# THE LOGO THAT SAYS IT ALL



A finance company with the Vision to be the foremost Finance Company in Sri Lanka\*

### Vision

To be the foremost Finance Company in Sri Lanka

### 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

### Values —

### Consumers

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

### **Employees**

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

### Shareholders

We provide a reasonable return while safeguarding their investment

### Competitors

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

### Community

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

### **Environment**

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

### Objectives -

- To be a leader in Best Practice in financial services sector
- To offer a diversified basket of financial products to cater to the varied requirements of the market
- Provide our Shareholders steady return on Investments above the industry standards
- Develop our employees to achieve their real potential

About Our Parent...



Singer is one of the world's most renowned brands. Singer has been in Sri Lanka since 1877 and has grown into one of Sri Lanka's largest, diversified companies with an unmatched presence throughout the country. The Company's product portfolio has diversified to encompass a highly successful multi-brand strategy combining products of top world marques with its own products across a range of household, industrial and financial categories.

### A finance company with the Vision to be the Foremost Finance Company in Sri Lanka\*

Yes, we can achieve it. We have got what it takes to be the Foremost Finance Company in Sri Lanka. To name a few of the attributes we've got; we have the strong backing, unparalleled customer footprint and branch network of our Parent, Singer Sri Lanka; we also enjoy exemplary investor confidence; we possess cutting-edge IT systems and the warmth of the ideal human touch – all of which will help us achieve our Vision.

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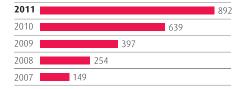
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Form of Proxy - Enclosed

# **Financial Highlights**

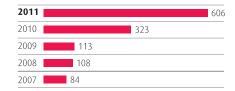
### Interest Income

Rs. 892mn



### Net Interest Income

Rs. 606mn



### **Net Profit Before Tax**

Rs. 222mn

2011			222
2010		87	
2009	16		
2008	40		
2007	21		

For the year ended 31st March	2011 (Rs. ′000)	2010 (Rs. ′000)	% Change
Results for the Year			
Gross Income	970,664	703,915	37.9
Interest Income	891,831	639,159	39.5
Interest Expense	285,697	316,422	(9.7)
Profit before Tax	222,002	87,019	155.1
Income Tax Expense	109,967	32,900	234.2
Profit after Tax	112,035	54,119	107.0
Revenue to the Government	147,118	68,931	113.4
Gross Dividends	42,667	20,000	113.3
Financial Position at the Year End			
Shareholders' Fund	931,699	465,779	100.0
Deposits from Customers	1,815,117	1,518,043	19.6
Hire Purchase, Leases, Loans & Advances	3,996,928	2,981,080	34.1
Total Assets	4,410,988	3,255,992	35.5
Investor Information			
Earnings per Share (Rs.)	1.77	0.96	84.4
Dividend per Share (Rs.)	0.40	0.25	60.0
Net Assets per Share (Rs.)	14.71	8.22	79.0
Price Earning Ratio (Times)	21	-	-
Ratios			
Return on Assets (Before Tax) (%)	1.4	0.8	
Return on Average Shareholders' Funds (%)	18.7	15.7	
Year on Year Growth in Interest Income (%)	39.5	61.2	
Year on Year Growth in Profits (%)	107.0	325.1	
Year on Year Growth in Public Deposits	19.6	38.3	
Dividend Cover (Times)	4.4	3.8	
Equity: Interest Bearing Liabilities (Times)	0.7	0.4	
Net Interest Margin (NIM) (%)	17.4	13.5	
Statutory Ratios			
Liquid Assets (%)	11.6	11.5	
Core Capital Ratio (%) - Minimum required 5%	22.6	15.4	
Regulatory Capital to Risk Weighted Assets (%) (Minimum requirement 10%)	22.6	15.4	
Shareholders' Funds: Public Deposits % (Minimum of 10%)	51.3	30.7	
Gross Non-Performing Advances Ratio - As per CBSL Direction (%)	0.5	1.7	

# "First RFC to list in the Main Board of Colombo Stock Exchange following Central Bank's requirements"

Singer Finance (Lanka) PLC offered 26,666,667 new ordinary shares to the public through an Initial Public Offering (IPO) which got 134.8 times oversubscribed and was closed on the opening day itself demonstrating the trust and confidence the general public has on the household name, Singer.

The prospectus issued in connection with the IPO identified several objectives of the offering. The table below provides an update on the status post IPO.

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Objectives	Status as at 31st March 2011	
Primary Objective -		
To obtain a listing for the Ordinary Shares of the Company on the CSE and comply with the regulatory requirements of the Monetary Board of the Central Bank of Sri Lanka (CBSL).	Company was listed on the Colombo Stock Exchange (CSE). Complied with the regulatory requirements of the Central Bank of Sri Lanka.	
Ancillary Objectives -		
To part finance the loan disbursements during the remaining period of the financial year 2010/11 which was estimated at approximately Rs. 1 - 1.2 billion.	Proceeds utilised to part finance the credit facilities disbursed during the months January to March 2011 which amounted to Rs. 1,454 million.	
To strengthen the identity by having a broader scale of public ownership in the Ordinary Shares of the Company, enabling the Company to boost its profile and image amongst the general public.	No. of shareholders increased to 21,744 immediately after the IPO. As at 31st March 2011 the No. of shareholders stood at 13,348.	
To further improve the Company's Capital Adequacy Ratio which stood at 16.10%.	Total Capital Adequacy Ratio improved to 24.5% immediately after the issue and stood at 22.6% as at 31st March 2011.	
To facilitate the listing of the Company's Ordinary Shares on the Main Board of the CSE.	Shares were listed on the Main Board on 17th January 2011.	

At the time of the IPO, fulfilment of the above objectives was identified as imperative for the growth of the business of the Company. As envisaged, the months that followed the IPO has proved the immense contribution the listing and the funds raised

thereby made to the progress of the Company, as reported in the accompanying Financial Statements.

### Chairman's Message



Dear Shareholders,

This is our first Annual Review since the Company was listed through an initial public offering on the Colombo Stock Exchange and shares commenced trading from 17th January 2011. We warmly welcome new shareholders to our midst. An era of transparency has dawned upon the Finance Company Sector with the mandatory requirement of publicly listing shares in the Colombo Stock Exchange and we were among the first companies to comply with this directive. This is a landmark decision by the Central Bank to stabilise the once beleaguered Finance Company Sector and will lead to greater protection and security for all stakeholders. A substantial increase in public funds will raise the market capitalisation of this Sector meaningfully. It is paramount that officials will be required to act with an enhanced sense of responsibility in ensuring the safety of funds from within the public domain.

We are pleased with the operational performance of the Company and its steady growth on all financial parameters since incorporation in 2004. The year under review was no exception with income growing steadily while profit reached up exponentially. This was the first year after the long-standing conflict in the North- East and the economy rallied strongly in most parts of the island, paving the way for significant transactional growth. Despite a history of floods, the

agricultural sector revived in hitherto dormant terrain and added meaningfully to the national income. There was also a notable impulse from the industrial sector as factory capacities once again expanded to meet rising demand while transportation responded to the reduction of tariffs and sales-related tax to record singly highest growth. Finance Company Sector responded positively to the call for capital and became a significant anchor in funding the revival of the economy while benefitting from public issue of shares which raised new funds for such investment. We pursued with our strategic expansion of distribution and focused more on the agricultural sector, opening branches and windows in Anuradhapura, Medawachchiya and Vavuniya. It is our view that management needs to pursue this policy aggressively to replicate the success of its iconic parent.

Singer Finance has an outstanding record of collecting debt and its positive performance in the area of "Non-Performing Loans" (NPL's) is among the best and below the industry average. A stringent credit policy and the wide array of collection points, along with a commendable effort of moving speedily into 'soft spots' by management helped to preserve this enviable return. Collection windows will be expanded in the ensuing year to sustain this performance. We will continue to follow a more stringent provisioning policy than the regulatory stipulated minimum in order to maintain the 'high point' of this crucial activity.

Chairman's Message 6/7

An era of transparency has dawned upon the Finance Company Sector with the mandatory requirement of publicly listing shares in the Colombo Stock Exchange and we were among the first companies to comply with this directive.

With a vibrant economy foreseen, the Company's asset base is predicted to continue its exponential growth in 2011. While this will enhance opportunity to increase income and profit, we are required to further strengthen control mechanisms to ensure stable growth. Regular audit of branches by an independent agency is one of the initiatives taken to strengthen such checks and balances.

