Information

Comparative information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial

Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

1.2.12. Events After the Reporting Date

Events after the reporting date are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the Reporting Period have been considered and appropriate disclosures are made in the Financial Statements where necessary.

1.2.13. Use of Judgments and Estimates

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs the management has made judgments, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The most significant areas of estimation, uncertainty and critical judgments in applying Accounting Policies that have

NOTES TO THE FINANCIAL STATEMENTS

most significant effect on amounts recognised in the Financial Statements of the Company are as follows:

Note 3.1.8 - Fair Value Measurement

Note 3.25 - Impairment of Financial Assets

Note 3.3.3 - Useful life of Property, Plant & Equipment

Note 3.6 - Impairment of Non Financial Assets

Note 3.13 - Employee Benefit

Note 3.15.2 - Deferred Taxation

Note 3.23 - Commitments and Contingencies

2. CHANGES IN ACCOUNTING POLICIES

The Company has initially adopted SLFRS 9 and SLFRS 15 from April 2018.

Due to the transition method chosen by the Company in applying SLFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of SLFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets (Note 3.25, Note 18);
- additional disclosures related to SLFRS 9 (Note 3.25, Note 5 & Note 35.2)

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these Company financial statements.

2.1 SLFRS 9 Financial instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement. The requirements of SLFRS 9 represent a significant change from LKAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Additionally, the Company has adopted consequential amendments to SLFRS 7 Financial Instruments:

Disclosures that are applied to disclosures about 2018/19, but have not been applied to the comparative information.

The key changes to the Company's accounting policies resulting from its adoption of SLFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

2.1.1 Classification of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). SLFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous LKAS 39 categories of held-to maturity, loans and receivables and available-for-sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Company classifies financial assets under SLFRS 9, refer Note 3.1.2.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, although under LKAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under SLFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Company classifies financial liabilities under SLFRS 9, see Note 3.1.2.2

Impairment of financial assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under SLFRS 9, credit losses are recognised earlier than under LKAS 39. For an explanation of how the Company applies the impairment requirements of SLFRS 9, see Note 3.25.

Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below.

- Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2017/2018 does not reflect the requirements of SLFRS 9 and therefore is not comparable to the information presented for 2018/19 under SLFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- If a debt security had low credit risk at the date of initial application of SLFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of SLFRS 9, see Note 5.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations.

The Company initially applied SLFRS 15 on 1 April 2018 retrospectively in accordance with LKAS 8 without any practical expedients. The timing or amount of the Company's fee and commission income from contracts with customers was not impacted by the adoption of SLFRS 15. The impact of SLFRS 15 was limited to the new disclosure requirements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated.

3.1 Financial Assets and Financial liabilities

3.1.1. Recognition and initial measurement

The Company initially recognises Lease and Hire Purchase receivables, loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.1.1.1 "Day 1" Profit or Loss

When the transaction price differs from the fair value

NOTES TO THE FINANCIAL STATEMENTS

of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Interest Income and Personnel Expenses'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Profit or Loss when the inputs become observable, or when the instrument is de-recognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

3.1.2 Classification

3.1.2.1. Financial Assets

Financial Assets-Financial policy applicable from 1st April 2018

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified and measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the

way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of

an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers,

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets and
- features that modify consideration of the time value of money. (e.g. periodical reset of interest rates.)

Reclassifications

Financial Assets are not reclassified subsequent to their initial recognition except in the period after the Company changes its business model for managing financial assets.

Financial assets-Policy applicable before 1st April 2018

The Company classified financial assets into one of the following categories:

- Loans and receivables
- Held-to-maturity
- Available for Sale

The subsequent measurement of the financial assets depends on their classification.

3.1.2.2 Financial Liabilities

The Company classifies its financial liabilities other than financial guarantees and loan commitments as measured at amortised cost.

3.1.3. Derecognition Financial Assets

The Company derecognizes

a financial assets when the contractual right to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial assets and transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that have been recognized in OCI is recognized in profit or loss.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset or a portion of them in such cases the transferred assets are not derecognized.

When the assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale – and – repurchase transaction, because the Company retains all the old or substantially all of the

NOTES TO THE FINANCIAL STATEMENTS

risks and rewards of ownership of such assets.

In transaction in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the assets, the Company continues to recognize its assets to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or a liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial Liabilities

A financial liability is de-recognised when the obligation under liability is discharged or cancelled or expired.

3.1.4. Reclassification of Financial Assets and Liabilities

Policy Applicable After 1st April 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Policy Applicable Before 1st April 2018

The Company reclassifies non-derivative financial assets out

of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standards - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed off. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to profit or loss.

The Company may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial

asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further, the Company does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

During the year, the Company has not reclassified any financial asset.

3.1.5. Modifications of Financial Assets and Liabilities

Policy Applicable From 1st April 2018

Financial Assets

If the terms of the financial assets are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different then the contractual right to cash flows from the original financial assets are deemed to have expired. In this case, the original

financial asset is derecognized and new financial asset is recognized at fair value plus any eligible transaction cost. Any fees received as a part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction cost are included in the initial measurement of the assets; and
- other fees are included in profit or loss as part of the gain or the loss on derecognition.

If the cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts result of the qualitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset

and recognizes the result in adjustment as a modification gain or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any cost or fee incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining terms of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower then the gain or the loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial Liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for derecognition, then the amortized cost of the liability

is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities the effect, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any cost and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the financial liability by recomputing the effective interest rate on the instrument.

Policy applicable before 1st April 2018

Financial assets

If the terms of a financial asset were modified, then the company evaluated whether the cash flows of the modified assets were substantially different. If the cash flows were substantially different, then the contractual right to cash flows from the original financial asset was derecognised and a new financial asset was recognized at fair value.

In terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre modified interest rate.

Financial Liabilities

The Company derecognise a financial liability when its terms were modified and the cashflows of the modified liability were substantially different. In this case, a new financial liability based on the

NOTES TO THE FINANCIAL STATEMENTS

modified terms was recognized at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognized in profit or loss. Consideration paid included non financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of the financial liability was not accounted for derecognition, then any costs and fees incurred were recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re- computing the effective interest on the instrument.

3.1.6. Offsetting of Financial Instruments

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

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.1.7. Amortised Cost Measurement

An 'Amortised Cost' of a financial asset or financial liability is the amount at which

the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.1.8. Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of the instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transaction for the asset or liability taken place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument

on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments - e.g. bid-ask adjustment or credit

risk adjustments that reflect the measurement on the basis of the net exposure - are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred:

3.2 Cash & Cash Equivalents

Cash and cash equivalents comprise of cash in hand and cash at bank and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to an insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

3.3 Property, Plant and Equipment

The Company applies the requirements of the Sri Lanka

Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

3.3.1 Basis of recognition and measurement

Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

The Company applies the Cost Model to all Property, Plant & Equipment and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing). The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is

capitalised as part of Computer Equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3.3.2 Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

3.3.3 Depreciation

Depreciation is calculated to write-off the cost of items of Property, Plant & Equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative years are as follows:

Motor Vehicle	7 years
Furniture & Fittings	10 years
Equipment	10 years
EDP Equipment	5 years
EDP Server	7 years

Improvements on Leasehold Premises

Head office	5 years
Branches	7 years

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The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognised.

3.3.4 Change in Depreciation Rate

Depreciation methods, useful lives and residual values are reassessed at each Reporting date and adjusted, if required.

3.3.5 De-recognition

An item of Property, Plant & Equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in 'Other Operating Income' in profit or loss in the year the asset is de-recognised. When replacement costs are recognised in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is de-recognised as required by Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment'.

3.3.6 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings,

major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost.

3.4 Intangible Assets

The Company's intangible assets include the value of Computer Software.

3.4.1 Basis of recognition and measurement

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

3.4.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.4.3 Amortisation of intangible assets

Intangible assets are amortised using the straight line method to write down the cost over its estimated useful economic lives specified below:

Computer Software 10 Years

3.4.4 De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from de-recognition 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 profit or loss.

3.5 Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3.5.1 Operating Leases

3.5.1.1 Operating Leases – Company as a Lessee

Leases that do not transfer to the Company substantially all risks and benefits incidental to ownership of the leased assets are operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

3.5.1.2 Operating Leases – Company as a Lessor

Leases where the Company does not transfer substantially all risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in

negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

3.5.2 Finance Leases

3.5.2.1 Finance Leases – Company as a Lessee

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.5.2.2 Finance Leases – Company as a Lessor

When the Company is the lessor under finance leases the amounts due under the leases, after deduction of Unearned charges, are included in 'Lease rentals receivables', as appropriate. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

3.6 Impairment of Non-Financial Assets

At each Reporting date, the Company reviews the carrying amounts of its non – financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating unit (CGU) exceeds its estimated recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Dividend Payables

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors.

3.8 Deposits due to Customers

These include term deposits and certificates of deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the effective interest method, except where the Company designates liabilities at fair value through profit or loss. Interest paid / payable on these deposits recognised in profit or loss.

3.9 Deposit Insurance Scheme

In terms of the Finance Companies Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the

NOTES TO THE FINANCIAL STATEMENTS

Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month

3.10 Debt Securities Issued and Subordinated Term Debts

These represent the funds borrowed by the Company for

long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method, except where the Company designates debt securities issued at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

3.11 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

3.12 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in 'Interest Expense' in profit or loss.

3.13 Employee Benefits

3.13.1 Defined Benefit Plan (DBP) – Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefit falling due more than 12 months

after the reporting date are discounted to present value.

The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "employee benefits".

Actuarial gains and losses in the period in which they occur have been recognised in the other Comprehensive income (OCI).

The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements.

Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19- "Employee Benefits".

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service.

The Company is liable to pay gratuity in terms of the relevant statute.

The gratuity liability is not externally funded.

3.13.2 Defined Contribution Plans (DCPs) - Employees' Provident Fund/ Mercantile Services Provident Society and Employees' Trust Fund

A Defined contribution plan is a post- employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions

to Defined Contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.13.2.1 Mercantile Services Provident Society (MSPS)

The Company and employees contribute 12% respectively on the salary of each employee to the Fund Managed by Mercantile Services Provident Society.

3.13.2.2 Employees' Trust Fund (ETF)

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund managed by the Central Bank of Sri Lanka.

3.14 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that control will pass to the customer and the revenue and associated costs incurred or to be incurred can be reliably measured.

The following specific criteria are used for the purpose of recognition of revenue.

3.14.1 Interest Income and Expense

Interest income and expense are recognised in profit or loss using the Effective Interest Rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the Income Statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated using EIR method;

3.14.2 Over Due Interest

Over Due Interest have been accounted for on a cash received basis.

3.14.3 Fees and Commission Income and Expense

Fees and commission income and expense that are integral to the EIR on a financial asset or liability are included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

3.14.4 Net Gain / (Loss) from Trading

'Net gain / (loss) from trading' comprise gains less losses related to trading assets and liabilities, and include all realised and unrealised fair value changes and dividends.

3.15 Tax Expense

Income tax expense comprises current and deferred tax.

Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

3.15.1 Current Taxation

'Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted, at the Reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

Notes to Financial Statements include the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

The Company estimates and provides for potential losses and settlements that arise out of uncertain income tax positions to the extent that such losses are probable and can be estimated.

3.15.2 Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent

NOTES TO THE FINANCIAL STATEMENTS

that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the Reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the Reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.16 Value Added Tax on Financial Services (VAT)

The value base for the computation of value added tax on financial services is calculated by adjusting the depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before Income Tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

The amount of VAT charged in determining the profit or loss for the period is given in Note 13 on page 239.

3.17 Nation Building Tax on Financial Services (NBT)

With effect from January 01, 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on Financial services as explained in notes to the Financial Statements.

The amount of NBT charged in determining the profit or loss for the period is given in Note 13 on page 239.

3.18 Debt Repayment Levy (DRL)

As per the Finance Act No. 35 of 2018, with effect from October 1, 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained in Note 3.16 above.

The amount of DRL charged in determining the profit or loss for the period is given in Note 13 on page 239.

3.19 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.20 Withholding Tax on Dividends Distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognised at

the time the liability to pay the related dividend is recognised.

3.21 Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.22 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For each of the strategic divisions, the Company's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes

are managed on a Company basis and are not allocated to operating segments. Detailed information on the results of each reportable segment as required by the Sri Lanka Accounting Standard – SLFRS 8 “Operating Segments” is provided in Notes to the Financial Statements.

3.23 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

3.24 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the “Indirect Method” of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard LKAS - 07 “Cash Flow Statements”. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and favourable and/ or unfavourable balances with banks.

3.25 Impairment

Policy applicable from 1st April 2018

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease & loan receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following,

for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Company considers a debt investment security to have low credit risk when its credit

risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments:

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as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

The key inputs used for measurement of ECL is likely to be the term structures of the following variables:

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Company forecast PD by incorporating forward looking economic variables (unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Company derives

the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Company has used these parameters from internally-developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- **Stage 1** : The 12mECL is calculated as 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. The Company 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 to the original EIR.
- **Stage 2** : When a loan

has shown a significant increase in credit risk since origination, the Company 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 Company recognises the lifetime expected credit losses. The method is similar to that of Stage 2 assets, with the PD set at 100%.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 180 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and,

irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position.

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair

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value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Policy Applicable Before 1st April 2018

Identification and Measurement of Impairment of Financial Assets

At each Reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include:

- significant financial difficulty of the borrower or issuer,
- reschedulement of credit facilities,
- default or delinquency by a borrower,
- restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,

- the disappearance of an active market for a security, or
- other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered as an objective evidence of impairment.

Impairment of Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost (such as lease rental and hire purchase receivables, loans and receivables to other customers as well as held to maturity investments), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the Income Statement.

For the purpose of collective evaluation of impairment, financial assets are grouped on a basis which takes in to consideration credit risk characteristics.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Impairment of Financial Investments - Available for Sale

For available for sale financial investments, the Company assesses at each Reporting date whether there is objective

evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income on such assets too is recorded within 'Interest income'.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative

loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement is removed from equity and recognised in the Income Statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income.

3.26 Collateral Repossessed

The Company's policy is to sell the repossessed assets at the earliest possible opportunity. Such collateral repossessed are held on a memorandum basis without de recognising the underlying receivable.

3.27 Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order

to comply with the Company's procedures for recovery of amounts due.

4. New Accounting Standards Issued But Not Yet Effective

The Institute of Chartered Accountants of Sri Lanka has issued a number of New Accounting Standards (SLFRSs/ LKASs) and amendments to standards which are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Company has adopted SLFRS 9 – "Financial Instruments" issued in 2014 with a date of initial application of 1st April 2018. However, the Company has not early adopted the following new or amended standards in preparing these Financial Statements. The new standards and amendments listed below are those that could potentially

NOTES TO THE FINANCIAL STATEMENTS

have an impact on the Company's performance, financial position or disclosures.

Accounting Standard	Summary of Requirements	Possible impact on Financial Statements
SLFRS 16 – “Leases”	<p>SLFRS 16 eliminates the current dual accounting model for lessees and introduces a single, on balance sheet lease accounting model for leases. A lessee recognizes a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessor continue to classify leases as finance or operating leases.</p> <p>SLFRS 16 replaces existing leases guidance, including LKAS 17 – “Leases”, IFRIC 4 “Determining whether an arrangement contains a lease”, SIC – 15 “Operating Leases – Incentives” and SIC – 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply SLFRS 15 at or before the date of initial application of SLFRS 16.</p>	The Company is in the process of finalising the potential impact on its Financial Statements

4.1 Amendments to Existing Accounting Standards Effective from 1st April 2018

A number of standards have been modified on miscellaneous points. These include Plan Amendments, Curtailment or Settlement (Amendments to LKAS 19), Annual improvements to SLFRSs 2015 -2017 Cycle (Amendments to SLFRS 3, SLFRS 11, LKAS 12, LKAS 23 and LKAS 28)

None of these amendments are expected to have a material effect on the Company's Financial Statements.

5. Transition Disclosures

The impact of adopting SLFRS 9 on the balance sheet and retained earnings including the effect of replacing incurred credit loss calculations of LKAS 39 with ECL calculations of SLFRS 9 is given below.

