SINGER FINANCE (LANKA) PLC

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2022



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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 31st March 2022, 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 to the financial statements, including a summary of significant accounting policies and other explanatory notes set out on pages from 146 to 221. In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31st March 2022, and of their 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 AuditingStandards ("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.

Kev Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements 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.

Allowances for Expected Credit losses - loans and advances and finance lease receivable Refer to note 17 to these Financial Statements.

Risk Description

As at 31 March 2022, 87% of its total assets of the Company consisted of loans and advances and finance lease receivables amounting to Rs. 26 Bn. Higher degree of complexity and judgement are involved in estimating Expected Credit loss (ECL) amounting to Rs. 1.51 Bn as at the reporting date.

Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables and finance lease receivable balances to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk

SLFRS 9 Financial Instruments requires the Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loan and lease receivable portfolios. We exercise significant judgement when evaluating the economic scenarios used and the judgmental post model adjustments the Company applies to the ECL results. The Company's criteria selected to identify a SICR are key areas of judgement within the Company's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded. The Covid-19 pandemic and current uncertain economic condition has meant that assumptions regarding the economic outlook are more uncertain which,

STATEMENT OF PROFIT OR LOSS

Our Responses

Our audit procedures included the following Understanding and assessing the design and implementation and operating effectiveness of management key internal controls over the approval, recording and monitoring of loans and advances and finance lease receivables, 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 judgement. As part of this work, we assessed the reasonable ness of the company's considerations of the current economic uncertainty of the Country Evaluating the model methodology and key assumptions by testing the completeness and accuracy of key inputs into models and assessed the appropriateness of other assumptions. We substantially tested the completeness and accuracy of key inputs into models and assessed the appropriateness of assumptions, particularly in light of extreme volatility in economic scenarios caused by the current economic uncertainty and government responses.

Recalculating the amount of credit loss allowance for all loans and advances and finance lease receivables to verify the calculation accuracy of the credit loss allowance

combined with varying government responses increases the level of judgement required by the company in calculating the ECL, and the associated audit risk. The disclosures regarding the Company's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.

We have involved our own IT specialist to assess the reasonability of the adjustments made by the Company to the forward looking macro-economic factors and assumptions used in the ECI

We involved our IT specialist to assess the logic and compilation of the overdue information of loans and advances, finance lease receivables and

Evaluating whether the disclosures on impairment of loans and advances and finance lease receivables meet the disclosure requirements of the prevailing accounting

IT systems and controls over financial reporting

Risk Description

The Company's businesses utilize many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of financial statements which provides a true and fair view of the Company's financial position and

The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT

hire purchase receivables.

standards.

Our Responses We worked with Our IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes

Our further audit procedures included: Assessing the design, implementation, and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting. · Examining the framework of governance over the Company's IT organization and the controls over program development and changes, access to programs and data

and IT operations, including compensating controls when required. · Evaluating the design, implementation and operating effectiveness of the significant accounts related to IT process controls by assessing the operating effectiveness of IT application controls by assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the company' compliance activities and assessing the consistency of

data transmission and data migration. Assessing the availability and stability of key operating systems, taking into consideration the rapid development of business types and transactions volumes as well as IT projects that have a significant impact on busine

 On sample basis, testing the access rights given to staff by checking them to approved records and inspecting the reports over the granting and removal of access rights. Testing preventative controls designed to enforce segregation of duties between users within particular

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

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.

When we read the annual report, if we conclude that there is a material misstatement there in, we are required to communicate the matter to those charged with governance. 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 determine is necessary to enable the eparation 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

appropriate to provide a basis for our opinion. The risk of not detecting

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

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

• 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

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 of 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

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.



Colombo, Sri Lanka

STATEMENT OF CHANGES IN EQUITY

10th May 2022

Attributable to Equity Holders of the Company

	Year Ended 31st March 2022 Rs.'000	Year Ended 31st March 2021 Rs.'000	Change %
Interest Income	5,113,433	4,428,485	15%
Less: Interest Expense	1,946,514	1,920,500	(1%)
Net Interest Income	3,166,919	2,507,985	26%
Net Fee and Commission Income	293,029	236,665	24%
Trading Income	133	230,003	505%
Other Operating Income	79.910	48,532	65%
Total Operating Income	3,539,991	2,793,204	27%
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Less: Allowances for Impairment charges for Loan and Other Losses	412,726	482,546	14%
Net Operating Income	3,127,265	2,310,658	35%
Less: Expenses			
Personnel Cost	847,224	680,716	(24%)
1 Croomer Cost	047,224	000,710	(2470)
Depreciation and Amortization	188,693	155,010	(22%)
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Other Administration and Selling Expenses	845,109	660,444	(28%)
Operating Profit Before Value Added Tax (VAT), Nation Building Tax	1 2 1 6 2 2 2	014 400	720/
(NBT) and Debt Repayment Levy (DRL) on Financial Services	1,246,239	814,488	53%
Less : VAT, NBT & DRL on Financial Services	287,570	212,687	(35%)
Less : VAT, INDT & DRL on Financial Services	267,370	212,007	(3370)
Profit Before Income Tax	958,669	601,801	59%
		,	
Less : Income Tax Expense	337,529	191,674	(76%)
	424.440	410.107	710/
Profit For The Year	621,140	410,127	51%
Earnings per Share	3.07	2.03	
Lamings per Share	3.07	2.03	

	Year Ended 31st March 2022 Rs.'000	Year Ended 31st March 2021 Rs.'000	Cha
Profit For The Year	621,140	410,127	5
Other Comprehensive Income			
Actuarial Gain / (Loss) on Retirement Benefit Obligation Deferred Tax on Actuarial (Gain) / Losses on Defined Benefit Obligation	(4,346) 1,043	(1,105) 265	29 29
Other Comprehensive Income for the Year, Net of Tax Total Comprehensive Income for the Year	(3,303)	(840) 409,287	5