On behalf of the Board of Directors, I wish to record our appreciation of the role played by the management in the commendable performance and their contribution towards ensuring the outstanding success of the Initial Public Offering.

Sincerely,

Hemaka Amarasuriya

Chairman

Colombo 30th May 2011

### **Group Chief Executive Officer's Review**



Dear Shareholders,

At the outset I would like to thank our Chairman, Mr. Hemaka Amarasuriya who retired from the position of Chief Executive Officer of the Group at end of June 2010, for his significant contribution and for his continued guidance in the capacity of Non-Executive Chairman.

The most significant event that took place at Singer Finance in the last year was the listing of Singer Finance on the Colombo Stock Exchange. This was a requirement of the Central Bank to strengthen the Finance Companies and to improve their governance. We wholeheartedly agree with the initiative and were the first to go for a listing in the Main Board. We commend the Central Bank and the Governor, Mr. Ajith Nivard Cabraal for taking this initiative.

Singer Finance had a very successful listing with the Initial Public Offering being oversubscribed 134 times. This is the second highest oversubscription in the history of the Colombo Stock Exchange. The share market price remained well above the issue price and was 2.4 times above the issue price as at 31st March 2011.

During the year under review, the Company opened a branch in Anuradhapura and window service centres in Medawachchiya and Vavuniya.

Singer Finance had a very good performance during the year both on the top line as well as the bottom line. While I would not go into details, as this is given in the Financial Review, it is important to list significant areas in this review.

The income increased to Rs. 970 million from Rs. 704 million, which was an increase of 38% over prior year. Interest income from loans had the highest income growth with a growth of 62%.

The Profit before tax increased by 2.5 times to Rs. 222 million, while Net Profit for the year increased 2.1 times to Rs. 112 million.

Singer Finance continued to have one of the lowest non-performing loans in the industry with the non-performing loan percentage improving further from 1.7% as at 31st March 2010 to 0.5% as at 31st March 2011.

In the year ahead, Singer Finance proposes to add three more branches in Ampara, Embilipitiya and Jaffna and window service centres in several other locations. Singer Finance will also introduce margin trading business and set up a subsidiary for the insurance brokerage business. The Company will co-operate further with the Parent, Singer (Sri Lanka) PLC on financing the consumer durables business, apart from expanding the traditional leasing and hire purchase of vehicles.

We wholeheartedly agree with the initiative and were the first to go for a listing in the Main Board. We commend the Central Bank and the Governor, Mr. Ajith Nivard Cabraal for taking this initiative.

### **Conclusion**

I wish to place on record my appreciation of Mr. Shanthapriya Wijeweera, Chief Executive Officer and all our staff for their contribution and commitment without which it would have been possible to achieve these results.

I also thank the Chairman and Board of Directors of the Company, and the Chairman and Chief Executive Officer of Singer Asia for their valuable support and guidance.

I also thank all our Shareholders for their trust in the Board of Directors and the Management of the Company.

Sincerely,

Asoka Pieris

Chief Executive Officer - Singer Group of Companies

Colombo 30th May 2011

### Chief Executive Officer's Review



Singer Finance closed the year on a positive note. Our profit before tax was Rs. 222 million and profit after tax was Rs. 112 million. This was the first time that the Company's after tax profit has exceeded Rs. 100 million and this performance now places us among the big players in the financial services sector in the country.

Singer Finance had been growing at an average rate of 78% during last five years. This is a significant achievement for any company and more so in the financial services industry where competition is intense. The stature of our Parent Company and the prudent policies we have pursued since formation has generated a trust and security that have helped the Company forge ahead.

The Company's branch network has grown consistently over these past seven years. We now have thirteen branches/service centres in four of the nine provinces and plan to set up three more branches next year. Our most recent branch was opened in Anuradhapura in September 2010.

One of the objectives of our expansion programme has been to provide high quality and secure financial services to rural markets and to all segments of society. Growth must be inclusive and for that purpose the participation of rural populations is vital. Singer Finance has ensured that rural population have had access to quality financial services that are supportive of micro and rural entrepreneurship.

Our three months gross Non-Performing Loan (NPL) (facilities which are in arrears for more than 3 months) ratio stood at 2.4% as at 31st March 2011 and is significantly below that of the rest of the sector. This NPL ratio has been achieved despite following a more stringent provisioning policy in line with SINGER's global practice. The policy followed by Singer Finance is more stringent than the policy recommended by the Central Bank: in the case of leasing and hire purchase transactions, 50% provision is made for loan defaults over four months, while 100% provisioning takes place for loan defaults over six months. In the case of consumer loans, the Company's provisioning policy ensures that 50% provision is made for loan defaults over two months while 100% provisioning takes place for loan defaults over five months.

Customer convenience has been enhanced through the use of Singer's online system. Our customers have the option of using Singer's real-time online system for the payment of their rentals. Customers may use any of Singer's 345 retail outlets, to access the online system and make a payment.

...Our staff has been the nerve centre of our business. Their dynamism and commitment have been crucial to the remarkable growth of the Company and I'm privileged to work with such a committed staff force... Many of them joined the Company when we started seven years ago and have watched and helped the Company

# Singer Finance has ensured that rural population have had access to quality financial services that are supportive of micro and rural entrepreneurship.

grow. We continue to offer them high quality training programmes within the Company and outside and constantly try to align Company goals with the aspirations of our employees. We have been a regular participant at the training programmes of the Central Bank's Training School. Our staff followed 14 different programmes during the year under review.

Our Parent Company has remained a tower of strength to us during these past seven years. We have been able to draw on their brand strength and the trust they have generated among a wide range of customers.

I would like to thank the Central Bank and its officials who have been very supportive of our endeavours as we sought to establish a niche in the financial sector industry. We look forward to a productive relationship in the years ahead.

To our customers and deposit holders, a warm thank you for your trust. We hope that you have benefitted from the growth of the Company and look forward to a lifelong relationship with you.

I would also like to take this opportunity to welcome on board our new shareholders who subscribed to our Initial Public Offering in December 2010. The IPO set a record on the Colombo Stock Exchange by oversubscribing 134 times. We look forward to working with you to grow the Company to reach even greater heights in the financial services industry in Sri Lanka.

I look forward to another remarkable year of growth.

Shanthapriya Wijeweera

Director/Chief Executive Officer - Singer Finance (Lanka) PLC

Colombo 30th May 2011



# THE MARKET JUST LOVED US...

When our IPO was overs on the Colombo Stock Ex second largest over sub of the Colombo Bourse. attracted 21,739 valid a Rs. 54 billion. Such a hig for our IPO prevailed acr and high net worth indi ubscribed 134 times change it became the scription in the history Over 26 million shares pplications and raised h level of enthusiasm oss both retail investors viduals alike.

### **News from the Press**

### The Island

# Singer Finance shares debuts at three times offer price, stocks close lower

Stocks closed lower Monday (17) but a Singer Finance debuted on the floor at over three times its initial public offer of 15 rupees, trading at over three times the offer price, Colombo Stock Exchange data and brokers said.

The All Share Price Index closed at 7,008.06, down 0.35 percent (-24.54 points) while the Milanka Price Index of more liquid stocks closed at 7,240.04, down 0.84 percent (-61.05 points) according to stock exchanges provisional figures.

Turnover was 3.1 billion rupees. There were 80 gainers and 137 losers.

"Market was retail investor dominant,"
Thilini Yatawara of Bartleet Mallroy
Stockbrokers said: Biggest contributor to
turnover was Singer Finance with the stock
closing at 49.20, up 34.20 from the IPO
offer price of 15.00 rupees. The stock
contributed 949 million rupees to turnover
with 26.7 million shares offered to the
public and over 21.2 million shares done.



## සිංගර් ෆිනෑන්ස් කොටස් නිකුතුව 15 දා

සීමාසහිත සිංගර් ෆිනෑන්ස් ලංකා සමාගමේ මලික මහජන කොටස් නිකුතුව දෙසැම්බර් 15 වැනි දින විවෘත වේ. කොටසක මිල රු. 15/- බැගින් වූ කොටස් 26,666,667 ක් නිකුත් කෙරෙන මේ නිකතුවේ සමස්ත වටිනාකම රු. මිලියන 400 කි. මෙම නවතම කොටස් නිකුතුවේ වටිනාකමත් සමඟ සමාගමේ මුළු පුාග්ධනය ආසන්න වශයෙන් රු. බිලියන 1.6 ක් වේ. මෙම නිකුතුව සම්බන්ධයෙන් වූ සංස්ථා පුකාශනය හා අයදුම්පත් ඕනෑම කොටස් තැරැව්කරුවකුගෙන්, NDB බැංක ශාඛාවකින්, සිංගර් ෆිනෑන්ස් ශාඛාවකින් හෝ NDB ඉන්වෙස්ට්මන්ට් බැංකුවෙන් හෝ දෙසැම්බර් මස පළමුවන දා සිට ලබා ගත හැකි බව සමාගම කියයි.