5.1 Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1st April 2018.

	LKAS 39 Measurement				Remeasurement		SLFRS 9	
	Ref.	Category	Amount	Reclassification	ECL	Other	Amount	Category
Financial Assets								
Cash and Cash Equivalents		L&R	295,702,611	-	-	-	295,702,611	Amortised Cost
Placement with Banks		L&R	81,504,012	-	-	-	81,504,012	Amortised Cost
Hire Purchase Receivables		L&R	82,844,908	(82,844,908)	-	-	-	
To: Financial Assets at Amortised Cost- Hire Purchase Receivables	A		-	(82,844,908)	-	-	-	
			82,844,908	(82,844,908)	-	-	-	
Financial Assets at Amortised Cost-Hire Purchase Receivables		N/A	-	82,844,908	(822,332)	-	82,022,576	Amortised Cost
From: Hire Purchase Receivables	A			82,844,908	(822,332)	-	82,022,576	
			-	82,844,908	(822,332)	-	82,022,576	
Lease Rental Receivables		L&R	11,383,225,317	(11,383,225,317)	-	-	-	
To: Financial assets at amortised cost- Finance Lease Receivables	A		-	(11,383,225,317)	-	-	-	
			11,383,225,317	(11,383,225,317)	-	-	-	
Financial Assets at Amortised Cost-Finance Lease Receivables		N/A	-	11,383,225,317	(38,930,624)	-	11,344,294,693	Amortised Cost
From: Lease Rentals Receivables	A		-	11,383,225,317	(38,930,624)	-	11,344,294,693	
			-	11,383,225,317	(38,930,624)	-	11,344,294,693	
Loans and Advances		L&R	2,900,362,915	(2,900,362,915)	-	-	-	
To: Financial Assets at Amortised Cost- Loans and Advances	A		-	(2,900,362,915)	-	-	-	
			2,900,362,915	(2,900,362,915)	-	-	-	
Financial Assets at Amortised Cost-Loans and Advances		N/A	-	2,900,362,915	(69,585,665)	-	2,830,777,250	Amortised Cost
From: Loans and Advances	A		-	2,900,362,915	(69,585,665)	-	2,830,777,250	
			-	2,900,362,915	(69,585,665)	-	2,830,777,250	
Financial Instruments - Available-for-Sale		AFS	41,300	(41,300)	-	-	-	
To: Financial Assets Measured at Fair Value Through OCI	B		-	(41,300)	-	-	-	
			41,300	(41,300)	-	-	-	
Financial Assets Measured at Fair Value Through OCI		N/A	-	41,300	-	-	41,300	FVOCI
From-Financial Instruments - Available-for-Sale	B		-	41,300	-	-	41,300	
			-	41,300	-	-	41,300	
Financial Instruments - Held-to-Maturity		HTM	671,382,640	(671,382,640)	-	-	-	
To: Financial Assets at Amortised Cost -Debt and Other Financial Instruments	C		-	(671,382,640)	-	-	-	
			671,382,640	(671,382,640)	-	-	-	
Financial Assets at Amortized Cost -Debt and Other Financial Instruments		N/A	-	671,382,640	-	-	671,382,640	Amortised Cost
From-Financial Instruments - Held-to-Maturity	C		-	671,382,640	-	-	671,382,640	
			-	671,382,640	-	-	671,382,640	
Due from Related Companies		N/A	336,268,877	-	-	-	336,268,877	N/A
Non Financial Assets								
Other Debtors and Prepayments		N/A	210,265,262	-	-	-	210,265,262	N/A
Intangible Assets		N/A	49,420,130	-	-	-	49,420,130	N/A
Property, Plant & Equipment		N/A	120,587,371	-	-	-	120,587,371	N/A
Total Assets			16,131,605,343	-	(109,338,621)	-	16,022,266,722	

NOTES TO THE FINANCIAL STATEMENTS

	LKAS 39 Measurement				Remeasurement		SLFRS 9	
	Ref.	Category	Amount	Reclassification	ECL	Other	Amount	Category
Financial Liabilities								
Financial Liabilities at Amortised Cost-Due to Customers		Amortised Cost	5,356,078,444	-	-	-	5,356,078,444	Amortised Cost
Financial Liabilities at Amortised Cost-Interest Bearing Loans & Borrowings		Amortised Cost	4,313,599,993	-	-	-	4,313,599,993	Amortised Cost
Interest Bearing Loans - Related party		Amortised Cost	1,000,000,000	-	-	-	1,000,000,000	Amortised Cost
Bank Overdraft		Amortised Cost	676,917,150	-	-	-	676,917,150	Amortised Cost
Trade & Other Payables		N/A	747,818,134	-	-	-	747,818,134	N/A
Due to Related Companies		N/A	465,346,129	-	-	-	465,346,129	N/A
Non Financial Liabilities								
VAT Payable		N/A	16,597,315	-	-	-	16,597,315	N/A
Current Tax Liabilities		N/A	10,046,896	-	-	-	10,046,896	N/A
Deferred Tax Liabilities		N/A	154,875,874	-	-	-	154,875,874	N/A
Retirement Benefit Obligations		N/A	55,213,488	-	-	-	55,213,488	N/A
Total Liabilities			12,796,493,423	-	-	-	12,796,493,423	

L&R-Loans & receivables, AFS-Available-for-sale, HTM-Held-to-maturity, N/A-Not Applicable, FVOCI - Fair value through other comprehensive income

- As of 1st April 2018, the Company did not have any debt instruments that did not meet the SPPI criterion within its hire purchases receivables, finance lease receivables and loans and advances portfolio. Therefore, the Company elected to classify all of these instruments as financial assets at amortised cost – Hire purchase receivables, financial asset at amortised cost – Finance lease receivables and Finance asset at amortised cost – Loans and advances.
- As of 1st April 2018, the Company elected the option to irrevocably designate the equity investments previously held as financial investments- available for sale as financial assets measured at fair value through other comprehensive income.
- As of 1st April 2018, the Company classified its investments in government securities previously held as financial investments- held to maturity into financial assets at amortized cost- debt and other financial instruments.

5.2 The impact of transaction to SLFRS 9 on retained earnings (Day 1 impact)

	Retained Earnings	Available for Sale Reserve
	Rs.	Rs.
Closing Balance under LKAS 39 as (31st March 2018)	1,202,658,012	-
Recognition of Expected Credit Losses under SLFRS 9 (including hire purchase receivables, finance lease receivables and loans and advances)	(109,338,621)	-
Opening Balance under SLFRS – 9 (1st April 2018)	1,093,319,391	-

5.3 Reconciliation of loan loss provisions

The following table reconciles the aggregate opening loan loss provision allowances under LKAS 39 under and provisions for loan commitments to ECL allowances under SLFRS 9.

	Loan loss provision under LKAS 39 as at 31 March 2018	Re-measurement	ECLs under SLFRS 9 as at 1 April 2018
	Rs.	Rs.	Rs.
Hire Purchase Receivables	11,790,035	822,332	12,612,367
Finance Lease Receivables	126,311,108	38,930,624	165,241,732
Loans and Advances	168,104,067	69,585,665	237,689,732
	306,205,210	109,338,621	415,543,831

For the Year Ended 31st March

	2019 Rs.	2018 Rs.
6 Gross Income		
6.1 Summary		
Gross Income	4,129,844,799	3,277,570,034
6.2 Analysis of Gross Income		
Interest Income (Note 7)	3,818,504,475	3,014,717,882
Fee and Commission Income (Note 9)	237,077,127	176,666,121
Trading Income (Note 10)	1,515,964	902,944
Other Operating Income (Note 11)	72,747,233	85,283,087
	4,129,844,799	3,277,570,034
7 Interest Income		
Interest Income on Hire Purchase	7,305,092	34,544,984
Interest Income on Lease	2,630,826,396	2,053,494,512
Interest Income on Loans	837,927,774	656,431,523
Income Financial Instruments at amortised cost / Income on Financial Instruments - Held-to-Maturity	57,812,453	67,053,679
Interest Income on Placements with Banks	8,493,062	9,437,702
Interest Income on Inter Company Receivable	70,389,755	52,340,345
Over Due Interest	205,749,943	141,415,137
	3,818,504,475	3,014,717,882
8 Interest Expense		
Interest on Other Financial Liabilities Due to Customers	627,102,061	578,795,907
Interest on Bank Loans	259,385,093	194,188,280
Interest on Commercial Papers	-	7,530,543
Interest on Inter Company Payable	240,385,150	119,495,448
Interest on Debenture	301,709,424	363,162,937
Interest on Securitization Loan	140,180,424	-
Interest on Bank Overdrafts	76,861,458	24,204,876
	1,645,623,610	1,287,377,991
9 Fee and Commission Income		
Service Charge	106,104,171	91,475,425
Commission Income	802,839	3,266,267
Reimbursement Fee Credit Card	8,322,887	9,670,979
Insurance Commission	69,551,993	30,155,082
Suraksha Income	1,042,583	-
Other Credit Card Related Income	51,252,654	42,098,368
	237,077,127	176,666,121
10 Trading Income		
Foreign Exchange from Others Customers	1,515,964	902,944
	1,515,964	902,944

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March		2019	2018
		Rs.	Rs.
11	Other Operating Income		
	Gain on Translation of Foreign Currency	912,384	569,624
	Unwinding Interest Income on Employee Loans	6,664,065	5,101,421
	Loan Loss Recoveries	15,082,537	19,385,913
	Credit Income	610,854	34,088,864
	Income on Closure	39,634,405	16,496,330
	Other Income	9,842,988	9,640,935
		72,747,233	85,283,087
12	Profit from ordinary activities before VAT, NBT & DRL on Financial Services and Tax Stated after charging all expenses including the following:		
	Directors' Emoluments	22,126,017	27,304,165
	Auditors' Remuneration - Statutory Audit	1,100,000	1,140,000
	- Audit Related Services	797,274	810,000
	- Non-Audit Services	1,510,000	640,000
	Amortization of Intangible Assets	5,897,152	4,791,585
	Depreciation on Property Plant & Equipment	34,342,679	28,542,186
	Impairment Charges and Other Credit Losses on Financial Assets (Note 12.1)	281,988,326	177,669,292
	Legal Expense	6,300,000	7,560,000
	Personnel Cost (Note 12.2)	480,022,770	366,150,665
	Operating Lease Rentals	86,902,278	49,099,373
12.1	Impairment Charge for Loan and Other Losses		
	Impairment Reversal on Hire Purchase Receivables (Note 18.1.3)	(2,525,619)	(9,555,989)
	Impairment Charge on Lease Receivables (Note 18.2.4)	151,192,331	47,651,080
	Impairment Charge on Loans and Advances (Note 18.3.4)	133,321,614	139,574,201
		281,988,326	177,669,292
12.2	Personnel Cost		
	Staff Cost	428,091,776	326,204,548
	Defined Benefit Plan Costs -Retiring Gratuity (Note 30.1)	14,053,523	11,417,050
	Defined Contribution Plan Costs - MSPS and ETF	37,877,471	28,529,067
		480,022,770	366,150,665

For the Year Ended 31st March

2019

2018

Rs.

Rs.

13 VAT, NBT, DRL on Financial Services

Value Added Tax (VAT)	187,453,203	150,727,128
Nation Building Tax (NBT)	25,119,787	20,335,673
Debt Repayment Levy (DRL)	48,383,121	-
	260,956,111	171,062,801

14 Income Tax Expense

Current Income Tax Expense (Note 14.2)	251,802,396	130,161,599
Income Tax Settlement Related to Prior Years	4,860,416	9,527,295
Under Provision in respect of Prior Years	94,513,184	-
	351,175,996	139,688,894
Deferred Tax (reversal) / expenses (Note 29.1)	(170,006,232)	117,464,427
Income Tax Charge for The Year (Note 14.1)	181,169,764	257,153,321

Income tax rate applicable for the Company for the financial year 2018/19 and 2017/18 is 28%

14.1 Reconciliation between income tax expense and the accounting profit.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 (FY 2018/19) & Act No. 10 of 2006 (FY 2017/18) and the amendments thereto.

For the Year Ended 31st March

2019

2018

Rs.

Rs.

Accounting Profit Before Income Tax	722,903,656	700,298,861
Tax Expenses as per Accounting Profit (28%)	202,413,023	196,083,681
Adjustments		
Tax Effect of Capital Portion of Lease Rentals	(102,495,426)	(112,184,121)
Tax Effect of Disallowed Expenses	169,162,064	64,426,845
Tax Effect of Deductible Expenses	(17,277,265)	(18,164,806)
Tax on Business Profit (based on taxable profit)	251,802,396	130,161,599
Income Tax Settlement related to prior years	4,860,416	9,527,295
Under Provision in respect of Prior Years	94,513,184	-
Deferred tax (reversal) / expenses (Note 29.1)	(170,006,232)	117,464,427
Income Tax Expenses reported in the statement of comprehensive income at the effective tax rate	181,169,764	257,153,321

NOTES TO THE FINANCIAL STATEMENTS

14.2 A Reconciliation between Tax Expense and the Accounting Profit based on the Statutory Tax Rate

For the Year Ended 31st March 2019	Leasing Business Rs.	Other Business Rs.	Total Rs.
Accounting Profit Before Income Tax	539,051,073	183,852,583	722,903,656
Adjustments			
Capital Portion of Leasing Rental Due	5,038,072,849	-	5,038,072,849
Disallowable Expenses	361,683,059	242,467,170	604,150,229
Allowable Expenses	(5,445,921,968)	(19,910,494)	(5,465,832,462)
Total statutory income	492,885,013	406,409,259	899,294,272
Taxable Income	492,885,013	406,409,259	899,294,272
Income Tax Rate (%)	28	28	28
Income Tax (Note 14)	138,007,804	113,794,592	251,802,396
Effective Tax Rate (%)	25.60	61.89	34.83
For the Year Ended 31st March 2018	Leasing Business Rs.	Other Business Rs.	Total Rs.
Accounting Profit Before Income Tax	533,722,135	166,576,726	700,298,861
Adjustments			
Capital Portion of Leasing Rental Due	5,944,397,345	-	5,944,397,345
Disallowable Expenses	153,093,873	77,002,006	230,095,879
Allowable Expenses	(6,388,218,926)	(21,710,305)	(6,409,929,231)
Total statutory income	242,994,427	221,868,427	464,862,854
Taxable Income	242,994,427	221,868,427	464,862,854
Income Tax Rate (%)	28	28	28
Income Tax (Note 14)	68,038,440	62,123,159	130,161,599
Effective Tax Rate (%)	12.75	37.29	18.59

Deferred tax has been computed using the enacted tax rate of 28%

15 Earnings per Share

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding as at the reporting date as required by LKAS 33 "Earnings Per Share"

For the Year Ended 31st March

	2019 Rs.	2018 Rs.
Amount Used as the Numerator		
Net Profit Attributable to Equity Holders of the Company	541,733,892	443,145,540
Amount Used as the Denominator		
Weighted Average Number of Ordinary Shares In issue (Note 15.1)	202,074,075	175,845,635
Basic Earnings per Share	2.68	2.52

15.1 Weighted Average number of Ordinary Shares

Issued Ordinary Shares at the Beginning of the Year	202,074,075	165,333,334
Effect of Rights issue of Shares in December 2017	-	10,512,301
Number of Ordinary Shares at the End of the Year	202,074,075	175,845,635
Weighted Average Number of Ordinary Shares at the End of the Year	202,074,075	175,845,635

15.2 Diluted Earnings per Share

There were no potentially dilutive ordinary shares as at 31st March 2019 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

16 Dividend Per Share

For the Year Ended 31st March	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Interim Dividend	222,281,483	196,011,853	1.10	0.97
Final Dividend	-	175,253,333	Nil	1.06
	222,281,483	371,265,186		

- 16.1** Interim dividend of Rs. 196,011,853 paid in 2018 was for the Financial year 2017/18 and the final dividend of Rs. 175,253,333 paid in 2018 was for the financial year 2016/17.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March		2019	2018
		Rs.	Rs.
17	Cash and Cash Equivalents		
17.1	Favourable Cash and Cash Equivalent Balances		
	Cash in Hand	101,922,781	46,850,221
	Cash at Banks in Local Currency	201,224,784	222,427,489
	Cash at Banks in Foreign Currency	14,161,374	26,424,901
		317,308,939	295,702,611
17.2	Unfavourable Cash and Cash Equivalent Balances		
	Bank Overdrafts	(1,134,835,645)	(676,917,150)
	Net Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(817,526,706)	(381,214,539)
18	Financial assets at amortised cost - Loans and Receivables from Customers		
18.1	Hire Purchase Receivables		
	Rentals Receivable	23,558,442	102,383,313
	Other Charges Receivable	2,171,398	2,827,420
	Unearned Interest Income	(2,569,777)	(10,575,790)
	Gross Receivable	23,160,063	94,634,943
	Allowance for Impairment for Hire Purchase Receivables (Note 18.1.3)	(8,576,165)	(11,790,035)
	Net Receivables	14,583,898	82,844,908
18.1.1	Hire Purchase Rentals Receivable within One Year from Reporting Date		
	Rentals Receivable within One Year	19,065,472	81,197,304
	Other Charges Receivable within One Year	2,171,398	2,827,420
	Unearned Interest Income	(1,590,813)	(8,097,085)
	Net Receivables within One Year	19,646,057	75,927,639

As at 31st March

2019

2018

Rs.