	As At 31st March 2022 Rs.'000	As 31 st March 20 Rs.'0
ASSETS		
Cash and Cash Equivalents	837,562	1,020,9
Placements with Banks	177,450	60,9
Financial assets at amortised cost-Hire Purchase Receivables	-	00,5
Financial assets at amortised cost-Finance Lease Receivables	12,954,049	13,719,7
Financial assets at amortised cost-Loans and Advances	13,395,955	7,370,7
Financial assets measured at fair value through other comprehensive income/		
Financial Instruments - Available-for-Sale	41	
Financial assets at amortised cost-Debt and other financial instruments /	1 412 070	012.2
Financial Instruments - Held-to-Maturity	1,412,979	813,2
Due from Related Companies Other Debtors and Prepayments	246,507	418,4 260,8
Deferred Tax Assets	78.675	5,2
Intangible Assets	69.459	44.4
Property, Plant and Equipment	444.453	372.6
Right-of-use Assets/ Lease Assets	645,887	583,9
Total Assets	30,263,017	24,671,2
LIABILITIES & EQUITY		
LIABILITIES		
Other Financial Liabilities Due to Customers	12,295,391	10,643,1
Financial liabilities at amortised cost-Interest Bearing Loans and Borrowings	10,777,766	7,470,6
Lease Liabilities	721,891	615,2
Trade and Other Payables	659,116	586,5
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Due to Related Companies	72,461	455,9
Bank Overdraft	599,909	301,7
Current Tax Liabilities	260,378	196,2
Retirement Benefit Obligations	101,458	83,2
Total Liabilities	25,488,370	20,352,7
EQUITY		
Stated Capital	1,996,444	1,996,4
Reserve Fund	234,112	203,0
Retained Earnings	2,544,091	2,118,9
Total Equity	4,774,647	4,318,4
Total Liabilities & Equity	30,263,017	24,671,2

Stated Earnings Capital Fund Total Rs.'000 Rs.'000 Rs'000 Balance as at 31st March 2020 1,996,444 182,548 1,730,190 3,909,182 1,996,444 182,548 1,730,190 3,909,182 **Total Comprehensive Income** 410,127 410,127 Profit for the period Other Comprehensive Income Actuarial Loss on Retirement Benefit Obligation (1,105)(1,105)Tax on Other Comprehensive Income Total Other Comprehensive Income for the Year 409,287 Total Comprehensive Income for the Year 409,287 Transactions with Owners, Recorded Directly in Equity Transferred to/(from) during the Year 20.507 (20.507)**Total Transactions with Equity Owners** 20.507 (20.507)1,996,444 Balance as at 31st March 2021 203,055 2,118,970 4,318,469 Total Comprehensive Income 621,140 621,140 Profit for the period Other Comprehensive Income Actuarial Loss on Retirement Benefit Obligation Tax on Other Comprehensive Income 1.043 Total Other Comprehensive Income for the Year (3,303)617,837 Transactions with Owners, Recorded Directly in Equity 31,057 (31,057) (161,659) (161,659) Dividends Total Transactions with Equity Owners (161,659) Balance as at 31st March 2022 1,996,444 234,112 2,544,091 4,774,647

Indicator	As At 31st March 2022 (Audited)		As A 31st March 202 (Audited	
Regulatory Capital Adequacy	Actual	Required	Actual	Require
Core Capital to Risk Weighted Assets Ratio Total Capital to Risk Weighted Assets Ratio Capital Funds to Deposit Liabilities Ratio	15.89% 21.74% 38.83%	7.50% 11.00% 10.00%	14.34% 14.34% 40.57%	6.509 10.509 10.009
Core Capital (Tier 1 Capital), Rs.'000' Total Capital Base, Rs.'000'		4,705,189 6,438,522		4,274,05 4,274,05
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Accommodations,Rs.'000' Gross Non-Performing Accommodations Ratio, % Net-Non Performing Accommodations Ratio, % Net-Non Performing Loans to Core Capital Ratio,% Provision Coverage Ratio (CBSL),%	1,429,286 5.19% -0.32% -1.78% 66.49%		1,530,22 6,929 1,679 8,169 60,749	
Profitability (%)				
Net Interest Margin Return on Assets (Before Tax) Return on Equity (After Tax) Cost to Income Ratio		62.00% 3.49% 13.66% 53.00%		57.00% 2.55% 9.97% 54.00%
Regulatory Liquidity (Rs.'000)				
Required Minimum Amount of Liquid Assets Available Amount of Liquid Assets Required Minimum Amount of Government Securities Available Amount of Government Securities Available Liquid Assets to Required Liquid Assets (Minimum 100%) Liquid Assets to External Funds		1,597,795 2,394,483 1,621,938 1,411,470 150% 15.38%		721,60 1,421,00 366,42 801,52 197% 12.09%
Memorandum information				
Number of Employees Number of Branches Number of Service Centers Number of Pawning Centers External Credit Rating		816 44 - - A (lka)		70 4 1 A+ (lka

We, the undersigned, being the Chairman, the Chief Executive Officer, the Financial Controller and the Compliance Officer of Singer Finance (Lanka) PLC certify jointly that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

(b) the information contained in these statement have been extracted from the Audited financial statements of the Singer Finance (Lanka) PLC.

(Sgd.) Aravinda Perera Chairman 10th May 2022

(Sgd.) T.A. Amarasuriya Director/Chief Executive Officer 10th May 2022

(Sgd.) B.S.E.T. Fernando Financial Controller 10th May 2022

(Sgd.) O.G.S.E Jayaweera Compliance Officer 10th May 2022