සිංගර් ශී ලංකා සමාගමේ පූර්ණ පාලිත සමාගමක් වන සිංගර් ෆිනෑන්ස්, මවු සමාගම උරුමකම් කියන අනර්ඝත්වය මතම පිහිටා ශී ලංකා මූලා කේතුයේ නිම් වළලු පුළුල් කරන සමාගමක් ලෙස කීර්තියට පත්වී ඇතැයි සභාපති හේමක අමරසූරිය මහතා කියයි.

ස්ථාවර තැන්පතු, වාහන කුලීපිට ගැනුම්, ලීසිං ආදී සාම්පුදායික මූලා විසඳුම් වලට පමණක් සීමා නොවී සිංගර් ෆිනෑන්ස් නවා විසඳුම් ද වෙළෙඳපොළට හඳුන්වාදෙමින් සුවහසක් සිංගර් පාරිභෝගික ජනතාවට සිංගර් සමාගම විසින් අලෙවිකරන විශිෂ්ට නිෂ්පාදන පහසු ගෙවීමේ කුමයට ලබා ගැනීමේ පහසුවද සලසා තිබෙන බව පුධාන පරිපාලන නිලධාරී අශෝක පීරිස් මහතා කියයි.



# Singer Finance debuts on CSE

RECORD SETTING Singer Finance Ltd. saw its shares debut on the Colombo Stock Exchange yesterday. following the Initial Public Offering.

Senior officials of the Company comprising Singer Sri Lanka Chairman Hemaka Amarasuriya, Singer Sri Lanka CEO Asoka Pieris and Singer Finance CEO Shantha Wijeweera and financial advisors and managers to the offering NDB investment Bank CEO Vajira Kulatunga were present to witness the momentous occasion.

The IPO of Singer Finance, which was for 26,666,667 ordinary voting shares at Rs. 15 per share drew a record 135 times oversubscription with Rs. 54 billion worth of application received. The share price of Singer Finance closed at Rs. 49.20 on its debut trading after peaking to a high of Rs. 50.80 and a low of Rs. 35.00.

### Daily**Mirror**

# Impressive start from Singer Finance

Singer Finance, the finance subsidiary of Singer Sri Lanka PLC which traded its shares for the first time in the Colombo Stock Exchange yesterday gained much investor interest as the share traded at an average price of Rs. 44.50, almost Rs. 30 up from the issued price.

The share opened at Rs. 35, Rs. 20 up from the issued price and the highest price the share traded at was Rs. 50.80. The lowest for the day was Rs. 35.

The IPO offered 26.7 million ordinary voting shares a Rs. 15 per share. The number of shares traded yesterday was around 21.3 million.



### SINGER FINANCE பங்கு வழங்கல் ஆரம்பம்

சிங்கர் ∴பினான்ஸ் நிறுவனம் அதன் ஆரம்பப் பொதுவழங்கலில் 26,666,667 புதிய பங்குகளைச் சந்தாவுக்காக முன்வைப்பதன் மூலம் அதன் நம்பிக்கையான தரச்சிறப்பிலிருந்து நன்மையடையும் அபூர்வ வாய்ப்பினை இலங்கை மக்களுக்கு வழங்குகிறது. பங்கு வழங்கல் இம்மாதம் 15ஆம் திகதி ஆரம்பமாக இருக்கிறது. ஒவ்வொரு பங்கும் ரூ. 15 என்ற விலையில் வழங்கப்படும். இப் பங்கு வழங்கலின் மூலம் திரட்டப்படவிருக்கும் ரூ. 400,000 மில்லியனுடன் நிறுவனத்தின் மொத்தச் சந்தை முலதனம் சுமார் 1.6 பில்லியன் ரூபாயாக அதிகரிக்கும். முதலீடு செய்ய விரும்புவோர் பங்கு வழங்கல் தொடர்பான விபரக்கொத்தின் பிரத-ியையும் விண்ணப்பப் படிவத்தையும் சகல பங்குத்தரகர்களிடமிருந்தும் NDB வங்கிக் கிளைகள், சிங்கர் :: பினான்ஸ் NDB முதலீட்டு வங்கி என்பவற்றிலிருந்தும் டிசம்பர் முதலாம் திகதி முதல் பெற்றுக்கொள்ளலாம்.

இலங்கை மக்களின் முதன்மை வர்த்தகப் பெயரான சிங்கர் ஸ்ரீலங்காவுக்கு முற்றிலும் சொந்தமான உப நிறுவனமாகிய சிங்கர் ∴பி-னான்ஸ் தனது தாய் நிறுவனத்தின் வலிமையைப் பக்கபலமாகக் கொண்டு நிதிச் சேவைகள் து-ை றயில் புரட்சிகரமான மாற்றத்தை ஏற்படுத்தியுள்ளது. 1877 ஆம் ஆண்டில் ஆரம்பிக்கப்பட்ட சிங்கர் **ஸ்ரீலங்கா** நிறுவனம். தரமுயர்ந்த உற்பத்திப் பொருட்கள் மற்றும் ஒப்பற்ற சேவைகள் மூலம் இலங்கை மக்களின் வாழ்க்கையை மேம்படுத்தியுள்ளது. இந்த மாபெரும் நிறுவனம் தனது 133 ஆண்டுகால வரலாற்றில் பாரிய வளர்ச்சியைக் கண்டுள்ளது. நாடெங்குமுள்ள வாடிக்கையாளர் தமது வாழ்க்கை முறைக்குத்தேவையான பொருட்களைத் தெரிந்து வாங்குவதற்கு வசதியாக

சிங்கர் பிளஸ், சிங்கர் மெகா சிங்கர் ஹோம்ஸ், சிசில் வேர்ல்ட் என்பன உள்ளிட்ட 370க்கு மேற்பட்ட விற்பனை நிலையங்களை அது திறந்துள்ளது.

தாய் நிறுவனத்தைப் போலவே ஒப்பற் சேவைத் தராதரங்களைக்கடைப்பிடிக்கும் சிங்கர் ∴பினான்ஸ், நிலையான வைப்புகளை ஏற்றல் வாக வாடகைக் கொள்வனவு குத்தகை போன்ற வழமையான சேவைகளை மாத்திரமின்றி விவசாய உபகரணங்களுக்கான நிதியுதவி, சிங்கரினால் உற்பத்தி செய்யப்படும் பொட்களுக்கான கடனுதவிபோன்ற பல பிரத்தியேக சேவைகளையும் வழங்குகிறது. தொழிற்துறையின் மிகச் சிறந்த ஒன்லைன் தொடர்பை அது அறிமுகப்படுத்தியுள்ளதால், வடிக்கையாளர்கள் தமது குத்தகை, வாடகைக் கொள்வனவு மற்றும் கடன் தவணைக் கொடுப்பனவுகளை எந்தவொரு சிங்கர் ∴பினான்ஸ் கிளையிலும் அல்லது நாடெங்குமுள்ள 370க்கு மேற்பட்ட மேற்பட்ட சிங்கர் பிளஸ், சிங்கர் மெகா, சிங்கர் ஹோம்ஸ் மற்றும் சிசில் வேர்ல்ட் விற்பனை நிலையமொன்றில் செலுத்த முடியும்.

நாட்டின் பொருளாதாரச் சூழ்நிலை முன்னேற்றமடைந்து வருவதாலும் கடன் நிதிக்கான தேவை அதிகரிக்குமென எதிர்பார்க்கப்படுவதாலும் சிங்கர் ::. பினான்ஸ் தனது செயற்பாடுகளை அதிகரிக்கத் தொடங்கியுள்ளது. தற்போது 6 கிளைகளையும் 6 சேவை நிலையங்களையும் கொண்டுள்ள வலையமைப்பு, அடுத்து ஐந்து ஆண்டுகளுக்குள் 24 கிளைகளையும் சேவை நிலைங்களையும் கொண்ட வலையமைப்பாக விரிவுபடுத்தப்படும். அன்மையில் ஒரு புதிய கிளை அநுராதபுரத்தில் திறக்கப்பட்டது. நடப்பு நிதியண்டில் வவுனியிவில் ஒரு

சேவை நிலையம் திறக்கப்படும். வட மாகாணத்தில் குத்தகை, வாடகைக் கொள்வனவு மற்றும் கடனுதவிச் செயற்பாடுகளை அதிகாரிக்க சிங்கர் ... பினான்ஸ் உத்தேசித்துள்ளது.