Rs.

18.1.2 Hire Purchase Rentals Receivable after One Year but before Five Years from Reporting Date

Rentals Receivable after One Year but before Five Years	4,492,970	21,186,009
Unearned Interest Income	(978,964)	(2,478,705)
Net Receivables after One Year but before Five Years	3,514,006	18,707,304

Gross Receivable

23,160,063 94,634,943

18.1.3 Movement in Allowance for Impairment Losses for Hire Purchase Receivables

Balance as at 1st April (As per LKAS 39)	11,790,035	23,467,875
Impact of Adopting SLFRS 9 - "Financial Instrument"	822,332	-
Balance as at 1st April (As per SLFRS 9)	12,612,367	23,467,875
Reversal for the Year	(2,525,619)	(9,555,989)
Written off during the Year	(1,510,583)	(2,121,851)
Balance as at 31st March	8,576,165	11,790,035

18.2 Finance Lease Receivables

Rentals Receivable	18,902,695,197	15,217,985,351
Other Charges Receivable	116,609,275	83,535,929
Unearned Interest Income	(4,820,711,578)	(3,791,984,855)
Gross Receivable	14,198,592,894	11,509,536,425
Allowance for Impairment for Lease Rentals Receivables (Note 18.2.4)	(248,345,208)	(126,311,108)
Net Receivables	13,950,247,686	11,383,225,317

18.2.1 Lease Rentals Receivable within One Year from Reporting Date

Rentals Receivable within One Year	7,479,162,385	5,801,874,746
Other Charges Receivable within One Year	116,609,275	83,535,929
Unearned Interest Income	(2,408,178,615)	(1,721,535,607)
Net Receivables within One Year	5,187,593,045	4,163,875,068

18.2.2 Lease Rentals Receivable after One Year but before Five Years from Reporting Date

Rentals Receivable after One Year but before Five Years	11,395,268,105	9,404,430,913
Unearned Interest Income	(2,411,131,124)	(2,069,657,977)
Net Receivables after One Year but before Five Years	8,984,136,981	7,334,772,936

18.2.3 Lease Rentals Receivable after Five Years from Reporting Date

Rentals Receivable after Five Years	28,264,707	11,679,692
Unearned Interest Income	(1,401,839)	(791,271)
Net Receivables after Five Years	26,862,868	10,888,421

Gross Receivable

14,198,592,894 11,509,536,425

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2019 Rs.	2018 Rs.
18.2.4 Movement in Allowance for Impairment Losses for Lease Rentals Receivables		
Balance as at 1st April (As per LKAS 39)	126,311,108	111,417,352
Impact of Adopting SLFRS 9 - "Financial Instruments"	38,930,624	-
Balance as at 1st April (As per SLFRS 9)	165,241,732	111,417,352
Charge for the Year	151,192,331	47,651,080
Written off during the Year	(68,088,855)	(32,757,324)
Balance as at 31st March	248,345,208	126,311,108
18.3 Loans and Advances		
Loans and Advances	4,493,466,943	3,384,338,310
Other Charges Receivable	7,308,790	5,105,459
Unearned Interest Income	(362,502,241)	(362,976,971)
Receivables on Loans against Fixed Deposits	68,229,423	42,000,184
Gross Receivable	4,206,502,915	3,068,466,982
Allowance for Impairment for Loans and Advances (Note 18.3.4)	(323,203,252)	(168,104,067)
Net Receivables	3,883,299,663	2,900,362,915
18.3.1 Loans and Advances Receivable within One Year from Reporting Date		
Loans and Advances Receivable within One Year	3,449,157,980	2,903,927,391
Other Charges Receivable within One Year	7,308,790	5,105,459
Receivables on Loans against Fixed Deposits	68,229,423	42,000,184
Unearned Interest Income	(268,044,411)	(285,970,584)
Net Receivables	3,256,651,782	2,665,062,450
18.3.2 Loans and Advances Receivable after One Year but before Five Years from Reporting Date		
Loans and Advances Receivable after One Year but before Five Years	1,043,483,026	479,188,752
Unearned Interest Income	(94,414,491)	(76,914,968)
Net Receivables after One Year but before Five Years	949,068,535	402,273,784
18.3.3 Loans and Advances Receivable after Five Years from Reporting Date		
Loans and Advances Receivable after Five Years	825,937	1,222,167
Unearned Interest Income	(43,339)	(91,419)
Net Receivables after Five Years	782,598	1,130,748
Gross Receivable	4,206,502,915	3,068,466,982
18.3.4 Movement in Allowance for Impairment Losses for Loans & Advances		
Balance as at 1st April (As per LKAS 39)	168,104,067	59,458,303
Impact of Adopting SLFRS 9 - "Financial Instruments"	69,585,665	-
Balance as at 1st April (As per SLFRS 9)	237,689,732	59,458,303
Charge for the Year	133,321,614	139,574,201
Written off during the Year	(47,808,094)	(30,928,437)
Balance as at 31st March	323,203,252	168,104,067

As at 31st March

2019

2018

Rs.

Rs.

18.4 Allowance for Impairment**18.4.1 Movement in Allowance for Impairment**

Balance as at 1st April	306,205,210	194,343,530
Impact of Adopting SLFRS 9 - "Financial Instruments"	109,338,621	-
Balance as at 1st April (As per SLFRS 9)	415,543,831	194,343,530
Charge for the Year	281,988,326	177,669,292
Written off during the Year	(117,407,532)	(65,807,612)
Balance as at 31st March	580,124,625	306,205,210

18.4.2 Allowance for Impairment consist of Provisioning Against

Hire Purchase Receivables (Note 18.1.3)	8,576,165	11,790,035
Lease Receivable (Note 18.2.4)	248,345,208	126,311,108
Loans and Advances (Note 18.3.4)	323,203,252	168,104,067
	580,124,625	306,205,210

18.4.3 The table below shows the ECL charges on financial instruments for the financial year of 2018/19 recorded in the statement of profit or loss:

	Individual Rs.	Collective Rs.	Total Rs.
Financial assets at amortised cost-Hire Purchase Receivables			
Stage 1	-	(352,398)	(352,398)
Stage 2	-	(659,129)	(659,129)
Stage 3	864,170	(2,378,262)	(1,514,092)
	864,170	(3,389,789)	(2,525,619)
Financial assets at amortised cost-Finance Lease Receivables			
Stage 1	-	9,733,182	9,733,182
Stage 2	-	36,247,803	36,247,803
Stage 3	20,283,310	84,928,036	105,211,346
	20,283,310	130,909,021	151,192,331
Financial assets at amortised cost-Loans and Advances			
Stage 1	-	26,410,670	26,410,670
Stage 2	-	19,517,565	19,517,565
Stage 3	6,793,408	80,599,971	87,393,379
	6,793,408	126,528,206	133,321,614

NOTES TO THE FINANCIAL STATEMENTS

	Individual Rs.	Collective Rs.	Total Rs.
Financial assets at amortised cost -Total			
Stage 1	-	35,791,454	35,791,454
Stage 2	-	55,106,239	55,106,239
Stage 3	27,940,888	163,149,745	191,090,633
	27,940,888	254,047,438	281,988,326

As at 31st March

2019

Rs.

18.4.4 Movement in Impairment during the year**Stage 1**

Restated Opening Balance as at 1st April 2018	110,594,701
Impairment Charge for the Year	35,791,454
Closing Balance as at 31st March 2019	146,386,155

Stage 2

Restated Opening Balance as at 1st April 2018	69,872,151
Impairment Charge for the Year	55,106,239
Closing Balance as at 31st March 2019	124,978,390

Stage 3

Restated Opening Balance as at 1st April 2018	235,076,979
Impairment Charge for the Year	191,090,633
Write-offs During the Year	(117,407,532)
Closing Balance as at 31st March 2019	308,760,080

Total

Restated Opening Balance as at 1st April 2018	415,543,831
Impairment Charge for the Year	281,988,326
Write-offs During the Year	(117,407,532)
Closing Balance as at 31st March 2019	580,124,625

18.5 Analysis by Sector

Sector wise analysis of Company's Hire Purchase, Lease Receivable and Loan Portfolio's reflecting the exposure to credit risk in the various sectors of the economy is depicted below:

As at 31st March	2019		2018	
	Rs.	%	Rs.	%
Agriculture	2,053,004,408	11.5	1,715,192,471	11.9
Tourism	114,038,258	0.6	127,229,909	0.9
Transport	5,923,973,634	33.2	4,526,930,941	31.5
Construction	67,257,275	0.4	98,062,299	0.7
Services	2,164,752,076	12.1	1,908,655,130	13.3
Individual	7,525,105,596	42.2	5,990,362,390	41.7
	17,848,131,247	100.0	14,366,433,140	100.0

19 Financial assets measured at fair value through other comprehensive income / Financial Instruments - Available - for - sale

As at 31st March	2019		2018
	No. of Ordinary Shares	Fair Value of the Investment Rs.	Fair Value of the Investment Rs.
Unquoted Shares			
Credit Information Bureau of Sri Lanka	100	41,300	41,300

20 Financial assets at amortised cost - Debt and other financial instruments / Financial Instruments - Held - to - maturity

As at 31st March	2019	2018
	Rs.	Rs.
Investment in Treasury Bills	529,920,590	580,351,485
Investment in Treasury Bond	93,451,740	91,031,155
	623,372,330	671,382,640

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March		2019	2018
		Rs.	Rs.
21	Other Debtors and Prepayments		
	Loans to Employees (Note 21.1)	79,660,357	53,980,821
	Notional Tax Receivable	-	6,489,511
	Economic Service Charges Receivable	15,068,886	32,497,543
	Prepayments and Advances	165,826,747	92,806,901
	Other Receivables	30,080,045	24,490,486
		290,636,035	210,265,262
21.1	Loans to Employees		
	Balance as at 1st April	53,980,821	44,596,899
	Loans Granted During the Year	64,210,900	38,666,600
	Loan Recoveries During the Year	(38,354,248)	(28,342,677)
	Provision for Impairment (Note 21.2)	(177,116)	(940,001)
	Balance as at 31st March	79,660,357	53,980,821
	Due within One Year	26,147,272	14,660,226
	Due after One Year	53,513,085	39,320,595
		79,660,357	53,980,821
21.2	Movement in Provision for Impairment		
	Balance as at 1st April	940,001	222,601
	(Reversal) / Charge for the year	(762,885)	717,400
	Balance as at 31st March	177,116	940,001
22	Intangible Assets		
22.1	Cost		
	Balance as at 1st April	122,825,970	100,624,951
	Additions	2,770,511	22,201,019
	Balance as at 31st March	125,596,481	122,825,970
22.2	Accumulated Amortization		
	Balance as at 1st April	(73,405,840)	(68,614,255)
	Amortization During the Year	(5,897,152)	(4,791,585)
	Balance as at 31st March	(79,302,992)	(73,405,840)
22.3	Carrying Amount		
	At Cost	46,293,489	49,420,130
	Total Carrying Amount of EDP Software	46,293,489	49,420,130
22.4	During the financial year, Company acquired Software to the aggregated value of Rs. 2,770,511 (2017/18 - Rs. 22,201,019).		
22.5	EDP Software included fully amortised intangible asset amount of Rs. 64,695,264 (2017/18 - Rs. 64,695,264).		

	Balance as at 1st April 2018 Rs.	Additions & Transfers Rs.	Disposal Rs.	Balance as at 31st March 2019 Rs.
23 Property, Plant and Equipment				
23.1 Cost				
Improvement on Leasehold Premises	122,412,977	61,812,615	-	184,225,592
Equipment	34,441,600	38,864,933	-	73,306,533
EDP Equipment	65,715,152	14,903,589	(101,650)	80,517,091
Motor Vehicles	10,180,000	-	(10,180,000)	-
Furniture and Fittings	26,796,024	8,316,579	(52,335)	35,060,268
	259,545,753	123,897,716	(10,333,985)	373,109,484
	Balance as at 1st April 2018 Rs.	Charge for the Year Rs.	Disposal Rs.	Balance as at 31st March 2019 Rs.
23.2 Accumulated Depreciation				
Improvement on Leasehold Premises	(71,807,249)	(17,381,879)	-	(89,189,128)
Equipment	(14,118,315)	(4,656,462)	-	(18,774,777)
EDP Equipment	(37,269,092)	(9,269,832)	6,777	(46,532,147)
Motor Vehicles	(4,278,538)	(513,012)	4,791,550	-
Furniture and Fittings	(13,752,390)	(2,521,494)	3,985	(16,269,899)
	(141,225,584)	(34,342,679)	4,802,312	(170,765,951)
	Balance as at 1st April 2018 Rs.	Additions Rs.	Transfers Rs.	Balance as at 31st March 2019 Rs.
23.3 Capital Work in Progress				
Capital Work in Progress	2,267,202	25,206,044	(7,931,912)	19,541,334
	2,267,202	25,206,044	(7,931,912)	19,541,334

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2019 Rs.	2018 Rs.
23.4 Carrying Amount		
Improvement on Leasehold Premises	95,036,464	50,605,728
Equipment	54,531,756	20,323,285
EDP Equipment	33,984,944	28,446,060
Motor Vehicles	-	5,901,462
Furniture and Fittings	18,790,369	13,043,634
Capital Work In Progress	19,541,334	2,267,202
	221,884,867	120,587,371

23.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregated value of **Rs. 115,965,804** (2017/18 - Rs. 21,432,117) on cash basis .

23.6 Cost of fully depreciated assets which are still in use as at reporting date is as follows:

As at 31st March	2019 Rs.	2018 Rs.
Improvement on Leasehold Premises	31,127,041	26,426,341
Equipment	3,844,938	2,887,226
EDP Equipment	24,200,468	18,595,593
Furniture and Fittings	5,252,339	3,849,877
	64,424,786	51,759,037

23.7 There were no items of Property, Plant and Equipment pledged as security for liabilities of the Company as at the reporting date.