வாழ்க்கையிலிருந்து தாம் பெற விரும்புவதைப் பெற்றுக்கொள்ள இலங்கை மக்களுக்கு உதவு-வதில் சிங்கர் .்.பினான்ஸ் காட்டும் அக்கறையின் காரணமாகவே அது துரிதமான வளர்ச்சியையும் கு-றவான NPL விகிதத்தையும் பெற்றுள்ளது. தரச்சிறப்பை மக்களுடன் பகிர்ந்துகொண்டு நாடு முழுவதற்கும் நன்மையைப் பரப்பும் இந்த நோக்கத்தை சிங்கர் :. பினான்ஸ் பங்கு வழங்கலும் எடுத்துக்காட்டுகின்றது. நிறுவனத்தின் குத்தகை, வாடகைக் கொள்வனவு மற்றும் நுகர்வுக்கடனுதவிச் செயற்பாடுகளை அதிகரிப்பதற்குத் தேவையான நிதியைத் திரட்டுவதற்கும் பங்குப் பரிவர்த்தனையில் பட்டியலிடப்படுவதற்கு இலங்கை மத்திய வங்கி நாணயச் சபையினால் விதிக்கப்பட்ட பிரமாணத்திற்கு அமை-வாக நடப்பதற்கும் இப்பங்கு வழங்கள் இடமளிக்கறது.

சிங்கர் ஸ்ரீலங்காவின் புகழ்பெற்ற தலைவர் ஹேமக்க அமரசூரிய, பிரதம நிறைவேற்று அதிகாரி அசோக பீரிஸ் ஆகியோர் சிங்கர் ்.பினான்ஸ் நிறுவனத்தை முன்னணி நிலைக்குக் கொண்டுவருவதில் காட்டும் ஆர்வம். தாய் நிறுவனத்திடமிடருந்து கிடைக்கும் அமோக ஆதரவிற்குச் சான்றாகும். வழங்கப்படும் பங்குகளில் 10 சதவீதத்தை சிங்கர் ஸீலங்கா தனது ஊழியர்களுக்காக ஒதுக்கத் தீர்மானித்துள்ளமை சிங்கர் ்.பினான்ஸ ின் எதிர்காலத்தில் அது கொண்டுள்ள நம்பிக்கைக்கு மற்றுமொரு சான்றாகும்.

### **Board of Directors**













Mr. Hemaka Amarasuriya Chairman/Non-Executive Director

Mr. Shanthapriya Wijeweera Executive Director/Chief Executive Officer

Dr. Gamini C.B. Wijeyesinghe Non-Executive Independent Director

Mr. Priyath Salgado Non-Executive Director

Dr. Saman Kelegama Non-Executive Independent Director

Mr. Shyamsunder Ramanathan Alternate Director







Mr. Gavin J. Walker Non-Executive Director

Mr. Lalith Yatiwella Secretary to the Board

Mr. Asoka Pieris Non-Executive Director/Chief Executive Officer -Singer Group of Companies

Mr. John Hyun (Absent)
Non-Executive Director

### **Board of Directors**

### Mr. Hemaka Amarasuriya

Chairman/Non-Executive Director

Mr. Hemaka Amarasuriya was appointed to the Board of Singer Finance (Lanka) PLC as the Chairman on 19th April 2004. He is also the Chairman and former Managing Director of Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC, Regnis Appliances (Pvt) Ltd. and Reality Lanka Ltd. and Chairman of NDB Capital Ltd. - Bangladesh. Mr. Amarasuriya holds directorships in National Development Bank PLC, Bata Shoe Company of Ceylon Ltd., Bata Exports (Pvt) Ltd., Equity Investments Lanka Ltd., Tarmac Quarry Products (Pvt) Ltd., ACL Cables PLC and TNL Radio Network (Pvt) Ltd. He is a former Senior Vice President of Singer Asia Ltd. and Retail Holdings Ltd., USA.

He is the past Chairman of the Employers' Federation of Ceylon and the Founder President of the Industrial Association of Sri Lanka and currently serving as the Chairman of Regional Industrial Service Committee (RISC), Southern Province. Mr. Hemaka Amarasuriya has served on the Presidential Task Force on Science and Technology, Securities and Exchange Commission as well as Advisory Committee on Company Law. He also serves as a member of the Board of Governors of the University of Vocational Technology.

He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants, UK and the Chartered Institute of Marketing, UK. He also holds a Diploma in Marketing Management and Strategy from New York University, USA.

### Dr. Gamini C.B. Wijeyesinghe

Non-Executive Independent Director

Dr. Gamini Wijeyesinghe was appointed to the Board of Singer Finance (Lanka) PLC as a Non-Executive Director on 28th June 2004. He also serves on the Board of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Singer (Sri Lanka) PLC, NDB Venture Investments (Pvt) Ltd., Ayojana Fund (Pvt) Ltd., Central Finance Company PLC, Fintravels Ltd. and Ceylon Trading Company Ltd. He is a past President of The Institute of Chartered Accountants of Sri Lanka and Organisation of Professional Association of Sri Lanka.

Dr. Wijeyesinghe was a former Council Member of Commonwealth Association of Corporate Governance, member of the External Audit Committee of the International Monetary Fund and member of the External Audit Committee of the Central Bank of Sri Lanka, former Precedent Partner KPMG Ford, Rhodes, Thornton & Co., and member of the KPMG - Asia Pacific Board and FAPA (UK) (retired). He is a Fellow of The Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka. He is a Fulbright Scholar of Ohio State University, USA and was conferred a Doctorate (Honoris Causa) by the Postgraduate Institute of Management (PIM) affiliated to the University of Sri Jayewardenepura.

### Dr. Saman Kelegama

Non-Executive Independent Director

Dr. Saman Kelegama was appointed to the Board of Singer Finance (Lanka) PLC on 13th November 2008. He currently functions as a Director of Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, Sampath Bank PLC, SC Securities and Colombo Stock Exchange. He is an Executive Director of the Institute of Policy Studies of Sri Lanka and Fellow Member of National Academy of Sciences in Sri Lanka. Dr. Saman Kelegama is currently a member of the Taxation Commission appointed by the GoSL in 2009 and a former President of the Sri Lanka Economic Association and author of several publications on the economy of Sri Lanka. He holds a DPhil (Economics) from Oxford University, UK.

### Mr. Gavin J. Walker

Non-Executive Director

Mr. Gavin J. Walker was appointed to the Board of Singer Finance (Lanka) PLC on 20th September 2010. He has been the President and Chief Executive Officer of Singer Asia Ltd. since August 2005. He has previously held offices as Managing Director and Chief Executive Officer of public quoted and private companies in the United Kingdom and South Africa. Mr. Walker served as Chief Executive Officer of Profurn Ltd., a multi-brand retailer of electrical appliances and furniture with operations in sixteen African countries and Australia (including Singer brand electrical appliances under licence). He currently serves on the Board of a number of other Singer Asia subsidiaries including Singer (Sri Lanka) PLC.

### Mr. Asoka Pieris

Non-Executive Director/Chief Executive Officer - Singer Group of Companies

Mr. Asoka Pieris was appointed to the Board of Singer Finance (Lanka) PLC on 19th April 2004. He is the former Vice-President (Finance) and Chief Financial Officer of Singer Asia Ltd. and Controller of Retail Holdings N.V. Mr. Asoka Pieris is a Director and Group Chief Executive Officer of Singer (Sri Lanka) PLC, Reality Lanka Ltd., Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC and Regnis Appliances (Pvt) Ltd., Director of BT India Ltd. and Brand Trading (India) Ltd. Mr. Asoka Pieris is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK.

### Mr. Shanthapriya Wijeweera

Executive Director/Chief Executive Officer

Mr. Shanthapriya Wijeweera has been functioning as the Chief Executive Officer of Singer Finance (Lanka) PLC since 2004 and was appointed to the Board on 13th November 2008. He has a career spanning over 25 years in the finance industry and has held senior positions in several RFCs, and was involved in the operations of the Company since inception. Mr. Wijeweera holds a MBA (Banking & Finance) from Postgraduate Institute of Management of the University of Sri Jayewardenepura.

Board of Directors 18/19

### Mr. Priyath Salgado

Non-Executive Director

Mr. Priyath Salgado joined the Board of Singer Finance (Lanka) PLC on 31st July 2008. He serves as an Alternate Director and Finance Director of Singer (Sri Lanka) PLC.

### Mr. John Hyun

Non-Executive Director

Mr. John Hyun joined the Board of Singer Finance (Lanka) PLC on 28th February 2011. He is the Managing Director of UCL Asia, one of Hong Kong's largest direct investment groups in terms of liquid capital.

Mr. Hyun began his career in finance more than 16 years ago as part of Bankers Trust's Asia Private Equity investment team based in Hong Kong before relocating to Seoul to help establish its Mergers, Acquisitions and Advisory group. He returned to Hong Kong in 1999 with Investor Asia, the Asian operations of Investor AB, the Swedish Industrial Holding Group controlled by the Wallenberg family. Mr. Hyun joined UCL in 2003.

Mr. Hyun is a Director of Direct Asia Insurance (Holdings) (Pte) Ltd., KCS Ltd. and several non-profit organisations active in Asia. He is an alumnus of the University of Chicago.

### Mr. Shyamsunder Ramanathan

Alternate Director

Mr. Shyamsunder Ramanathan joined the Board of Singer Finance (Lanka) PLC on 13th November 2008 as an Alternate Director. He currently functions as the Director Logistics of Singer (Sri Lanka) PLC.

### Mr. Lalith Yatiwella

Secretary to the Board

Mr. Lalith Yatiwella is the Group Finance Manager of Singer (Sri Lanka) PLC. He is also the Secretary to the Board of Reality Lanka Ltd.

Mr. Lalith 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 University of Sri Jayewardenepura.

Our Profit after Tax this y Rs.112 million in a short since incorporation - the ever exceeded the Rs.10 This performance places indeed right up there w players in the financial s ear reached
period of seven years
first time it has
0 million mark.
us in good company
ith the biggest
ervices sector.

### **Management Team**



Mr. Chithraka Jayawantha Finance Manager

Mr. Chithraka Jayawantha is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and holds a BSc (Accountancy) Special Degree from the University of Sri Jayewardenepura. He has seven years of experience in serving at the current position in SFLP and a total of twelve years experience in the finance sector.



Mr. Iman Perera Business Development Manager

Mr. Iman Perera holds a MBA from the Postgraduate Institute of Management of the University of Sri Jayewardenepura and a BSc Business Administration (Special) Degree from the University of Sri Jayewardenepura. He counts 17 years of work experience in retail banking, leasing and micro finance marketing and operations. He has been heading the branch network as well as the marketing and business development division of SFLP since 2006.



Mr. Ruwan Jayasuriya Manager Credits and Recoveries

Mr. Ruwan Jayasuriya holds a Diploma in Credit Management from the Institute of Bankers of Sri Lanka. He is an ordinary member of the Sri Lanka Institute of Marketing and an associate member of the Chartered Institute of Marketing, UK. He counts nine years of work experience at SSL, gaining the operational and credit discipline of the Parent Company. He has been heading the credit and recoveries division of SFLP since the inception of the Company.



Mr. Joe Wijeyegoonewardene Head of Deposits

Mr. Joe Wijeyegoonewardene has considerable years of working experience both in the public and private sectors holding several positions of which nearly 30 years have been spent in the finance industry heading deposits departments. He is a Justice of Peace (All Island).

Financial Products 22/23

SFLP began operations by providing leasing and hire purchase financing for its customers. The Company has further extended its product portfolio with the inclusion of financing consumer durables and by granting personal loans and business loans. The key financial products offered by SFLP are described below:



### Leasing

SFLP provides leasing facilities for unregistered/brand new commercial and passenger vehicles. The Company is currently experiencing an increase in demand due to the recent reduction in import duty for vehicles. The middle to lower income category has emerged as a significant driver of growth in the leasing sector. The increase in demand for leasing of motor cycles and three-wheelers has further supported this trend. With the anticipated economic growth of the country, SFLP stands to greatly benefit from the increased need for leasing facilities of the middle to low income group given its regional presence.



### **Hire Purchase**

SFLP provides hire purchase facilities for registered vehicles and agricultural equipment. The Company expects a surge in the demand for hire purchase facilities for registered vehicles resulting from the increased level of activity in the used vehicle market. This is mainly due to existing vehicle owners opting to dispose their vehicles in order to purchase new vehicles in light of the reduction in prices subsequent to the import duty reduction. Furthermore, several initiatives undertaken by the Government of Sri Lanka (GoSL) in order to improve agricultural production have created additional demand for agricultural equipment. This is further supported by the numerous awareness programmes carried out to encourage agricultural modernisation which highlights the benefits of incorporating technology to improve efficiency in the sector.



### **Consumer Loans**

SFLP provides consumer credit facilities through two main channels, namely, Group Sales and SSL customers.

Group Sales represent the consumer credit facilities offered by partnering with various organisations to provide easy payment terms to employees of such partner organisations. All rental payments with regard to the credit facilities are received through the organisations by way of deductions from the monthly remuneration of the employees. Whilst this has led to a very healthy level of collections, the Company's recovery efforts are minimal unless in the event of the employee leaving the partner organisation. SFLP provides loan facilities for any type of product.

### **Operations Review**

### **On Solid Ground**

### **Background**

Singer Finance was incorporated in April 2004 by its parent company Singer Sri Lanka. Out of the main goals, one was to provide financial services to customers who were purchasing products from the parent company Singer Sri Lanka. This is in line with global best practice where companies in the business of consumer products either set up their own finance company, or establish a partnership with an existing finance company to provide credit facilities to their customers to purchase their products. Singer chose the first option when it established Singer Finance. Singer Finance subsequently registered as a Finance Company under the Finance Companies Act No. 78 of 1988 at Central Bank of Sri Lanka.

The Company's main activities consist of accepting deposits from members of the public and granting leases, hire purchase facilities and consumer loans to its customers. We have six regional branches and seven service centres. Customers may also use our parent company's 345 outlets spread across the country, to make payments and transact business.

The Company has grown at an average rate of 78% over the past five years. We have managed to make high quality financial products available to large segments of the rural market and meet a long felt need. Our parent company's significant brand strength, Singer's presence in most parts of the country and a dynamic management and sales team have contributed to this remarkable growth.

### **Net Profit Soars**

Our net profit crossed the Rs. 100 million mark for the first time last year. Net profit grew by 107% to reach Rs. 112 million for the year under review. The total deposits base was Rs. 1.8 billion at the end of March 2011, a growth of 20% over the previous year. Income from interest grew as much as 40%. Interest expenses decreased by 9.7% even though borrowings increased by Rs. 528 million.

Total disbursement for the year was Rs. 5.3 billion as against the Rs. 4 billion disbursed in the previous year. The Company incurred Rs. 110 million as income tax during the year under review which is an increase of 234% against the previous year. The Company's credit rating improved from 'BBB' to 'BBB+' during the year under review.

The Company's performance was helped by an increase in the overall business confidence levels. It was also helped by an increase in the number of vehicle registrations consequent to a reduction in duties. In addition, there was an increased demand for agricultural equipment and machinery resulting in an enhanced demand for credit.

### Assets Grow

The total value of the Company's assets increased by Rs. 1.1 billion to reach Rs. 4.4 billion by 31st March 2011. This was a growth of 35% over the previous year. The significant growth in the vehicle leasing and hire purchase portfolio was one of the main reasons for this growth. A reduction in import duties on vehicles and motor cycles has resulted in a surge in demand. The leasing portfolio grew by Rs. 314 million or 78% over the previous year and the hire purchase vehicle sector increased by Rs. 720 million or 69% over the previous year.

Fixed assets grew by Rs. 11.6 million with the opening of new branches and new window service centres. Investments were also made in new 'user licences' and in a state-of-the-art IT system which links all branches and window service centres throughout the country and constantly updates all transactions online. The Company's marketing team and customer service team were strengthened by the recruitment of 24 additional staff.

Other debtors and prepayments increased by Rs. 79 million. This consists of insurance premiums outstanding from our leasing and hire purchase customers. This balance increased consequent to the growth of the lending portfolio.