As at 31st March	2019 Rs.	2018 Rs.
24 Other Financial Liabilities Due to Customers		
Fixed Deposits at Amortized Cost	6,042,060,077	5,287,905,003
Saving Deposits	53,755,700	68,173,441
	6,095,815,777	5,356,078,444

As at 31st March	2019			2018		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
25 Interest-Bearing Loans and Borrowings						
Debenture (Note 25.1)	502,390,619	2,084,352,115	2,586,742,734	508,336,422	2,487,538,575	2,995,874,997
Bank Loans (Note 25.2)	1,658,421,795	476,680,000	2,135,101,795	1,105,424,996	212,300,000	1,317,724,996
Securitization Loans (Note 25.3)	581,766,847	1,327,579,040	1,909,345,887	-	-	-
	2,742,579,261	3,888,611,155	6,631,190,416	1,613,761,418	2,699,838,575	4,313,599,993

							As at 31st March	
	Type	No of Debenture Listed	Face Value Rs.	Interest Rate %	Issued Date	Maturity Date	2019 Rs.	2018 Rs.
25.1 Debenture								
60 Months Unsecured redeemable Debentures	C	4,166,680	416,666,666	14.50	10-Sep-2013	10-Sep-2018	-	415,595,720
60 Months Secured Debentures	D	15,000,000	1,500,000,000	9.95	17-June-2015	16-June-2020	1,531,560,548	1,527,337,926
36 Months Secured Debentures	E	4,093,000	409,300,000	11.50	06-April-2016	06-April-2019	431,696,371	430,773,373
48 Months Secured Debentures	F	5,907,000	590,700,000	12.00	06-April-2016	06-April-2020	623,485,815	622,167,978
		29,166,680	2,916,666,666				2,586,742,734	2,995,874,997

	As at 1st April 2018 Rs.	Loans Obtained Rs.	Repayments Rs.	Accrued Interest Rs.	As at 31st March 2019 Rs.
25.2 Bank Loans					
Movement of Bank Loans					
Sampath Bank	292,796,017	1,300,000,000	(1,299,600,000)	31,858	293,227,875
Nations Trust Bank	954,946,384	1,660,000,000	(1,580,000,000)	733,463	1,035,679,847
Seylan Bank	69,982,595	500,000,000	(67,060,000)	875,136	503,797,731
National Development Bank	-	300,000,000	-	2,396,342	302,396,342
	1,317,724,996	3,760,000,000	(2,946,660,000)	4,036,799	2,135,101,795

(a) Bank Loan Repayable within One Year

As at 31st March				2019	2018
Bank	Rate of interest (p.a.)	Repayment Terms	Security	Rs.	Rs.
Sampath Bank	AWPLR+1.5%	Monthly Repayment	Lease Receivable	199,927,875	99,896,017
Seylan Bank	AWPLR+2.5%	Monthly Repayment	Lease Receivable	120,417,731	50,582,595
Nations Trust Bank	AWPLR+1.5%	Monthly Repayment	Lease Receivable	1,035,679,847	954,946,384
National Development Bank	AWPLR+1.75%	Monthly Repayment	Lease Receivable	302,396,342	-
				1,658,421,795	1,105,424,996

(b) Bank Loan Repayable after One Year

As at 31st March				2019	2018
Bank	Rate of interest (p.a.)	Repayment Terms	Security	Rs.	Rs.
Sampath Bank	AWPLR+1.5%	Monthly Repayment	Lease Receivable	93,300,000	192,900,000
Seylan Bank	AWPLR+2.5%	Monthly Repayment	Lease Receivable	383,380,000	19,400,000
				476,680,000	212,300,000

NOTES TO THE FINANCIAL STATEMENTS

	As at 1st April 2018 Rs.	Obtained during the year Rs.	Repayments Rs.	Unamortised Issue Cost Rs.	Accrued Interest Rs.	As at 31st March 2019 Rs.
25.3 Securitization Loan						
Securitization	-	2,050,000,000	(153,500,000)	(22,380,960)	35,226,847	1,909,345,887
	-	2,050,000,000	(153,500,000)	(22,380,960)	35,226,847	1,909,345,887

25.4 Details of Securitization as at 31st March is as follows

Issue No.	Face Value	Rate of interest (p.a.)	Maximum Period (Months)	Trustee	Balance as at 31st March 2019	Security
S-01	1,250,000,000	AWPLR+1.75%	36	Hatton National Bank	1,123,097,951	Lease Receivables
S-02	500,000,000	Fixed Rate 13.32%	36	Hatton National Bank	490,827,936	Lease Receivables
S-03	300,000,000	AWPLR+2.5%	36	Hatton National Bank	295,420,000	Lease Receivables
	2,050,000,000				1,909,345,887	

As at 31st March	2019	2018
	Rs.	Rs.

26 Trade and Other Payables

Trade Payables	273,574,065	368,397,931
VAT & DRL on Financial Services	17,664,220	14,118,584
VAT Payable	3,112,478	2,478,731
Accrued Expenses	131,020,076	108,765,816
Insurance Payable	89,713,763	97,155,241
Dividend Payable	228,205,820	37,918,530
Deferred Revenue-Suraksha	5,509,978	-
Other Payables	99,221,043	135,580,616
	848,021,443	764,415,449

As at 31st March	2019	2018
	Rs.	Rs.

27 Amount due to/(From) Related Companies

Amount due from Related Companies		
27.1 Trade	Relationship	
Singer (Sri Lanka) PLC	Parent Company	78,738,426 291,235,004
27.2 Advance Paid		
Singer (Sri Lanka) PLC	Parent Company	13,705,793 44,245,873
27.3 Trade		
Hayleys Travels	Subsidiary of the Ultimate Parent Company	- 788,000
		92,444,219 336,268,877

As at 31st March

2019

2018

Rs.

Rs.

Amount due to Related Companies

27.4	Non-Trade	Relationship		
	Hayleys PLC	Ultimate Parent	1,569,894	1,116,163
27.5	Non-Trade			
	Singer (Sri Lanka) PLC	Parent Company	-	464,229,966
27.6	Loan from Related Party			
	Singer (Sri Lanka) PLC (Note 27.6.1)	Parent Company	1,000,000,000	1,000,000,000
			1,001,569,894	1,465,346,129

As at
1st April 2018

Rs.

Loans
Obtained
Rs.Repayments/
Transfer
Rs.As at
31st March 2019

Rs.

27.6.1 Movement of Loan from Related Party

Singer (Sri Lanka) PLC	1,000,000,000	625,000,000	(625,000,000)	1,000,000,000
	1,000,000,000	625,000,000	(625,000,000)	1,000,000,000

27.7 Singer (Sri Lanka) PLC

Company has obtained above facility as a short term loan based on the fund requirement and this will be settled within a year or if the Company has ability to settle before the expiration of one year. Interest is charged based on the lowest AWPLR prevail in the respective month +0.5%

As at 31st March

2019

2018

Rs.

Rs.

28 Current Tax Liabilities

Balance as at 1st April	10,046,896	87,997,648
Expenses Recognised in Profit or Loss (Note 14)	351,175,996	139,688,894
Income Tax Paid	(96,341,369)	(172,904,627)
WHT Set-off	(907,078)	(796,834)
Notional Tax Set-off	(6,489,510)	(5,309,230)
ESC Set-off	(36,903,544)	(38,628,955)
	220,581,391	10,046,896

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2019	2018
	Rs.	Rs.
29 Deferred Tax (Assets)/Liabilities		
29.1 Deferred Tax (Assets)/Liabilities		
Balance as at 1st April	154,875,874	39,941,693
Origination of Timing Differences - Recognized in Profit or Loss (Note 14)	(170,006,232)	117,464,427
Origination of Timing Differences - Recognized in Other Comprehensive Income	(501,741)	(2,530,246)
	(15,632,099)	154,875,874

- 29.2** Deferred Tax Assets and Liabilities are offset when there is a legally enforceable right to offset current tax assets against tax liabilities and when the deferred tax relate to the same fiscal authority.

29.3 Composition of Deferred Tax Assets and Liabilities

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows.

As at 31st March	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment	-	24,431,868	-	21,034,082
Intangible Assets	-	9,555,569	-	10,044,110
Impairment Provision*	162,434,895	-	-	-
Retirement Benefit Obligation	17,673,156	-	15,459,777	-
Lease Rental Receivables	-	130,488,515	-	139,257,459
	180,108,051	164,475,952	15,459,777	170,335,651
Net Deferred Tax	15,632,099			154,875,874

* Based on the provisions in the new Inland Revenue Act No. 24 of 2017, the Company has recognised a deferred tax asset of Rs. 162,434,895 on Impairment Provision at 31st March 2019.

As at 31st March	2019	2018
	Rs.	Rs.
30 Retirement Benefit Obligations		
Present Value of Unfunded Gratuity	63,118,414	55,213,488
	63,118,414	55,213,488
Provision for Retiring Gratuity		
Balance as at 1st April	55,213,488	36,842,050
Expenses Recognised in Profit or Loss (Note 30.1)	14,053,523	11,417,050
Actuarial Loss/(Gain) in Other Comprehensive Income	1,791,933	9,036,592
	71,058,944	57,295,692
Benefits Paid during the Year	(7,940,530)	(2,082,204)
	63,118,414	55,213,488

The Company maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees expressed in term of final monthly salary and service. The Gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by a professionally qualified actuary Mr. Pushpakumara Gunasekara of Smiles Global (Pvt) Limited who is a qualified Actuary, Associate of the Institute of Actuaries of Australia (AIAA).

As at 31st March		2019	2018
		Rs.	Rs.
30.1	Expense recognized in Profit or Loss:		
	Current Service Cost	7,980,039	6,336,478
	Interest Cost	6,073,484	5,080,572
		14,053,523	11,417,050
	Actuarial loss in Other Comprehensive Income	1,791,933	9,036,592

30.2 Sensitivity of Assumption employed on Actuarial Valuation

Assumptions regarding discount rate and Salary Increment rate have significantly effect on the amounts recognized in the Statement of Comprehensive Income of Statement and of Financial Position.

The following table demonstrate the sensitivity of a reasonably possible changing such assumption with all other variables held constant, in the actuarial valuation of retirement benefit obligation as at 31st March 2019.

Increase (decrease) in Discount rate	Increase (decrease) in Salary Increment rate	Sensitivity Effect on Statement of Comprehensive Income increase /(decrease) in results for the year Rs.	Sensitivity Effect on Retirement Benefit Obligation increase / (decrease) Rs.
1%		2,684,342	(2,684,342)
-1%		(2,945,617)	2,945,617
	1%	(3,027,242)	3,027,242
	-1%	2,805,477	(2,805,477)

30.3 Actuarial Assumptions

Following key assumptions were made in arriving at the above figures

As at 31st March		2019	2018
(a)	Rate of Discount	11% p.a. (net of tax)	11% p.a. (net of tax)
(b)	Salary Increment Rate	10%	10%
(c)	Retirement Age		
	Males	60 years	60 years
	Females	60 years	60 years

- (d)** Assumptions regarding future mortality are based on A1967/70 Ultimate Mortality Table , issued by the Institute of Actuaries, London. The demographic assumptions underline the valuation are with respect to retirement age, early withdrawal from service and retirement on medical grounds.

NOTES TO THE FINANCIAL STATEMENTS

	As at 1st April 2018 Number	Issued for Cash during the Year Number	Issued for Non-Cash Consideration Number	As at 31st March 2019 Number
31 Stated Capital				
31.1 Issued and Fully Paid				
Number of Shares Ordinary Shares	202,074,075	-	-	202,074,075
	202,074,075	-	-	202,074,075
	Rs.	Rs.	Rs.	Rs.
Rupees - Ordinary Shares	1,996,444,457	-	-	1,996,444,457
	1,996,444,457	-	-	1,996,444,457

31.1.1 In the previous year the Company has issued 36,740,741 of ordinary shares through a right issue amounting to Rs. 551,111,115 in order to augment the capital base and enable the Company to further grow its loan book.

As at 31st March	2019 Rs.	2018 Rs.
32 Statutory Reserves		
Reserve Fund (Note 32.1)	163,096,146	136,009,451
	163,096,146	136,009,451
32.1 Reserve Fund		
Balance as at 1st April	136,009,451	113,852,174
Amount Transferred during the Year	27,086,695	22,157,277
Balance as at 31st March	163,096,146	136,009,451

The balance in the reserve fund will be used only for the purpose specified in the Central Bank Direction No. 1 of 2003.

The Reserve Fund is maintained in compliance with the Direction No 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies.

As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

Capital Funds to Deposit Liabilities	% of transfer to Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

Accordingly, the Company has transferred 5% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to not less than 25%.

33 Financial Reporting by Segments as Per Provision of the Sri Lanka Accounting Standard SLFRS 8

As per the SLFRS 8 'Operating Segments', Company is required to disclose information to enable users of its Financial Statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, below information gives the segmental information on performance of the Company's main business line.

33.1 Business Segments (Rs.'000)

For the Year Ended 31st March	Finance Lease		Hire Purchase		Loan & Advances		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Interest	2,801,307	2,176,107	9,477	40,975	871,025	668,804	136,695	128,832	3,818,504	3,014,718
Net Fee and Commission Income	110,880	96,374	385	702	125,631	79,590	181	-	237,077	176,666
Net Trading Income	-	-	-	-	-	-	1,516	903	1,516	903
Other Operating Income	43,903	15,873	148	960	20,748	14,817	7,948	53,633	72,747	85,283
Total Revenue	2,956,090	2,288,354	10,010	42,637	1,017,404	763,211	146,340	183,368	4,129,844	3,277,570
Interest Expense	(1,207,252)	(929,265)	(4,084)	(17,498)	(375,377)	(285,600)	(58,911)	(55,015)	(1,645,624)	(1,287,378)
Depreciation & Amortization	(30,617)	(25,135)	(104)	(473)	(9,519)	(7,726)	-	-	(40,240)	(33,334)
Administration and Selling Expenses	(896,320)	(684,550)	(3,032)	(12,890)	(278,781)	(210,387)	-	-	(1,178,133)	(907,827)
Allowances for Impairment charges for Loan and Other Losses	(151,192)	(47,651)	2,526	9,556	(133,322)	(139,574)	-	-	(281,988)	(177,669)
VAT, NBT & DRL on Financial Services	(191,441)	(123,478)	(648)	(2,325)	(59,526)	(37,950)	(9,341)	(7,310)	(260,956)	(171,063)
Profit Before Tax	479,268	478,275	4,668	19,007	160,880	81,974	78,088	121,043	722,904	700,299
Income Tax Expense	(121,946)	(175,625)	(1,170)	(6,979)	(38,505)	(30,101)	(19,549)	(44,448)	(181,170)	(257,153)
Profit For The Year	357,322	302,650	3,498	12,028	122,375	51,873	58,539	76,595	541,734	443,146
Segment Assets	14,617,380	11,881,088	15,281	86,468	4,069,008	3,027,215	837,399	1,136,834	19,539,068	16,131,605
Segment Liabilities	11,966,127	9,424,745	12,510	68,591	3,330,984	2,401,356	685,512	901,801	15,995,133	12,796,493
Segment Assets Include the Additions to Non Current Assets	94,762	35,436	99	258	26,379	8,962	5,429	-	126,669	44,656

NOTES TO THE FINANCIAL STATEMENTS

34 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

An analysis of the interest bearing assets and liabilities employed by the Company as at 31st March 2019, based on the remaining period at the reporting date to the respective contractual maturity date is given below.

As at 31st March 2019						
	Less than 3 months	3-12 months	1-3 years	3-5 years	over 5 years	Total
Interest Earning Assets						
Cash and Cash Equivalents	317,308,939	-	-	-	-	317,308,939
Placement with Banks	83,323,971	-	-	-	-	83,323,971
Financial Assets at Amortised Cost-Hire Purchase Receivables	5,287,768	5,782,124	2,664,705	849,301	-	14,583,898
Financial Assets at Amortised Cost-Finance Lease Receivables	1,327,632,173	3,611,615,664	6,873,164,805	2,110,972,176	26,862,868	13,950,247,686
Financial Assets at Amortised Cost-Loans and Advances	970,995,023	1,962,453,507	740,286,085	208,782,450	782,598	3,883,299,663
Financial Assets at Amortised Cost-Debt and Other Financial Instruments - Held-to-Maturity	411,212,832	129,916,570	82,242,928	-	-	623,372,330
Due From Related Companies	78,738,426	-	-	-	-	78,738,426
Total Interest Earning Assets	3,194,499,132	5,709,767,865	7,698,358,523	2,320,603,927	27,645,466	18,950,874,913
Percentage(%)	16.9	30.1	40.6	12.3	0.1	100.0
Interest Bearing Liabilities						
Other Financial Liabilities Due to Customers	2,487,456,239	2,803,340,062	480,043,271	311,940,845	13,035,360	6,095,815,777
Financial Liabilities at Amortised Cost - Interest Bearing Loan and Borrowings	2,198,069,261	544,510,000	3,705,151,155	183,460,000	-	6,631,190,416
Due to Related Companies	1,569,894	1,000,000,000	-	-	-	1,001,569,894
Bank Overdraft	1,134,835,645	-	-	-	-	1,134,835,645
Total Interest Bearing Liabilities	5,821,931,039	4,347,850,062	4,185,194,426	495,400,845	13,035,360	14,863,411,732
Percentage(%)	39.2	29.3	28.2	3.2	0.1	100.0

As at 31st March 2018						
	Less than 3 months	3-12 months	1-3 years	3-5 years	over 5 years	Total
Interest Earning Assets						
Cash and Cash Equivalents	295,702,611	-	-	-	-	295,702,611
Placement with Banks	81,504,012	-	-	-	-	81,504,012
Hire Purchase Receivables	24,519,855	39,617,749	16,621,729	2,085,575	-	82,844,908
Lease Rental Receivables	1,098,056,091	2,939,507,869	5,727,781,941	1,606,990,995	10,888,421	11,383,225,317
Loans and Advances	743,438,664	1,753,519,719	336,626,139	65,647,645	1,130,748	2,900,362,915
Financial Instruments - Held-to-Maturity	-	589,139,713	13,218,933	69,023,994	-	671,382,640
Due From Related Companies	291,235,004	-	-	-	-	291,235,004
Total Interest Earning Assets	2,534,456,237	5,321,785,050	6,094,248,742	1,743,748,209	12,019,169	15,706,257,407
Percentage(%)	16.1	33.9	38.8	11.1	0.1	100.0
Interest Bearing Liabilities						
Other Financial Liabilities Due to Customers	2,767,563,033	2,184,663,710	279,720,244	111,990,210	12,141,247	5,356,078,444
Interest Bearing Loans and Borrowings	992,924,996	620,836,422	2,699,838,575	-	-	4,313,599,993
Due to Related Companies	1,465,346,129	-	-	-	-	1,465,346,129
Bank Overdraft	676,917,150	-	-	-	-	676,917,150
Total Interest Bearing Liabilities	5,902,751,308	2,805,500,132	2,979,558,819	111,990,210	12,141,247	11,811,941,716
Percentage(%)	50.0	23.8	25.2	0.9	0.1	100.0

35 Financial Instruments

35.1 Financial Risk Management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of directors has established the Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standard and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Board Audit Committee is assisted in its oversight role by internal audit of the parent company and out-sourced audit firms. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Board Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

35.1.1 Credit Risk

Credit risk' is the risk of financial loss to the Company if customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers, Due from related parties and other banks and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

(i) Settlement Risk

The Company activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. settlement limits form part of the credit approval limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades retires transaction-specific or counterparty-specific approvals from the Company risk.

(ii) Management of Credit Risk

- (a) The Board of Directors has delegated responsibility for the oversight of credit risk to its Company Credit Committee . A separate Credit evaluation department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Large facilities require approval by Company credit, the Head of Credit, the Credit Committee or the Board of Directors as appropriate.

Reviewing and assessing credit risk: Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewal and reviews of facilities are subject to the same review process.

Limiting concentrations of exposure to counter-parties, geographies and industries (for loan and advances, financial guarantees and similar exposures) and by issuer, credit rating band, market liquidity and country (for investment securities).

Developing and maintaining the Company's process for measuring ECL: This includes processes for:

- Initial approval, regular validation and back testing of the models used;
- Determining and monitoring significant increase in Credit risk; and
- Incorporate of forward -looking information.

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 and provided to Company Credit Committee, which may require appropriate corrective action to be taken.

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

Regular audits of business units and Company Credit processes are under taken by internal Audit.

(b) Exposure to credit risk

Caring amount of financial assets represents the maximum credit exposure. The maximum exposure and net exposure to credit risk at the reporting date was

As at 31st March	Maximum Exposure		Net Exposure	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Cash at Banks	215,386,158	248,852,390	215,386,158	248,852,390
Placement with Banks (Note 35.1.1 (v) (a))	83,323,971	81,504,012	83,323,971	81,504,012
Loans & receivables from Customers (Note 35.1.1 (c))	18,428,255,872	14,672,638,350	17,848,131,247	14,366,433,140
Financial assets at amortised cost - Debt and other Financial Instruments/ Financial Instruments - Held-to-Maturity (Note 35.1.1 (v) (b))	623,372,330	671,382,640	623,372,330	671,382,640
Due From Related Companies	92,444,219	336,268,877	92,444,219	336,268,877
	19,442,782,550	16,010,646,269	18,862,657,925	15,704,441,059

The maximum to credit risk for receivables at the reporting date by type of Counter party was as follows;

As at 31st March	Net Exposure	
	2019 Rs.	2018 Rs.
Individual Customers	17,674,488,709	14,234,550,919
Corporate Customers	173,642,538	131,882,221
	17,848,131,247	14,366,433,140

(c) Credit Concentration risk on loans and receivables from customers**(i) Product Concentration**

The Company reviews on a regular basis its concentration of credit granted in each of the product offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Company is maintained.

As at 31st March	Maximum Exposure			
	2019 Rs.	%	2018 Rs.	%
Leasing	14,198,592,894	77%	11,509,536,425	78%
Hire Purchase	23,160,063	1%	94,634,943	1%
Loans and Advances	4,206,502,915	22%	3,068,466,982	21%
	18,428,255,872	100%	14,672,638,350	100%

As at 31st March	Net Exposure			
	2019 Rs.	%	2018 Rs.	%
Leasing	13,950,247,686	78%	11,383,225,317	79%
Hire Purchase	14,583,898	1%	82,844,908	1%
Loans and Advances	3,883,299,663	21%	2,900,362,915	20%
	17,848,131,247	100%	14,366,433,140	100%

NOTES TO THE FINANCIAL STATEMENTS

(ii) Geographical Concentration

Company reviews its geographical diversification on a regular basis at the review meetings and sets long-term target in achieving a geographically well diversified credit portfolio. Company's strategy on geographical diversification was executed through the establishment of distribution network of the Company. The geographical concentration is considered when selecting prospective location for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

As at 31st March	Net Exposure			
	2019		2018	
	Rs.	%	Rs.	%
Central	2,044,387,841	11%	1,804,728,046	12%
Eastern	607,595,128	3%	552,568,912	4%
North Central	1,651,855,743	9%	1,417,924,344	10%
North Western	4,762,306,288	28%	3,694,687,991	26%
Northern	327,971,518	2%	136,566,416	1%
Sabaragamuwa	701,853,294	4%	586,460,577	4%
Southern	2,369,652,611	13%	2,071,287,664	14%
Uva	668,926,953	4%	565,283,032	4%
Western	4,713,581,871	26%	3,536,926,158	25%
	17,848,131,247	100%	14,366,433,140	100%

(iii) Sector wise analysis of credit exposures

Company manages its credit exposure to a single industry by regularly reviewing the portfolio. As there is more concentration on vehicle related financing of the Company, there is an inherent concentration on the transport sector.

Company has set targets to bring down the exposures to each industry to a level accepted by the Group based on its risk appetite.

Sector wise analysis of credit exposures

As at 31st March	Net Exposure			
	2019		2018	
	Rs.	%	Rs.	%
Agriculture	2,053,004,408	12%	1,715,192,471	12%
Tourism	114,038,258	1%	127,229,909	1%
Transport	5,923,973,634	33%	4,526,930,941	31%
Construction	67,257,275	0%	98,062,299	1%
Services	2,164,752,076	12%	1,908,655,130	13%
Individual	7,525,105,596	42%	5,990,362,390	42%
	17,848,131,247	100%	14,366,433,140	100%

(iv) Allowance for Impairment

The Company's exposure to credit risk on instalment credit/hire purchase contracts is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base has a lesser influence on credit risk. Geographically, there is no concentration of credit risk. Leased assets, subject to collateral undertakings so that in the event of non-payment, the Company can have a secured claim.

The Company assesses the impairment for Loans and Advances to customers on collective basis. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of losses incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data.

Impairment Losses

The aging of receivables at the reporting date was

As at 31st March	2019			2018		
	Gross Receivable Rs.	Impairment Rs.	Net Receivable Rs.	Gross Receivable Rs.	Impairment Rs.	Net Receivable Rs.
Not past due	10,965,233,239	57,156,789	10,908,076,451	8,571,520,586	-	8,571,520,586
Past due 1-30 days	3,381,478,169	35,890,321	3,345,587,848	3,002,309,618	90,426	3,002,219,192
Past due 31-120 days	3,285,277,698	118,497,635	3,166,780,063	2,531,844,931	6,169,337	2,525,675,594
Past due 121-180 days	407,211,273	74,432,829	332,778,444	261,329,342	34,835,225	226,494,117
Past due 181-360 days	200,046,480	111,554,648	88,491,832	129,388,234	90,053,161	39,335,073
Past due more than 360 days	189,009,013	182,592,405	6,416,608	176,245,639	175,057,061	1,188,578
	18,428,255,872	580,124,625	17,848,131,247	14,672,638,350	306,205,210	14,366,433,140

(v) Financial Investments**(a) Placement with Banks**

As at 31st March	2019		2018	
	Bank	Rs.	Bank	Rs.
Rating				
AA+	People's Bank	22,221,231	People's Bank	20,542,368
A+	NDB	20,289,315	-	-
AA-	HNB	20,263,014	HNB/NDB	40,497,534
A-	Seylan Bank	20,550,411	Seylan Bank	20,464,110
		83,323,971		81,504,012

(b) Financial Instruments - Held-to-Maturity

As at 31st March	2019	2018
	Rs.	Rs.
Rating		
AA-	623,372,330	671,382,640
	623,372,330	671,382,640

Primary dealer - Commercial Bank of Ceylon PLC, the entire portfolio consist of Government Treasury Bills and Treasury Bonds.

(d) Cash & Cash Equivalents

Cash and cash equivalents comprise of cash at bank and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments.

The cash and cash equivalents are held with the reputed commercial banks.

NOTES TO THE FINANCIAL STATEMENTS

35.1.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements

	Caring Amount	Contractual Cash flows	6 months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
31st March 2019	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non Derivative Financial Liabilities							
Secured Bank Loans	2,135,101,795	2,425,421,900	1,766,060,050	170,666,610	164,037,630	324,657,610	-
Securitization	1,909,345,887	2,162,645,800	417,700,400	372,469,520	820,334,400	552,141,480	-
Secured Debenture issues	2,586,742,734	2,769,250,000	458,416,000	149,250,000	2,161,584,000	-	-
Due to Related Companies	1,001,569,894	1,156,769,894	156,769,894	1,000,000,000	-	-	-
Trade Other payables	848,021,443	848,021,443	848,021,443	-	-	-	-
Other Financial Liabilities Due to Customers	6,095,815,777	6,663,623,934	3,946,478,945	1,806,186,816	471,549,820	425,462,445	13,945,907
Bank Overdrafts	1,134,835,645	1,134,835,646	1,134,835,646	-	-	-	-
	15,711,433,175	17,160,568,617	8,728,282,378	3,498,572,946	3,617,505,850	1,302,261,535	13,945,907

31st March 2018	Caring Amount Rs.	Contractual Cash flows Rs.	6 months or less Rs.	6-12 Months Rs.	1-2 Years Rs.	2-5 Years Rs.	More than 5 Years Rs.
Non Derivative Financial Liabilities							
Secured Bank Loans	1,317,724,996	1,484,563,872	1,197,263,872	75,000,000	69,200,000	143,100,000	-
Unsecured Debenture issues	428,496,711	490,628,734	490,628,734	-	-	-	-
Secured Debenture issues	2,567,378,286	2,841,633,400	204,505,843	137,127,557	2,500,000,000	-	-
Due to Related Companies	1,465,346,129	1,739,601,243	1,739,601,243	-	-	-	-
Trade Other payables	764,415,449	742,782,587	742,782,587	-	-	-	-
Other Financial Liabilities Due to Customers	5,356,078,444	5,356,078,443	3,573,003,590	1,379,223,153	279,720,244	111,990,210	12,141,246
Bank Overdrafts	676,917,150	676,917,150	676,917,150	-	-	-	-
	12,576,357,165	13,332,205,429	8,624,703,019	1,591,350,710	2,848,920,244	255,090,210	12,141,246

35.1.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, Government duties and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises two types of risks;

- (a) Interest Rate Risk
- (b) Currency Risk

(a) Interest Rate Risk

Interest Rate Risk is the risk to which the Company is exposed to due to uncertain and adverse movements in future interest rates. Interest rate risk is monitored through regular review of net interest yields by product to ensure interest rate margins and spreads are maintained and revisiting asset and liability pricing in line with the expectations on the interest yield curve. Further, the Company manages the interest rate risk on borrowings by using a combination of fixed and floating rates.

Profile

At the reporting date, the interest rate profile of the Company interest bearing financial instruments was

As at 31st March	2019 Rs.	2018 Rs.
Fixed Rate Instruments		
Financial Assets	18,872,177,787	15,415,022,403
Financial Liabilities	(10,591,904,397)	(9,817,299,570)
	8,280,273,390	5,597,722,833
Variable Rate Instruments		
Financial Assets	-	-
Financial Liabilities	(4,271,507,335)	(1,994,642,146)
	(4,271,507,335)	(1,994,642,146)

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Cash Flow Sensitivity for Variable Rate Instruments

A reasonable possible change of 100 basis points (1%) in interest rate at the Reporting date would increased/ (decreased) equity and profit or loss by amounts shown below. This analysis assumes that all other variables remain constant:

	Profit or Loss		Equity Net of Tax	
	1% Increase Rs.	1% Decrease Rs.	1% Increase Rs.	1% Decrease Rs.
31st March 2019				
Variable Rate Instruments	(42,715,073)	42,715,073	(30,754,853)	30,754,853
Cash Flow Sensitivity (Net)	(42,715,073)	42,715,073	(30,754,853)	30,754,853
31st March 2018				
Variable Rate Instruments	(19,946,421)	19,946,421	(14,361,423)	14,361,423
Cash Flow Sensitivity (Net)	(19,946,421)	19,946,421	(14,361,423)	14,361,423

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company, as at the reporting date, do not hold 'Financial instruments' denominated in currencies other than its functional / reporting currency, hence do not get exposed to currency risk arising from translation of such balances in to the functional / reporting currency, which is Sri Lankan Rupees.

The only currency risk faced by Singer Finance (Lanka) PLC is from the foreign currency held by the Company from its Foreign Exchange Operation.

The Company monitors exchange rates daily and take necessary steps to mitigate the Currency Risk by adjusting its Foreign Currency Exchange rates accordingly. Therefore, currency risk to the Company is minimal.

35.1.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from operations of the Company.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Company. This responsibility is supported by the development of the Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development

- Ethical and business standards
- Risk mitigation, including insurance where this is effective
- Information technology and cyber risk and,

Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, senior management of the Company and the Audit Committee.