### Liabilities

The liabilities of the Company increased by Rs. 689 million during the year under review. The biggest increase was with regard to our Fixed Deposit portfolio which grew by Rs. 297 million or 20% reflecting a growing public confidence in the Institution.

The deposit base of the Company is carefully managed to ensure that we can meet the interest payments and Maturity refunds on due dates. Although the Central Bank has placed a ceiling on deposit rates there is no uniformity in the market. Last year, the Central Bank introduced a Deposit Insurance Scheme which has helped swell public confidence. According to the latest Direction, all RFCs shall insure their deposit liabilities in the Deposit Insurance Scheme operated by Monetary Board of Central Bank of Sri Lanka effective from 1st October 2010. Under this Scheme the eligible deposit liabilities have been insured on payment of 0.15% of annual premium for compensation up to a maximum of Rs. 200,000 per depositor. Despite this, the public knowledge on the safety measures introduced by the Central Bank is inadequate and there is a great need for enhancing public knowledge on the subject.

### **Intercompany Borrowings**

The Company borrowed Rs. 190 million from its parent company to finance the increased demand for leasing and hire purchase facilities. The borrowing was done at market rates and without any security. This has provided greater flexibility and ensured a continued supply of funding to meet increased demand for credit.

### IP0

The Company's Initial Public Offering of Rs. 400 million in ordinary shares through the Colombo Stock Exchange in December 2010 drew a strong response from the public. The IPO was oversubscribed by 134 times, which at that time was a record on the Colombo Stock Exchange. The funds received by increased share capital through IPO resulted in a savings on interest of approximately Rs. 11 million as at 31st March 2011.

### **Provisioning and Non-Performing Loans**

The Company's policy on provisioning is a strict one and is stringent than the minimum stipulated by the Central Bank of Sri Lanka.

This year, the Company had a Gross NPL of 0.5%, which was one of the lowest in the sector. The low NPL is due to a large extent to the excellent efforts of our recovery team. The Company has a dedicated recovery team headed by a dedicated recovery officer at each branch, which monitors all transactions closely from day one. The Company has developed candid relationships with our clients and takes steps to ensure that the customer understands closely the nature of the transaction and the obligations that he or she is taking on. We have enhanced customer convenience by enabling customers to make payment at any Singer Plus, Sisil World, Singer Mega stores and Singer Homes outlets. Defaulters are immediately reported to the Credit Information Bureau (CRIB).

### **Our Products**

Singer Finance commenced operations by providing leasing and hire purchase financing for customers. Subsequently, the Company began to finance the purchase of consumer products, personal loans and business loans.

### Leasing

Leasing was introduced to the Sri Lankan market in 1980 and soon began to gain wide acceptance as an alternative form of financing. Its availability 'over the counter' enhanced its appeal. Its popularity among SMEs also grew.

Singer Finance provides leasing facilities mainly for re-conditioned and brand new vehicles. The demand for vehicle leases has grown consequent to the reduction in import duties and other levies. The number of vehicles imported into the country has snowballed over the past year and the middle to lower income category has been the primary driver of this growth. There has also been an increase in the demand for three-wheelers and motor cycles. We are likely to see an enhanced demand for lease facilities as the economy begins to grow.

### Hire Purchase

Hire purchase became a popular financial product due to VAT concessions given when financing used vehicles and provides a flexible method of payment for those unable to pay the full amount at the time of purchase. Hire purchase was initially used for consumer products but has now emerged as a popular alternative to leasing.

Singer Finance provides hire purchase facilities for used vehicles and agricultural equipment. The agricultural sector had a good last year with many new areas coming under cultivation. Many farmers are looking for new technology and modern cultivation and harvesting methods. Consequently, there has been an increase in demand for agricultural machinery and for credit to finance such products.

### **Group Sales**

The Company has a group sales policy, similar to the policy followed by its parent company. This unique facility is made available to staff from reputed organisations in both the public and private sectors. Employees of these organisations may select any consumer product and pay for it in monthly instalments. These instalments are deducted from their monthly salary and remitted to us by the organisation concerned.

Many public and private institutions have made use of this facility. Customers enjoy the benefits of the product from the very first day without being obliged to pay the entire sum up front. The burden of settling the monthly payment is taken on by the employee's organisation and by us. We have established a dedicated unit with dedicated staff at the head office to supervise this facility. A state-of-the-art IT system supports the unit.

Recently, Singer Finance partnered with its parent company to provide financing facilities to customers who purchase products manufactured by Singer locally. This facility is available at Singer Plus, Singer Mega, Sisil World and Singer Homes outlets, spread throughout the country and open 365 days of the year.

### Network

In seven years, the Company has established a network of six branches and seven service centres in different parts of the country. All these centres, including the Head Office in Colombo, are licensed to disburse funds for hire purchase, leasing and other credit products and to accept deposits from the public.

### Branches

- Anuradhapura
- Kandy
- Kurunegala
- Matara
- Wattala
- Wennappuwa

### Service Centres (located within the Singer Sri Lanka outlets)

- Thambuththegama
- Nikaweratiya
- Dambulla
- Galle
- Medawachchiya
- Mahiyangana
- Vavuniya

In addition, customers may pay their monthly rentals at 345 Singer Sri Lanka outlets scattered throughout the country.

### The 'Singer' Brand Strength

'Singer' has emerged as one of the leading brands in the country. Over the years, it has developed a reputation for reliability, efficiency and innovation. Its brand strength was recognised last year when it was awarded the 'People's Brand' of the year by AC Neilsons. This is the fifth time that Singer won the award.

Singer Finance has used the brand strength and reputation of Singer Sri Lanka to establish itself as one of the leading 'medium size' finance companies in the country in a short period of time. The trust and security that Singer has generated in the minds of the Sri Lankan consumer have been leveraged by Singer Finance to make an impression on the financial sector in a short span of time.

Wherever possible, Singer Finance has used the resources of its parent company to support its operations. For example, Singer Finance has been able to borrow funds from its parent company at competitive rates to meet its sudden demand for credit.

Human resources have also been shared. Singer Finance has drawn on the resources of its parent company to support its operations in the case of IT, payroll operations, PBX maintenance, security, internal audit functions, legal matters and other administrative functions.

The Company has been able to use the Singer Plus showrooms to locate its seven window service centres; to use Singer's island-wide network to collect payments; and to use Singer's robust online system to facilitate customer payments. Information on the financial products of the Company is easily available with all Branch Managers at Singer showrooms around the country. The Company has used the extensive Singer network to publicise information about the Company and market its products.

The Company has also adapted many of its parent company's procedures and practices and integrated it into the Company's Operations Manual. We have simplified our lending procedures to ensure that customers have access to funds in the shortest possible time and with minimal documentation. Our parent company's external relationships have enabled Singer Finance to access skills and knowledge from overseas and this has helped the Company refine its operations in several areas. We have also installed a state-of-the-art disaster recovery system.

### A Burgeoning Economy

The Sri Lankan economy grew at 8% in 2010, the first full year, since the end of the war. Investor confidence has picked up, consumer confidence levels have grown and there is a rush of energy that is sweeping through the several layers of Sri Lankan society.

The opening of new lands for agriculture has raised the demand for agricultural equipment and implements and the reduction in import duties has increased the demand for all forms of vehicles. This has resulted in an increased demand for credit and other financial products. Increased activities in construction, transportation, tourism and fisheries have also catalysed the financial markets. Singer Finance has been able to capitalise on these new opportunities and is now looking at taking its operations to the next level in the coming years.

### **Financial Review**

Singer Finance consolidated its position as a medium-size finance company in the market disbursing Rs. 5.3 billion advances, adding most wanted credit to the economy to keep its growth momentum, especially to the small and medium-size enterprises and individuals. The Company recorded excellent revenue growth over prior year transferring it to true bottom line growth delivering stakeholders' expectations. The Company's total income for the year was Rs. 971 million, a growth of 38% over the last year and net profit for the year amounting to Rs. 112 million a growth of 107% over prior year.

During the year under review, the Company offered 25% of ordinary shares to public amounting to Rs. 400 million. Public response to the IPO was enormous which created history in the Colombo Stock Exchange recording the highest-ever oversubscription of 134.8 times as at that date. Subsequent to the successfully concluded IPO, Ordinary shares were listed in the Main Board of the Colombo Stock Exchange on 17th January 2011.

### The External Environment

In the year under review, the economy recovered after the end of the 30-year conflict, which badly affected the economies of Northern and Eastern Provinces and as well as the economy as a whole. Gradual recovery of the socioeconomic environment too was experienced in the year 2010.

In the second half of the year, there were continuous favourable changes in the local economic landscape. With a stable political environment materialising, macroeconomic factors too improved especially lower interest rates, low inflation and relatively stable exchange rates. In the last quarter of 2010, the Government made some vital economic policy changes, namely eliminating the luxury value added tax (VAT) introducing a single VAT rate, zero VAT on selected consumer durables and the reduction in duty and tariff structure, which paved the way for growing demand for vehicles, especially transport and travelling purpose vehicles.

The end of the 30-year conflict opened access to new virgin market segments, where there remains a demand for financing for reconstruction, transportation, agricultural sectors. The Company has taken strategic note of this opportunity and has opened a Branch in Anuradhapura and Window Service Centres in Medawachchiya and Vavuniya. Plans are under way to open branches in Ampara, Embilipitiya and Jaffna during the year 2011/12. We are confident that the branch expansion will have a positive impact on the profitability of the Company in the medium to long term.

Apart from the end of the conflict, which was the most important development in the progress of the country in the recent past, social and economic growth in other parts of the country too assisted the demand for more credit, especially from the small and medium-term enterprises and individuals, for transport and travelling vehicles. These segments which were cornered and struggling during the recession are now growing rapidly.

### **Basis of Preparation and Comparative Figures**

The Financial Statements for 2010/11 represent and include the Financial Statements of the Company. The basis of preparation of the Financial Statements are described under Note 1.2 to the Financial Statements. The accounting policies have been consistently applied by the Company. Certain comparative amounts have been reclassified to conform to the current year's presentation.

### Income

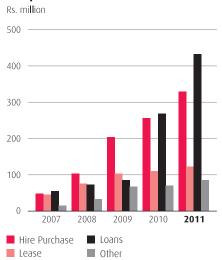
### Revenue

For the year ended 31st March 2011, SFLP recorded a Rs. 971 million income which was an increase of 38% compared with last year. Income of the Company consists of Interest Income and Other Income.

Interest income for the year was Rs. 892 million, which was an increase of 40% over last year. This interest income includes interest income from Leasing Advances, Hire Purchase Advances for Vehicles, and Loans. Almost 50% of the interest income consist of interest derived from Loan Advances. 44% of the total interest income or 89% of the total loan interest came from advances given to customers to purchase Singer products. This segment has grown over the year by 78% in terms of income. Second major contribution came from the Hire Purchase segment, which contributed 37% to interest income followed by Leasing 13%. Interest income from Hire purchase increased by 28% and Interest Income from Leasing increased by 14% over the last year. This growth is mainly due to the growth of lending portfolio, aided by an exponential growth of the economy.

Other income contributed 8% to total income. This segment witnessed an increase of 22% compared to last year. Main source of other income was Overdue Interest Income which contributed 40% of other income. Other sources are Treasury Bill Interest, Insurance Commission, Commission & Service Charges collected from granting facilities.

### **Composition of Revenue**



### **Interest Expenses**

Interest expenses of the Company decreased from Rs. 316 million to 286 million by Rs. 30 million despite the increase of borrowing by Rs. 528 million during the year. This substantial decrease is due to favourable market factors. Total interest costs incurred on Fixed Deposits decreased by Rs. 30 million during the year despite the fact that the Deposit portfolio had increased by Rs. 297 million. This is mainly due to low interest rates that prevailed during the year and customer confidence of Singer. In the Deposit market, SFLP rates are at the lower end. There are a large number of finance companies offering higher interest rates than SFLP. This is evidence, that the general public is more concerned on long-term stability rather than short-term gain.

### **Net Interest Margin**

The Company's Net Interest Income increased by Rs. 283 million over the last year to Rs. 606 million in 2010/11. This is mainly attributed to the Company's ability to source funds at competitive prices. The favourable market conditions enabled the Company to attract funds at lower rates, thereby reducing the average cost on interest-bearing liabilities by 2.3% YoY to 9.5% from 11.8% in 2009/10, while the average yield on interest-bearing assets declined by 9.2% to 32.5% from 41.7% in 2009/10.

Net interest margin increased by 2.93% to 15.53% during the year. Interest-bearing assets grew by Rs. 1,016 million, or 34% during the year to Rs. 3,997 million.

### **Staff Cost**

Staff cost for the year was Rs. 74 million which was an increase of 72% against last year. This is mainly due to an increase in the number of employees from 78 to 102 by 24 and most of these recruitments being carried out in the beginning of 2010, hence the full year cost was recorded in the books. In addition, salaries were revised to match the market rates and to retain a highly-motivated and loyal staff to the Company. Further, an Annual bonus of three months was paid to employees whereas in 2010, only one month bonus was paid.

### **Administration and Selling Expenses**

Administration and selling expenses increased to Rs. 354 million from Rs. 206.7 million by Rs. 147 million. Main increases were Administration Expenses and Collection Commissions which was paid to Singer and its Branch Managers for managing the Single Locally Manufactured Products (SLMP) loan portfolio and collecting of rentals from customers, respectively. The expenses related to traditional lending activities of the Company were increased by Rs. 35 million during the year which related to branch expansion and business related activities.

### **Bad Debt Expenses**

During the year, the Company provided Rs. 1 million for bad and doubtful debts which was a decrease of Rs. 29 million from last year. This reflects the economic recovery and effectiveness of recovery activities and prudent provisioning policy adopted by the Company. The Company follows more stringent bad debt provisioning policy than the regulatory stipulated minimum requirement.

### Value added tax on Financial Services

Company paid value added tax amounting to Rs. 34.8 million during the year which was an increase of Rs. 13 million against prior year. This increase was recorded due to higher value addition as a result of high interest income, lower interest expenses and increased staff cost.

### **Income Tax Expenses**

Income tax expense of the Company was Rs. 110 million as against Rs. 33 million in 2009/10. This increase was due to growth of profit from ordinary business activities. Due to the latest amendments to the Inland Revenue Act, Company Tax rate is reduced from 33½% to 28% effective from 1st April 2011 and in line with these changes, one-time deferred tax expense of Rs. 1.7 million was accounted for in the Company's Financial Statements due to devaluation of Deferred Tax Asset.

Singer Finance is currently liable for income tax at 331/4% on taxable profits and additional 1.5% Social Responsibility Levy on income tax payable with effect from 1st April 2008. The Company effective tax rate including Value Added Tax for the year was 57% vs 50% in last year. Effective tax rate increased due to add-back of expenses.

### Profit for the Year

The Company recorded the highest ever profit of Rs. 112 million after tax for the year which was an increase of 107% compared with last year. This is a commendable turnaround of operational performance considering the challenges that the financial sector faced in the year 2009/10.

### **Earning Per Share**

The Company's earning per share for the year was Rs. 1.77 vs Rs. 0.96 in year 2010.

### **Price Earnings Ratio**

The price-to-earning ratio of the Company as at 31st March 2011 was Rs 21

During the year under review, the Company's shares were listed on the Colombo Stock Exchange on 17th January 2011. Shares began trading at a price of Rs. 35, rising up as high as Rs. 55.70 on the 1st day of trading. As at 31st March 2011 shares traded between Rs. 36 and Rs. 37.

### Solvency

Section 56 of the Companies Act No. 07 of 2007, requires that a Solvency Test be carried out prior to the payment of dividends. The Board of Directors will obtain a Certificate of Solvency from the Auditors prior to the date of despatch of the dividend payment.

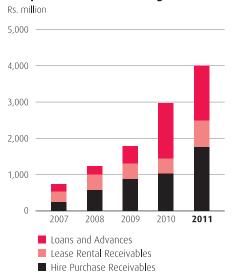
### Return on Equity

Return on equity for the year under review is 18.7%, whilst in the previous year it was 15.7%. Return on Equity has been computed by comparing the profits for the year and average total equity as at Balance Sheet date.

### **Assets**

The Company's Asset base increased by Rs. 1.2 billion, from Rs. 3.2 billion to Rs. 4.4 billion during the year. Total loan book was increased by Rs. 101 million. Main increase was recorded in Hire Purchase Receivables by Rs. 720 million followed by leasing segment of Rs. 314 million. However, the loan segment was decreased by Rs. 19 million. Reason for decrease of loans was, lesser execution of loans given to purchase Singer products due to curtailment of manufacturing of items locally. In addition to the above, cash in hand balance increased by Rs. 13 million. Treasury Bills investment increased by Rs. 24 million, Fixed Assets by Rs. 10 million and Other Debtors and prepayments by Rs. 80 million.