35.2 Classification of Financial Assets and Financial Liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31st March 2019	Note	Amortised Cost Rs.	Fair value through OCI Rs.	Other Financial Liabilities Rs.	Other Financial Liabilities Rs.	Total Rs.	Fair Value Rs.	Fair Value Measurement Level
Financial Assets								
Cash and Cash Equivalents	17.1	317,308,939	-	-	-	317,308,939	-	-
Placement with Banks		83,323,971	-	-	-	83,323,971	-	-
Financial assets at amortised cost-Hire Purchase Receivables	18.1	14,583,898	-	-	-	14,583,898	-	-
Financial assets at amortised cost-Finance Lease Receivables	18.2	13,950,247,686	-	-	-	13,950,247,686	-	-
Financial assets at amortised cost-Loans and Advances	18.3	3,883,299,663	-	-	-	3,883,299,663	-	-
Financial assets measured at fair value through other comprehensive income/ Financial Instruments - Available-for-Sale	19	-	41,300	-	-	41,300	41,300	Level 3
Financial assets at amortised cost-Debt and other financial instruments /Financial Instruments - Held-to-Maturity	20	623,372,330	-	-	-	623,372,330	591,916,883	Level 2
Total Financial Assets		18,872,136,487	41,300	-	-	18,872,177,787	591,958,183	
Financial Liabilities								
Other Financial Liabilities Due to Customers	24	-	-	-	6,095,815,777	6,095,815,777	-	-
Debenture	25	-	-	-	2,586,742,734	2,586,742,734	-	-
Bank Loans	25	-	-	-	2,135,101,795	2,135,101,795	-	-
Securitization	25	-	-	-	1,909,345,887	1,909,345,887	-	-
Due to Related Companies	27	-	-	-	1,001,569,894	1,001,569,894	-	-
Bank Overdraft	17.2	-	-	-	1,134,835,645	1,134,835,645	-	-
Total Financial Liabilities		-	-	-	14,863,411,732	14,863,411,732	-	

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2018	Note	Loans and Other Receivables Rs.	Held-to-maturity Rs.	Available-for-sale Rs.	Other Financial Liabilities Rs.	Total Rs.	Fair Value Rs.	Fair Value Measurement Level
Financial Assets								
Cash and Cash Equivalents	17.1	295,702,611	-	-	-	295,702,611	-	-
Placement with Banks		81,504,012	-	-	-	81,504,012	-	-
Hire Purchase Receivables	18.1	82,844,908	-	-	-	82,844,908	-	-
Lease Rental Receivables	18.2	11,383,225,317	-	-	-	11,383,225,317	-	-
Loans and Advances	18.3	2,900,362,915	-	-	-	2,900,362,915	-	-
Financial Instruments - Available-for-Sale	19	-	-	41,300	-	41,300	41,300	Level 3
Financial Instruments - Held-to-Maturity	20	-	671,382,640	-	-	671,382,640	641,969,461	Level 2
Total Financial Assets		14,743,639,763	671,382,640	41,300	-	15,415,063,703	642,010,761	
Financial Liabilities								
Other Financial Liabilities Due to Customers	24	-	-	-	5,356,078,444	5,356,078,444	-	-
Debenture	25	-	-	-	2,995,874,997	2,995,874,997	-	-
Bank Loans	25	-	-	-	1,317,724,996	1,317,724,996	-	-
Due to Related Companies	27	-	-	-	1,465,346,129	1,465,346,129	-	-
Bank Overdraft	7.2	-	-	-	676,917,150	676,917,150	-	-
Total Financial Liabilities		-	-	-	11,811,941,716	11,811,941,716	-	

Amortized cost for Hire Purchase, Lease, Loans and Advances and Liabilities is computed using market interest rate. Therefore amortized cost is a reasonable approximation to its Fair value. The Company has used market yield rates published by Central Bank for the fair value computation of Held-to-Maturity Financial Instruments.

35.3 Fair Values of Financial Instruments**Financial Instruments Measured at Fair Value - Fair Value Hierarchy**

The following table shows an analysis of assets and liabilities recorded at fair value by level of fair value hierarchy. The amounts are based on the values recognised in the statement of financial position.

The following shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

As at 31st March 2019	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value through other comprehensive income/ Financial Instruments - Available-for-Sale					
	19	-	-	41,300	41,300
		-	-	41,300	41,300
As at 31st March 2018					
Financial Instruments - Available-for-Sale	19	-	-	41,300	41,300
		-	-	41,300	41,300

35.4 Fair Value of Financial Assets Not Carried at Fair Value

Financial assets not carried at fair value are disclosed under the category Amortised Cost. The values reported under Amortised Cost category are comparable to their fair value.

As at 31st March		2019				2018					
Note		Carrying		Fair	Carrying		Fair	Fair Value			
		Value	Rs.	Value	Level 1	Level 2	Level 3	Value	Level 1	Level 2	Level 3
Financial Assets											
17.1	Cash and Cash Equivalents	317,308,939	317,308,939	317,308,939	-	-	295,702,611	295,702,611	-	-	-
	Placement with Banks	83,323,971	83,323,971	83,323,971	-	-	81,504,012	81,504,012	-	-	-
18.1	Financial assets at amortised cost-Hire Purchase Receivables	14,583,898	14,583,898	-	-	14,583,898	82,844,908	82,844,908	-	-	82,844,908
18.2	Financial assets at amortised cost-Finance Lease Receivables	13,950,247,686	13,950,247,686	-	-	13,950,247,686	11,383,225,317	11,383,225,317	-	-	11,383,225,317
18.3	Financial assets at amortised cost-Loans and Advances	3,883,299,663	3,883,299,663	-	-	3,883,299,663	2,900,362,915	2,900,362,915	-	-	2,900,362,915
20	Financial assets at amortised cost-Debt and other financial instruments /Financial Instruments - Held-to-Maturity	623,372,330	591,916,883	-	591,916,883	-	671,382,640	641,969,461	-	641,969,461	-
		18,872,136,487	18,840,681,040	400,632,910	591,916,883	17,848,131,247	15,415,022,403	15,385,609,224	377,206,623	641,969,461	14,366,433,140
Financial Liabilities											
24	Other Financial Liabilities Due to Customers	6,095,815,777	6,095,815,777	-	-	6,095,815,777	5,356,078,444	5,356,078,444	-	-	5,356,078,444
25	Debenture	2,586,742,734	2,586,742,734	-	-	2,586,742,734	2,995,874,997	2,995,874,997	-	-	2,995,874,997
25	Bank Loans	2,135,101,795	2,135,101,795	-	-	2,135,101,795	1,317,724,996	1,317,724,996	-	-	1,317,724,996
25	Securitization	1,909,345,887	1,909,345,887	-	-	1,909,345,887	-	-	-	-	-
27	Due to Related Companies	1,001,569,894	1,001,569,894	-	-	1,001,569,894	1,465,346,129	1,465,346,129	-	-	1,465,346,129
17.2	Bank Overdraft	1,134,835,645	1,134,835,645	-	-	1,134,835,645	676,917,150	676,917,150	-	-	676,917,150
		14,863,411,732	14,863,411,732	-	-	14,863,411,732	11,811,941,716	11,811,941,716	-	-	11,811,941,716

NOTES TO THE FINANCIAL STATEMENTS

35.5 Capital Management

The Board's policy is to maintain a strong capital base to maintain confidence of the investors, creditors and the market while sustaining future development of the business which capital consists of total equity. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between higher returns facilitated through a higher level of borrowings and the benefits and security afforded by a sound capital position.

The capital structure of the Company consists of debt and equity of the Company. The capital structure of the Company is reviewed by the Board of Directors.

35.5.1 Capital Adequacy

Capital adequacy is a measure of financial institutions financial strength and stability. This widely accepted concept tries to specify the limit up to which a business can expand in terms of its risk – weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on companies' exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The capital adequacy ratio is calculated as a percentage on Company's capital to its risk weighted assets as specified by the Direction No 03 of 2018 with effect from 1st July 2018 . Previously, Capital Adequacy ratio was computed based on the Direction No.02 of 2006 and by the Circular issued by the Central Bank of Sri Lanka dated 15th March 2017.

Based on the Direction No. 03 of 2018 Listed Finance Companies which are having an asset base of less than 100 Billion require to maintain minimum Core Capital Ratio (Tier-I) of 6% and 10% based on the Total Capital Ratio (Tier-II) . This minimum requirement will increase up to 6.5% and 10.5% respectively with the effect from 1st July 2019.

The core capital represents the permanent shareholders' equity and reserves created or increase by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital, the revaluation reserves, general provisions and other hybrid capital instruments and unsecured subordinated debts.

The Risk Weighted Assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka.

Details of the computation and the resulting ratios are given below:

As at 31st March	Balance		Risk-Weighted Factor %	Risk-Weighted Balance	
	2019 Rs.	2018 Rs.		2019 Rs.	2018 Rs.
Assets					
Risk Weighted Amount for Credit Risk					
Notes and Coins	99,120,778	-	0%	-	-
Cash Items in the Process of Collection	186,977,852	-	20%	37,395,570	-
Fixed Assets	221,000,510	-	100%	221,000,510	-
Other Assets/Exposures	518,006,873	-	100%	518,006,872	-
Investment in Government Securities	623,372,330	-	0%	-	-
Bank deposits	83,323,970	-	20%	16,664,794	-
Retail claims in respect of motor vehicles and machinery	7,935,770,584	-	100%	7,935,770,584	-
Claims Secured by Gold					
Outstanding claim portion up to 70% of the market value	145,163,225	-	0%	-	-
Remaining outstanding claim portion over 70% of the market value	5,714,871	-	100%	5,714,871	-
Other retail claims	9,964,474,589	-	125%	12,455,593,236	-
Other Non-Performing Assets					
Specific provisions are equal or more than 20%	358,797,879	-	100%	358,797,879	-
Total Risk-Weighted Assets Computation					
Cash and Bank Balance	-	295,702,611	0%	-	-
Investment in Government Securities	-	671,382,400	0%	-	-
Bank deposits	-	81,504,012	20%	-	16,300,802
Loans against fixed deposits	-	42,550,184	0%	-	-
Staff Loans Secured by Provident Fund Balances	-	74,962,608	0%	-	-
Loans against Real Estate	-	86,415,980	50%	-	43,207,990
Loans and advances	-	3,943,771,917	100%	-	3,943,771,917
Finance lease receivable	-	11,294,077,299	100%	-	11,294,077,299
Hire purchase receivable	-	74,762,408	100%	-	74,762,408
Other assets	-	323,859,164	100%	-	323,859,165
Fixed assets	-	170,007,501	100%	-	170,007,501
Total Risk - Weighted Assets	20,141,723,460	17,058,996,084		21,548,944,316	15,865,987,081

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Balance		Risk-Weighted Factor	Risk-Weighted Balance	
	2019 Rs.	2018 Rs.		2019 Rs.	2018 Rs.
Risk Weighted Amount for Operational Risk					
Interest Income	2,918,214,497	-	15%	437,732,175	-
Interest Expenses	(1,296,290,577)	-	15%	(194,443,587)	-
Non-interest income	445,271,279	-	15%	66,790,692	-
	2,067,195,199	-		310,079,280	-
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach				3,100,792,798	-
Total Risk - Weighted Assets	22,208,918,660	17,058,996,084		24,649,737,114	15,865,987,081
Total Capital Base Computation					
Stated Capital				1,996,444,457	1,996,444,457
Reserved Fund				136,009,451	113,852,174
Published Retained Earnings				1,384,394,913	986,177,932
Less:-					
Other Intangible Assets (net)				46,293,490	-
Total Core Capital				3,470,555,331	3,096,474,563
Supplementary Capital				-	
Total Supplementary Capital				-	
Capital Base				3,470,555,331	3,096,474,563

Capital Adequacy ratio

As at 31st March		2019	2018
Core Capital Ratio	Core Capital	14.08%	19.52%
	Risk- Weighted Assets		
Total Capital Ratio	Capital Base	14.08%	19.52%
	Risk- Weighted Assets		

The previous capital adequacy directions was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction risks were confined to credit risk and no capital requirements for other risks such as Market and operational risks. The new capital adequacy framework covers both credit risk and operational risk. Since the change in the basis and coverage of risks for capital adequacy impacted the tier one capital and total capital computation drastically, and for the purpose of disclosing the comparable correspondence figures, the below presentation is also noted.

As at 31st March	Based on Direction No 03 of 2018		Based on Direction No 02 of 2006
	2019	2018	2018
Core Capital Ratio	14.08%	16.25%	19.52%
Total Capital Ratio	14.08%	16.25%	19.52%

36 Commitments and Contingencies**36.1 Commitments**

There were no significant capital commitments which have been approved or contracted for by the Company as at the reporting date except for the following.

(a) Operating Lease commitments as at 31st March 2019, is as follows:

Within one year	Rs. 16.36 million
Between one to five years	Rs. 36.55 million
Over five years	Rs. 20.94 million

(b) Unutilized Facilities

	2019	2018
	Rs.	Rs.
Credit card credit limit	268,073,446	722,821,725
Revolving loan facility amount	296,662,710	71,561,460

36.2 Contingencies**(a)** As at 31st March 2019, the Company has provided letters of guarantee totalling to Rs. 1,000,000/- against Fixed Deposits of Rs. 1,000,000/-**(b)** Under the finance companies (single borrowers limit) direction no 4 of 2006/1, the value of unsecured accommodations granted to and outstanding at any point of time from all borrowers should not exceed 5% of the capital funds as shown in the last audited balance sheet. However as of 31/03/2019, the balance has been exceeded in the credit card product by Rs.363Mn .

NOTES TO THE FINANCIAL STATEMENTS

36.3 Assets Pledged

Company has given the Securitization and negative pledge over the Company's Lease receivable and Hire Purchase receivable, for the following banks over the Loans, Overdrafts & Debentures having a carrying value of Rs.10,584,332,000/- against Loans, Overdraft & Trust Deed obtained to the value of Rs. 8,495,640,000/- respectively, as at the year end:

Bank	Exposure	Type of Facility	Outstanding Credit Facility Rs.	Carrying Value Rs.
Sampath Bank	130% of the Banks's exposure	Loan Overdraft Facility	292,900,000 300,000,000	770,770,000
Commercial Bank	150% of the Banks's exposure	Overdraft Facility	200,000,000	300,000,000
Seylan Bank	130% of the Banks's exposure	Loan Overdraft Facility	502,740,000 250,000,000	978,562,000
Nations Trust Bank	130% of the Banks's exposure	Loan Overdraft Facility	1,030,000,000 70,000,000	1,430,000,000
National Development Bank	130% of the Banks's exposure	Loan Overdraft Facility	200,000,000 100,000,000	390,000,000
Singer Sri Lanka	130% of the Company exposure	Loan	1,000,000,000	1,300,000,000
Hatton National Bank	130% of the Banks's exposure	Securitization	2,050,000,000	2,665,000,000
Deutsche Bank	110% of the Debenture exposure	Debenture	2,500,000,000	2,750,000,000
			8,495,640,000	10,584,332,000

37 Events after the Reporting Period

There have been no material events occurring after the Reporting date which require adjustments to or disclosure in the financial statements.

38 Related Party Transactions

38.1 Identity of Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosure", the details of which are reported below.

The Company's immediate Parent Undertaking is Singer (Sri Lanka) PLC. The Company's Ultimate Parent Undertaking is Hayleys PLC.

38.2 Transactions with parent company and affiliate companies

During the year, the company had the following transactions with its parent company and related entity.

Name of the Company and Relationship	Nature of Transaction	2019 Rs.	2018 RS.
Hayleys PLC (Ultimate Parent)	Expenses Paid Through Hayleys PLC	19,180,711	2,699,871
	Balance Settlement	17,610,817	1,583,708
Singer (Sri Lanka) PLC (Parent Company)	Dividend Paid (Gross)	177,669,589	159,339,193
	Debenture Interest Paid	71,793,997	98,665,350
	Debenture Interest Expense	99,352,982	99,282,504
	Withdrawals of Rental Collections From Singer (Sri Lanka) PLC	3,364,180,793	3,180,080,931
	Sales Financed to purchase goods from Singer (Sri Lanka) PLC	733,531,708	766,308,980
	Loans Obtained During The Year	625,000,000	1,100,000,000
	Loans Settled During The Year	625,000,000	600,000,000
	Interest Expense	169,988,772	55,353,167
	Rental Collections through Singer (Sri Lanka) PLC	5,124,431,974	4,344,695,914
	Service Charge Income	24,819,207	18,210,352
	Collection Commission Paid	43,021,299	35,491,040
	Royalty Expense Charged During The Period	42,146,523	29,703,730
	Royalty Paid Through Singer (Sri Lanka) PLC	-	21,091,067
	Rent Reimbursed	26,496,531	17,308,156
	Expenses Paid Through Singer (Sri Lanka) PLC	468,512,752	403,376,806
	Advance Paid	106,567,809	45,317,980
	Advance Settlement	137,107,889	1,000,000
Singer Industries (Ceylon) PLC (Affiliate Company)	Invested in Fixed Deposits	137,324,321	117,903,258
	Deposits Interest Payment (Gross)	16,656,408	15,045,285

NOTES TO THE FINANCIAL STATEMENTS

38.3 Disclosures on related party transactions according to the section 9 of the listing rules

The Company has entered in to following recurrent related party transactions which exceed 10% of the gross revenue/ income as disclosed below;

Name of the Related Party	Relation-ship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as a % of Gross Revenue	Terms and Conditions of the Related Party Transactions
			2018/2019 Rs.	2018/2019 %	
Singer (Sri Lanka) PLC	Parent Company	Loans obtained from Singer (Sri Lanka) PLC during the year	625,000,000	15%	Interest rate at the market rate
		Loans obtained from Singer (Sri Lanka) PLC settled during the year	625,000,000	15%	

38.4 The amount due to Singer(Sri Lanka) PLC as at 31 March 2019, are disclosed in Note 27 of the Financial Statements.

38.5 Transactions with Key Management Personnel

(a) According to LKAS 24 - "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company and its parent company (Including Executive and Non Executive Directors) and their immediate family members have been classified as Key Management Personnel of the Company.

As at 31st March	2019	2018
	Rs.	Rs.

(i) Transactions Key Management Personnel or close Family Members

Deposit kept by Key Management Personnel or their close family members	49,748,574	57,630,846
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For the year ended 31st March	2019	2018
	Rs.	Rs.

(ii) Compensation of Key Management Personnel

Short-Term Employee Benefits	22,126,017	27,304,165
Post-Employment Benefit Paid	5,395,000	-

In addition to their salaries the Company provides non-cash benefits to the Key Management Personnel and contributes to a past employment defined benefit plan on their behalf. Directors emoluments are disclosed in Note 12 to the Financial Statements.

(iii) No transaction had been taken place during the year with the parties/entities in which Key Management Personnel or their close family members have control, joint control or significant influence other than disclosed above.

38.6 Transactions with Related Parties are carried out in the ordinary course of the business and were made on terms equivalent to those that prevail in arm's length transactions.

39 Directors' Responsibility

Directors of the company are responsible for the preparation and presentation of these Financial Statements.

Parent ,Associate & Related Companies

Company Name	Principal Activity	Directors
Hayleys PLC	Global Markets and Manufacturing, Agriculture, Power and Energy, domestic and industrial lighting,Transportation and Logistics, Leisure and Aviation, Consumer, and Investments and Services	Mr. A.M. Pandithage Mr. K.D.D. Perera Mr. S.C. Ganegoda Mr. H.S.R. Kariyawasan Dr. H. Cabral Mr. L.R.V. Waidyaratne Mr. M.H. Jamaldeen Mr. M.Y.A. Perera Mr. N.L.S. Joseph Ms. J. Darmasena
Singer (Sri Lanka) PLC	Trading in Sewing Machines, Industrial Machines, Electrical Equipment & Consumer Durables, Personal Computers, Agricultural Equipment & Furniture	Mr. A.M. Pandithage Mr. K.D.D. Perera Mr. M.H. Wijewardene Mr. S.C. Ganegoda Mr. D.H. Fernando Mr. M.H. Jamaldeen Mr. D.K. De S. Wijeyeratne Ms. O. Gunewardene Mr. D. Sooriyaarachchi Mr. S.H. Goodman Mr. L.N.S.K. Samarasinghe (Alternate) Mr. H.P. Sujeewa Perera (Alternate) Mr. K.K.L.P. Yatiwella (Alternate)
Singer Industries (Ceylon) PLC	Manufacturing Sewing Machines	Mr. A.M. Pandithage Mr. M.H. Wijewardene Mr. V.G.K. Vidyaratne Mr. M.H. Jamaldeen Mr. N.L.S. Joseph Mr. K.D.G. Gunaratne Mr. S.C. Ganegoda Mr. K.D. Kospelawatta Mr. D.K. De S. Wijeyeratne
Hayleys Travels	Flight Tickets,Holiday Packages,VISA services,Travel Insurance & Rent a car	Mr. A.M. Pandithage Mr. S.C. Ganegoda Mr. S.J. Wijesinghe Mr. J.G. Victoria Ms. V. Jayasundera Mr. E.J. Pietersz Mr. L.R.V. Waidyaratne

TEN YEAR SUMMARY

Year Ended 31st March	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Operating Results										
Income	4,129,845	3,277,570	2,610,297	2,113,396	1,986,040	1,894,761	1,755,601	1,277,360	1,002,382	705,115
Interest Expense	1,645,624	1,287,378	978,996	688,135	669,413	759,449	742,013	407,774	283,008	316,422
Non-Interest Expense	1,500,361	1,118,830	937,298	696,664	711,726	732,391	669,289	557,252	459,740	279,974
VAT, NTB & DRL on Financial Services	260,956	171,063	125,789	81,784	38,766	28,428	20,908	26,595	34,808	21,700
Profit Before Tax	722,904	700,299	568,214	646,813	566,135	374,493	323,391	285,739	224,826	87,019
Provision for Taxation	181,170	257,153	198,385	205,958	177,469	105,897	66,857	70,058	105,371	32,900
Profit After Tax	541,734	443,146	369,829	440,855	388,666	268,596	256,534	215,681	119,455	54,119
OCI for the Year, Net of Taxes	(1,290)	(6,506)	1,159	(720)	(1,563)	(447)	-	-	-	-
Total Comprehensive Income for the Year	540,444	436,640	370,988	440,135	387,103	268,149	256,534	215,681	119,455	54,119
Dividends	222,281	196,011	175,253	248,000	206,667	107,467	107,467	85,333	42,667	20,000
As at 31st March	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Assets										
Liquid assets	1,024,006	1,048,590	797,195	666,326	766,506	815,542	402,973	325,844	211,141	174,094
Investments	41	41	41	41	41	41	41	41	41	41
Advances	17,848,131	14,366,433	11,552,460	10,036,295	7,841,541	7,047,463	6,590,722	6,182,774	4,007,415	2,981,079
Other Assets	290,636	210,265	192,113	185,872	141,412	116,219	151,236	174,967	124,203	61,954
Property, Plant & Equipment	221,885	120,587	124,658	111,233	66,728	72,711	53,461	29,554	27,993	22,928
Due From Related Companies	92,444	336,269	201,865	-	-	-	-	-	-	-
Intangible Assets	46,293	49,420	32,011	36,041	30,728	32,383	25,262	13,650	12,346	7,314
Deferred Tax Assets	15,632	-	-	-	-	-	33,780	11,858	13,420	8,581
Income Tax Receivable	-	-	-	-	-	-	-	9,288	-	-
Total Assets	19,539,068	16,131,605	12,900,343	11,035,808	8,846,956	8,084,359	7,257,475	6,747,976	4,396,559	3,255,991
Liabilities										
Interest-Bearing Loans & Borrowings	6,631,191	4,990,517	5,493,345	3,978,929	1,592,323	1,325,231	1,009,276	1,223,338	81,968	40,017
Deposit from customers	6,095,816	5,356,078	3,210,548	3,173,767	4,150,193	4,277,335	3,318,927	2,740,998	1,882,620	1,518,043
Amount due to Related companies	1,001,570	1,465,346	771,235	421,199	51,325	28,679	661,651	1,299,856	1,187,515	997,250
Retirement Benefit Obligations	63,118	55,213	36,842	30,515	22,369	14,947	11,521	7,479	5,572	3,751
Deferred Tax Liability	-	154,876	39,942	54,345	31,972	14,543	34,755	4,879	3,986	2,904
Other Liabilities	2,203,439	774,463	627,727	779,425	634,614	339,100	297,504	359,292	295,779	228,247
Total Liabilities	15,995,133	12,796,493	10,179,729	8,438,180	6,482,796	5,999,835	5,333,634	5,635,842	3,457,440	2,790,212
Equity										
Stated Capital	1,996,444	1,996,444	1,445,333	1,445,333	1,445,333	1,445,333	1,445,333	800,000	800,000	400,000
Statutory Reserves	163,096	136,010	113,852	95,361	73,318	136,128	108,437	65,161	20,990	10,748
Retained Earnings	1,384,395	1,202,658	1,161,431	1,056,934	845,509	503,063	370,071	246,973	118,129	55,031
Total Equity	3,543,935	3,335,112	2,720,616	2,597,628	2,364,160	2,084,524	1,923,841	1,112,134	939,119	465,779
Total Liabilities & Equity	19,539,068	16,131,605	12,900,345	11,035,808	8,846,956	8,084,359	7,257,475	6,747,976	4,396,559	3,255,991
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Investor Information										
Gross Dividend (Rs.000)	222,281	196,011	175,253	248,000	206,667	107,467	107,467	85,333	42,667	20,000
Dividend per share (Rs.)	1.10	0.97	1.06	1.50	1.25	0.65	0.65	0.79	0.40	0.25
Dividend Cover (Times)	2.44	2.26	2.11	1.78	1.88	2.50	2.39	2.53	2.80	2.71
Net Assets Per Share (Rs.)	17.54	16.50	16.46	15.71	14.30	12.61	13.17	10.33	14.83	8.22
Market Price Per Share (Rs.) -Maximum	16.40	21.00	23.60	27.90	21.40	15.70	18.50	44.20	55.70	-
Market Price Per Share (Rs.) -Minimum	12.50	14.90	16.60	16.50	12.00	10.50	10.90	15.20	35.00	-
Price as at Year End (Rs.)	12.60	15.40	17.10	18.10	18.30	12.10	12.60	16.20	36.50	-
Price Earning Ratio (Times)	4.70	6.11	7.63	6.98	7.93	7.49	7.18	8.09	19.35	-
Earning Per Share (After Tax)	2.68	2.52	2.24	2.59	2.31	1.62	1.76	2.00	1.89	0.96
Ratios										
Annual Income Growth (%)	26.00	25.56	23.51	6.41	4.82	7.93	37.44	27.43	42.16	53.15
Growth In Interest Expenses (%)	27.83	31.50	42.27	2.80	(11.86)	2.35	81.97	44.09	(10.56)	11.72
Growth In Non Interest Expenses (%)	34.10	19.37	34.54	(2.12)	(2.82)	9.43	20.11	21.21	64.21	89.51
Growth In Profit after tax (%)	22.25	19.82	(16.11)	13.43	44.70	4.70	18.94	80.55	120.73	325.10
Growth In Advances (%)	24.23	24.36	15.11	27.99	11.27	6.93	6.60	54.28	34.43	66.37
Growth In Deposits (%)	13.81	66.83	1.16	(23.53)	(2.97)	28.88	21.08	45.59	24.02	38.26
Growth In Shareholder's Fund (%)	6.26	22.59	4.73	9.88	13.41	8.35	72.99	18.42	101.62	110.13
Equity:Assets (%)	18.14	20.67	21.09	23.54	26.72	25.78	26.51	16.48	21.36	14.31
Debt:Equity (Times)	3.87	3.40	3.38	2.92	2.45	2.70	2.59	4.73	3.36	5.49

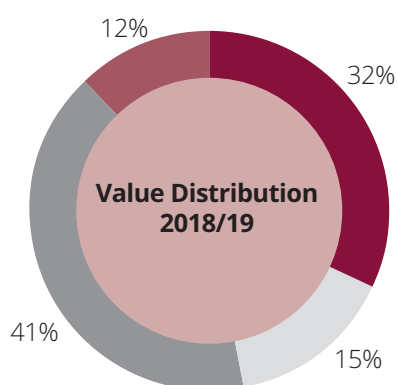
VALUE ADDED STATEMENT

Year Ended 31st March

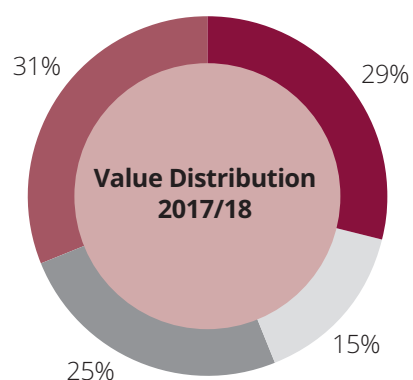
	2018/19		2017/18
	Rs.		Rs.
Income earned by providing financial services	3,818,504,475		3,014,717,882
Cost of Services	(2,343,734,105)		(1,829,054,645)
Value added by financial services	1,474,770,370		1,185,663,237
Non-financial income	311,340,324		262,852,152
Provision for Impairment Losses	(281,988,326)		(177,669,292)
	1,504,122,368		1,270,846,097

Value Allocated

To employees as remuneration	480,022,770	32%	366,150,665	29%
To shareholders as dividend	222,281,483	15%	196,011,853	15%
To government as tax				
- Income Tax	351,175,996	23%	139,688,893	11%
- VAT, NBT and DRL on FS	260,956,111	17%	171,062,801	13%
To business expansion and growth				
- as Depreciation	40,239,831	3%	33,333,771	3%
- as Retained earnings	319,452,409	21%	247,133,687	20%
- as Deferred Taxation	(170,006,232)	-11%	117,464,427	9%
	1,504,122,368	100%	1,270,846,097	100%



- To employees as remuneration
- To shareholders as dividend
- To government as tax
- To business expansion and growth



SHARE INFORMATION

1. Stated Capital

	31st March 2019	31st March 2018
Issued and Fully-paid Capital (Rs.)	1,996,444,457	1,996,444,457
No. of Shares- Ordinary Shares	202,074,075	202,074,075
Class of shares	Ordinary Shares	
Voting Rights	One Vote per Ordinary Share	

2. Stock Exchange Listing

The issued Ordinary Shares of Singer Finance (Lanka) PLC are listed with the Colombo Stock Exchange of Sri Lanka.

3. Directors Shareholdings

Name of the Director	31st March 2019 No of Shares	31st March 2018 No of Shares
Mr. M.Y.A. Perera	-	-
Mr. J.A. Setukavalar	-	-
Mr. M.P.A. Salgado	12,224	12,224
Mr. J.M.J. Perera	-	-
Mr. R.S. Wijeweera (Retired on 30th June 2018)	37,892	37,892
Mr. G.J. Walker (Resigned w.e.f. 10th August 2018)	-	-
Ms. D. Talpahewa	-	-
Mr. L.S. Sadeep Perera	-	-
Mr. M.H. Wijewardene (Appointed on 21st February 2019)		
Mr. T.A. Amarasuriya* (Director/CEO) (Appointed on 01st July 2018)	50,155	50,155
Mr. K.K.L.P. Yatiwella** (Alternate director to Ms. D. Talpahewa - Appointed on 21st February 2019)	-	-
Mr. S. Ramanathan (Alternate Director to Mr. L.S. Sadeep Perera - Resigned w.e.f 24th April 2018)	-	-
Mr. C.A. Samarasinghe (Alternate Director to Mr. D. Talpahewa - Resigned w.e.f. 31st December 2018)	-	-

* Ceased to be an Alternate director to Mr. R. S. Wijeweera on 30th June 2018.

** Ceased to be an Alternate director to Mr. G.J. Walker on 10th August 2018.

4. Analysis of Shareholders According to the Number of Shares as at 31st March 2019

No. of Shareholders: **31st March 2019 - 6,910** (31st March 2018 - 7,031)

		Resident Shareholders			Non Resident Shareholders			Total Shareholders		
		No.of Holders	Total Holdings	%	No.of Holders	Total Holdings	%	No.of Holders	Total Holdings	%
1- 1000	Shares	4,889	2,105,488	1.04	12	7,610	0.00	4,901	2,113,098	1.05
1001- 10000	Shares	1,547	5,256,475	2.60	11	54,212	0.03	1,558	5,310,687	2.63
10001- 100000	Shares	390	11,326,409	5.61	8	295,658	0.15	398	11,622,067	5.75
100001- 1000000	Shares	48	13,001,496	6.43	-	--	-	48	13,001,496	6.43
OVER 10000001	Shares	5	170,026,727	84.14	-	-	-	5	170,026,727	84.14
Total		6,879	201,716,595	99.82	31	357,480	0.18	6,910	202,074,075	100

5. Analysis of Shares

Categories of Shares	31st March 2019		31st March 2018	
	No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares
Individuals	6,728	25,616,080	6,844	22,009,085
Institutions	182	176,457,995	187	180,064,990
Total	6,910	202,074,075	7,031	202,074,075

6. Market Value Per Share

For the Year Ended 31st March

	2019		2018	
	Rs.	Date	Rs.	Date
Highest Value per share during the Year	16.40	17th May 2018	21.00	7th June 2017
		22nd Oct 2018 &		29th December
Lowest Value per share during the Year	12.50	29th Mar 2019	14.90	2017
Closing Price	12.60	29th March 2019	15.40	29th March 2018

7. Dividends

Interim Dividend **2018/19 - Rs. 1.10/-** recommended by the Board subject to approval of the Central Bank of Sri Lanka (2017/18 - Rs. 0.97)

Final Dividend **2018/19 - Nil** (2017/18 - Rs. Nil)

SHARE INFORMATION

8. Twenty Largest Shareholders

Name	31st March 2019	
	No of Shares	%
1 Singer (Sri Lanka) PLC	161,513,035	79.93
2 Employees Trust Fund Board	3,440,878	1.70
3 Associated Electrical Corporation Ltd	2,947,500	1.46
4 Mr.Sujendra Ranjanan Mather	1,085,865	0.54
5 Mr.Atapattu Mudiyanseelage Chandrasoma Sunil Atapattu	1,039,449	0.51
6 Mr.Sandun Thushara Hettige Don	711,000	0.35
7 Mrs.Hemalatha Gracelin Elizabeth Arumugampillai	684,500	0.34
8 Seylan Bank Plc/Dr.Thirugnanasambandar Senthilverl	682,436	0.34
9 United Motors Lanka Plc	679,224	0.34
10 Mr.Dilan Andrew Stefan De Abrew Abeyesinhe	602,865	0.30
11 Hatton National Bank Plc/Shakir Asgerally Lukmanjee	569,867	0.28
12 Unimo Enterprises Ltd	521,885	0.26
13 Bank Of Ceylon A/C NDB Wealth Growth Fund	516,841	0.26
14 A E C Properties (Pvt) Ltd.	440,000	0.22
15 Mr.Chelliah Ramachandran & Miss.E.Ramachandran	432,700	0.21
16 Hatton National Bank Plc/Arunasalam Sithampalam	420,944	0.21
17 People'S Leasing & Finance Plc/Hi Line Trading (Pvt) Ltd	410,198	0.20
18 Mercantile Investments and Finance Plc	400,000	0.20
19 Mr.Murtaza Ali Abidhussen Hassanaly Esufally	385,000	0.19
20 Mr.Loku Narangodage Sarath Kumara Samarasinghe	355,000	0.17
	177,839,187	88.01
Others	24,234,888	11.99
	202,074,075	100.00

Name	31st March 2018	
	No of Shares	%
1 Singer (Sri Lanka) PLC	164,267,209	81.29
2 Employees Trust Fund Board	3,440,878	1.70
3 Associated Electrical Corporation Ltd	2,947,500	1.46
4 Mrs. Hemalatha Gracelin Elizabeth Arumugampillai	684,500	0.34
5 United Motors Lanka PLC	679,224	0.34
6 Hatton National Bank PLC/Shakir Asgerally Lukmanjee	569,867	0.28
7 Seylan Bank PLC/Dr.Thirugnanasambandar Senthilverl	569,326	0.28
8 People'S Leasing & Finance PLC/Hi Line Trading (Pvt) Ltd	528,977	0.26
9 Unimo Enterprises Ltd	521,885	0.26
10 Bank of Ceylon A/C NDB Wealth Growth Fund	516,841	0.26
11 Mr. Atapattu Mudiyanseelage Chandrasoma Sunil Atapattu	505,120	0.25
12 A E C Properties (Pvt) Ltd.	440,000	0.22
13 Hatton National Bank PLC/Arunasalam Sithampalam	420,944	0.21
14 Mercantile Investments and Finance PLC	400,000	0.20
15 Mr. Murtazaali Abidhussen Hassanaly Esufally	385,000	0.19
16 Seylan Bank PLC/Lasantha Chandika Ranaweera Pathirana	375,971	0.18
17 Mr. Chelliah Ramachandran & Miss. E. Ramachandran	365,200	0.18
18 Mr. Mushtaq Mohamed Fuad	354,103	0.18
19 Mr. Loku Narangodage Sarath Kumara Samarasinghe	325,000	0.16
20 Mr. Vidyaratne Ganitaguruge Kulatunge Vidyaratne	250,555	0.12
	178,548,100	88.36
Others	23,525,975	11.64
	202,074,075	100.00

Public Holdings

Public holding as at **31st March 2019 is 20.04%** (31st March 2018 is 18.66%)

No. of Shareholders representing public holding- **6,907**

Float Adjusted Market Capitalization as at **31st March 2019 is Rs.510,245,122.34**

The Company complies with option 5 of the Listing Rule 7.13.1 (a) - which requires a minimum public Holding of 20% for a Company having a float adjusted market capitalisation of less than Rs. 2.5Bn.

10. Share Trading

For the Year Ended 31st March	2019	2018
Number of Transactions	3,226	4,790
Number of Shares Traded	8,531,462	8,255,761
Value of Shares Traded (Rs.)	122,744,305	143,850,323

11. Record of Scrip Issues

Year Ended 31 st March	Issue	Basis	No.of shares	Share Capital Rs.000
2011	Prior to Public Issue	-	80,000,000	400,000
2011	Initial Public Issue	-	106,666,667	800,000
2012	Rights Issue (at Rs.11.20)	1 : 0.55	165,333,334	1,445,333
2018	Rights Issue (at Rs.15.00)	1 : 0.22	202,074,075	1,996,444

12. Listed Debentures

Details regarding the listed debentures are as follows:	Interest rate of Comparable Government Securities as at Issue Date (%)
Fixed rate 9.95% debentures secured redeemable on 16th June 2020	8.35
Fixed rate 11.50% debentures secured redeemable on 06th April 2019	13.00
Fixed rate 12% debentures secured redeemable on 06th April 2020	13.00

Interest rate of Comparable Government Securities as at **31st March 2019** was **11.04%**

The Listed Debentures were not traded during the period 01st April 2018 to 31st March 2019. Therefore, Highest Traded price, Lowest Traded Price, Last Traded Price as at 31st March 2019, Interest Yield and Yield to Maturity of trade were not available.

Debt/Equity Ratio, Interest Cover and Quick Asset Ratio are given in Financial Highlights on Page 9 of this report.

Name of the Related Party	Relation-ship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year 2018/2019 Rs.	Aggregate value of Related Party Transactions as a % of Gross Revenue 2018/2019	Terms and Con- ditions of the Related Party Transactions
Singer (Sri Lanka) PLC	Parent Company	Withdrawals of Singer Finance rentals collected through Singer (Sri Lanka) PLC branches	3,364,180,793	81%	Interest rate at the market rate
		Sales financed to purchase goods from Singer (Sri Lanka) PLC	733,531,708	18%	
		Loans obtained from Singer (Sri Lanka) PLC during the year	625,000,000	15%	
		Loans obtained from Singer (Sri Lanka) PLC settled during the year	625,000,000	15%	
		Rentals of Singer Finance collect- ed through Singer (Sri Lanka) PLC branches	5,124,431,974	124%	
		Expenses of Singer Finance paid through Singer (Sri Lanka) PLC	468,512,752	11%	

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

Specifies principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortised Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Accrual Gain/(Loss)

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Amortization

The expense of writing off over a fixed period, the initial value of Intangible assets such as goodwill, patents etc.

Available For Sale - Financial Instruments

All assets not in any of the three categories namely held to maturity, fair value through profit or loss and loan and receivables. It is a residual category does not mean that the entity stand ready to sell these all the time.

Borrowings

All interest bearing liabilities.

Capital Adequacy Ratio

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international

best practices on maintenance of capital for financial Institutions, to suit the local requirements.

Capital Employed

Total assets less interest free liabilities, deferred income and provisions.

Cash Equivalents

Liquid investments with original maturity periods of three month or less.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commitment

Credit facilities approved but not yet utilised by the clients as at the reporting date and the Operating Lease Commitments.

Cost/Income Ratio.

All expenses excluding interest expenses, NBT, VAT, DRL and Income Tax as a percentage of Gross Income.

Contingent Liabilities

Conditions or situations at the reporting date the financial effect of which are to be determined by future events which may or may not occur.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and other.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Debt

Total liabilities, excluding deferred income.

Deferred Taxation

The net tax effect on items which have been included in the income statement, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover

Profit attributable to ordinary shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Earnings per share(EPS)

Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Effective Tax Rate

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Expected Credit Lossess

ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are

GLOSSARY OF FINANCIAL TERMS

determined by evaluating a range of possible outcomes.

Equity

Shareholders' fund.

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Finance Lease

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

Gross Dividend

Portion of profits inclusive of tax withheld, distributed to shareholders.

Gross Non Performing Advances

A loan placed on a cash basis (i.e., Interest Income is only recognized when cash is actually collected) after when six instalments or more are overdue, as there is reasonable doubt regarding the collectability of its instalments of capital and interest.

Held To Maturity Investments (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount

Impairment Allowances

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Interest Cover

Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

Loans and Receivable

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available-for-sale on initial recognition.

Liquid Assets Ratio

Assets that are held in cash or in a form that can be converted to cash readily (as prescribed by the Central Bank of Sri Lanka) divided by the total deposits.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Net Assets Per Share

Shareholders fund divided by total number of ordinary shares in issue. A basis of share valuation.

Net Interest Income (NII)

The difference between the amount a Company earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and bank borrowings.

Net Interest Margin (NIM)

The margin is expressed as net interest income divided by average interest earning assets.

Parent

A parent is an entity which has one or more subsidiaries.

Price Earnings Ratio

Market price of share divided by earnings per share as reported at that date

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business.

Return On Average Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)

Attributable profits divided by average shareholders' funds.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Segment

Constituent business units grouped in terms of similarity of operations and location.

Supplementary Capital

Supplementary capital that consist of revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments that combine characteristics of equity and debt.

Working Capital

Capital required to finance the day to day operations computed as the excess of current assets over current liabilities.

ABBREVIATIONS

ED-Executive Director

IND- Independent Director

INED- Independent Non-Executive Director

NED-Non-Executive Director

Senior INED-Senior Independent Non - Executive Director

NOTICE OF ANNUAL GENERAL MEETING

SINGER FINANCE (LANKA) PLC

[Company Registration No. PB 813 PQ]

NOTICE is hereby given that the Twelfth Annual General Meeting of Singer Finance (Lanka) PLC will be held on Wednesday, 17 July 2019, at Hayleys PLC, No. 400, Deans Road, Colombo 10, Sri Lanka at 9.00 a.m.

AGENDA

1. To receive, consider and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2019 with the Report of the Auditors thereon.
2. To re-elect Mr. J. A. Setukavalar who retires by rotation at the Annual General Meeting in terms of Articles 24(4) of the Articles of Association of the Company.
3. To re-elect Mr. T. A. Amarasuriya, who has been appointed to the Board since the last Annual General Meeting a Director, in terms of Article 24(9) of the Articles of Association of the Company
4. To re-elect Mr. M. H. Wijewardene, who has been appointed to the Board since the last Annual General Meeting a Director, in terms of Article 24(9) of the Articles of Association of the Company
5. To Authorise Directors to determine contribution to charities for the year 2019/2020.

6. To reappoint Messrs KPMG as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

By Order of the Board



Hayleys Group Services (Pvt) Ltd

Secretaries for
Singer Finance (Lanka) PLC

Colombo
06th May 2019

Note

1. The Transfer Books of the Company will be kept open.
2. For the convenience of shareholders who are unable to attend the meeting a Form of Proxy is attached hereto which should be completed and returned to the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not later than 48 hours before the time appointed for holding of the Meeting.
3. A shareholder entitled to attend and vote is entitled to appoint another person (whether a shareholder or not) as his Proxy to attend and vote instead of him/her.

FORM OF PROXY

I/We*(full name of shareholder**)

NIC No./Reg. No. of Shareholder (**)

of.....

being Shareholder/Shareholders* of SINGER FINANCE (LANKA) PLC hereby appoint:

(1)(full name of proxyholder**)

NIC No. of Proxyholder (**)

ofor, failing him/them

(2) MAHAWADUGE YASALAL ARAVINDA PERERA (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our * proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf at the Twelfth Annual General Meeting of the Company to be held on Wednesday, 17 July 2019 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		For	Against
1.	To adopt the Annual Report of the Directors and the Statements of Accounts for the year ended 31st March 2019 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-elect Mr. J. A. Setukavalar who retires by rotation at the Annual General Meeting in terms of Articles 24(4) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect Mr. T. A. Amarasuriya, who has been appointed to the Board since the last Annual General Meeting a Director, in terms of Article 24(9) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-elect Mr. M. H. Wijewardene, who has been appointed to the Board since the last Annual General Meeting a Director, in terms of Article 24(9) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5.	To authorise the Directors to determine contributions to charities for the financial year 2019/2020.	<input type="checkbox"/>	<input type="checkbox"/>
6.	To reappoint Messrs KPMG as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

(***) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due notice has been given

As witness my/our* hands this day of2019.

Witness : Signature :

Name :

Address:

NIC No:.....

.....
Signature of Shareholder

Notes: (a) * Please delete the inappropriate words.

(b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.

** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.

(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

(d) Instructions are noted on the reverse hereof.

(e) This Form of Proxy is in terms of the Articles of Association of the Company.

INSTRUCTIONS AS TO COMPLETION :

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy at his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the Case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.

In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.

6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

SHAREHOLDER FEEDBACK FORM

It is the endeavour of the Singer Finance (Lanka) PLC to ensure maximum satisfaction of its shareholders. In order to enable us to continually improve upon the quality of services provided, we try to seek your feedback on the level of satisfaction derived by you on the basis of your interaction with us. Your feedback will help us in further improvement of our services to match your expectations.

Please direct all feedback to the Company Secretary by filling this form:

Company Secretaries,
Hayleys Group Services (Pvt) Ltd
No 400, Deans Road,
Colombo 10

Kindly rate our services on various parameters by ticking any one box in each row:

Timely receipt of:

Annual Reports	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Dividend	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Other documents/ correspondence	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor

Quality and Contents of Annual report:

Report on Corporate Governance	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Management Discussion and Analysis	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Balance Sheet, Profit and Loss Account and other financial statements.	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor

Dissemination of information about the Company:

Through shareholder communication	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Through Annual Reports	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Through newspapers / Press	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Through our website (www.lankaio.com)	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Through e-mails (if we have your e- mail ID)	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor

Overall quality

☐ Outstanding ☐ Very Good ☐ Good ☐ Poor ☐ Needs Improvement

NOTES

[illegible]

CORPORATE INFORMATION

Name of the Company

Singer Finance (Lanka) PLC

Legal Form

A public limited liability company incorporated in Sri Lanka on 19th April 2004 under the Companies Act No. 17 of 1982 and Re-registered under the Companies Act No. 07 of 2007 on 16th December 2008. Shares of the Company are listed on the main board of Colombo Stock Exchange on 17th January 2011.

Approved Credit Agency

Under Mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Accounting Year

31st March

Registered Office

No. 498, R.A De Mel Mawatha,
Colombo 3.
Telephone : 94-11-2400400
Fax : 94-11-2303715
E-mail : financecompany@singersl.com

Company registration Number

Old – N (PBS) 1171
New – PB 813 PQ

Tax Payer Identification Number

134011718

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
Seylan Bank PLC

Auditors

KPMG
Chartered Accountants
No.32A, Sir Mahamed Macan Markar
Mawatha,
P.O.Box 186,
Colombo 03.

Registrars

Hayleys Group Services (Pvt) Ltd
No. 400, Deans Road
Colombo 10

Secretaries

Hayleys Group Services (Pvt) Ltd
No. 400, Deans Road
Colombo 10.

Lawyers

Neelakandan & Neelakandan
Attorneys-at-Law & Notaries Public
M&N Building (Level 5),
No.02, Deal Place,
Colombo 03.

Directorate

Mr. Aravinda Perera-Chairman/NED
Mr. Jayendran Setukavalar-Senior INED
Mr. Priyath Salgado-INED
Mr. Jayanth Perera-INED
Mr. Thushan Amarasuriya
Ms. Darshini Talpahewa-NED
Mr. M. Wijewardena-NED
(Appointed on 21st February 2019)
Mr. Sadeep Perera-NED
Mr. Lalith Yatiwella-Alternate Director to
Ms. Darshini Talpahewa
(Appointed on 21st February 2019)

Senior Management

Mr. Thushan Amarasuriya
Chief Executive Officer
Mr. Iman Perera
Chief Operating Officer
Ms. Chandrika Alwis
Consultant to the Chairman
Mr. Eraj Fernando
Head of Finance
Mr. Ruwan Jayasuriya
Head of Credit & Recoveries
Mr. Thilan Rupasinghe
Head of Cards
Mr. Jeevaka Jayawardena
Senior Manager-Credit
Mr. Joe Wijeyagoonewardene
Head of Deposits
Mr. Suranga Jayaweera
Senior Manager-Compliance
Mr. Rajindra Gamage
Business Development Manager-North Region

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