### **Composition of Total Lending Portfolio**



### Liabilities

Company's total liabilities as at 31st March 2011 were Rs. 3.5 billion which includes public deposits of Rs. 1.8 billion, an increase of 20% from 2010. This was a commendable growth in spite of loss of public confidence in the finance company sector with the collapse of unregulated deposit-taking institutions in 2009. The Company's bank borrowings were increased by Rs. 40 million during the year. Further, inter-company loans increased to Rs. 1,187 million, from Rs. 997 million by Rs. 190 million. These funds were utilised to finance Hire Purchase and Leasing portfolio.

### **Total Equity**

Total Company Equity increased by Rs. 466 million over the previous year. This increase in equity came from new share issue of Rs. 400 million in December 2010 where 25% of ordinary shares were issued at Rs. 15 per share. These shares were issued through Initial Public Offering and listed on the Main Board of the Colombo Stock Exchange. Further, retained profit increased by Rs. 66 million due to the increase of profit during the year.

### **Operating Cash Flow**

During the year under review, the Company recorded a Rs. 364 million negative cash flow from operating activities. Main reason to record negative cash flow was the increase of advances to customers by Rs. 2.4 billion.

### Investment Cash Flow

During the year under review, the Company invested Rs. 17.3 million. These funds were utilised to acquire Property, Plant & Equipment amounting to Rs. 11.6 million, Computers & Software Rs. 5.7 million.

### **Financing Cash Flow**

Net Cash Inflow from financing activities of the Company was Rs. 338 million. This was mainly due to the issue of new Ordinary shares of 26.6 million at Rs. 15/- per share amounting to Rs. 400 million. Further, during the year, the Company repaid loans amounting to Rs. 15.6 million. In addition, the Company paid dividends amounting to Rs. 20 million and incurred Rs. 26 million as IPO expenses.

### **Cash and Cash Equivalents**

As at 31st March 2011, Cash and Cash Equivalents of the Company decreased by Rs. 44 million to a negative Rs. 26.4 million, mainly due to net cash outflow from operational activities. This situation is common to the industry.

### **Accounting Policies**

The Financial Statements contained in this Report are prepared in accordance with the Sri Lanka Accounting Standards, the requirements of the Colombo Stock Exchange and the Companies Act No. 07 of 2007.



# **UNPARALLELED ASSET QUALITY**

With the lowest Non-per 0.5% among the Registe (RFCs), our asset quality all the more creditable g reduction over the previ 31st March 2010, was ac the growth in the credit a significant reduction in Non-performing Loans.

forming Loans ratio of red Finance Companies is unparalleled. It is iven the fact that this ous ratio of 1.7% as at hieved not only due to portfolio but also due to the absolute amount of

### **Risk Management**

Risk to varying degrees is present in all aspects of business activities; therefore effective risk management is fundamental to the success of a finance company. The primary goal is to ensure that there is an appropriate balance between risk and reward in order to maximise shareholder returns both in monetary and non-monetary terms bearing in mind the socioeconomic role the Company plays in the development of the community. Given the ever-changing and challenging risk landscape, both internationally and locally, the Company has been following sound risk mitigating procedures from its inception using its parent's 160 years of experience, especially in the field of credit and recoveries. The Company follows a provisioning policy which is more stringent than the regulatory provisioning stipulated by the Central Bank of Sri Lanka (CBSL). The provisioning policy adopted by the Company has been described in page 74. Risk management in the Company is continuously evolving and awareness is being developed enterprise-wide so that it forms a part of the corporate culture.

### Risk Governance

Risk Management Governance Structure of the Company begins with oversight by the Board of Directors, through the Integrated Risk Management Committee.

### Integrated Risk Management Committee (IRMC)

Primary purpose of the IRMC is to assist the Board in fulfilling its oversight responsibilities with respect to the operation and effectiveness of risk management. Members to this Committee are appointed by the Board of Directors and include Board members with the participation of the Chief Executive Officer, Group Head of Risk and Divisional Managers.

### **Risk Management Framework**

In order to effectively and efficiently deliver its core purposes, the Company has a comprehensive risk management framework to identify, measure, monitor and control the principal risks assumed in conducting its activities. These risk exposures include Strategic, Credit, Market, Operational and Liquidity.

### **Staff Awareness**

To ensure that all staff are aware of the inherent risk in their areas of responsibility and their role in managing and monitoring risk, the Company facilitates ongoing training at all levels and maintains effective dialogue across functional departments.

### **Credit Risk**

In quantitative terms, credit risk is the most significant risk in a finance company book. Credit risk is the possibility of losses associated with changes in credit profile of borrowers. These losses, associated with change in portfolio value, could arise due to default or deterioration in credit quality.

The major drivers of credit risk are default risk, concentration risk and correlation risk (concentration based on common risk factors between different borrowers, industries, or sectors which may lead to simultaneous default).

In order to strengthen the assets quality and optimise the capital charge, the Company undertakes comprehensive credit risk management practices. Effective credit risk management is a critical component of risk management and essential to the long-term success of the Company.

### Credit Risk Management

The Board has approved Credit Risk Management (CRM) Policy and Manual governing all credit risk-related activities of the Company. These policies and procedures are communicated through awareness programmes both at the top level and at the operational level.

The highest authority in credit approval is vested with the Board of Directors, which has been delegated to the Credit Committee to exercise within its delegated limits or make appropriate recommendations to the Board. The Committee regularly reviews the exposure limits with a view to maintain the credit quality.

The Company has structured and standardised credit approval process, and borrower evaluation model and it is being used to assess risk associated with credit proposals.

A risk-based pricing approach was introduced to achieve an appropriate balance between risk and reward while continuing to enhance the risk management capabilities to assist in achieving corporate objectives.

### Portfolio Management

The need for Credit portfolio management arises from the potentially adverse impact of concentration of exposure and necessity to optimise the benefits associated with diversification. The Company has developed systems for identification of credit weakness well in advance. The Company's credit portfolio is effectively managed through periodic monitoring, evaluating the portfolio quality by tracking the migration of borrowers from one rating scale to another and keeping close track of deteriorating credit-quality.

### Segmentation

Loan portfolio of the Company consists of credit originating from all branches including the Head Office. The Company is in the process of refining the segmentation of the loan book, which would facilitate and improve the assessment of the portfolio credit risk in a more proactive manner and help develop strategies for mitigating risk more effectively.

Risk Management 32/33

The Company continuously emphasise on good assets quality. Effectiveness of the Company's systems and controls for identifying, monitoring and addressing assets quality in a timely manner is evident from the improvement in NPA position over 2010/2011.

### **Provisioning Policies**

Provision for non-performing loans and advances is made on the basis of a continuous review of all loans and advances in accordance with the applicable Accounting Standards and Regulations imposed by the Central Bank of Sri Lanka. The provisioning policy of the Company is given under the Accounting Policies on page 74.

### **Concentration Risk**

Concentration of exposures in the credit portfolio is an important aspect of Credit risk. It may arise from two types of imperfect diversification. The first type, name concentration, relates to imperfect diversification of idiosyncratic risk in the portfolio because of large exposures to specific individual obligors. The second type, sector concentration, relates to imperfect diversification across sectors.

### Name Concentration

Name concentration is monitored and managed by stipulating prudential risk limits on various risks parameters such as single/related party borrower limits.

### Sector concentration

Sector Concentration risk is managed by establishing sector/Industry exposure limits and establishing Branches and Window Service Centres in different regions.

### **Market Risk**

Market risk is the risk that arises due to adverse change in market variables such as interest rates, foreign exchange rates, equity and commodity prices. Mismatches carried in interest rates, currency and equity products which are exposed to general and specific market movements and changes in the level of volatility of interest rates, foreign exchange rates and equity prices generate market risk to the Company.

### **Market Risk Management**

Market risk is managed with the broad objectives of,

- 1. Managing interest rate risk arising from day to day lending activities and deposit acceptance activities with proper classification, valuation, accounting and reporting of the same.
- 2. Effective control over the operation and execution of marketrelated transactions while facilitating business growth in a transparent risk management framework.
- 3. Ensure that overall risk exposure is maintained at prudent levels and consistent with the available capital.
- 4. Compliance with regulatory requirements.

### **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 movements in the market interest rates.

The Company's Net Interest Margin (NIM) is monitored for variance, and appropriate remedial action is taken. This initiative resulted in maintaining NIM at an acceptable level, which ensured that the projected earnings of the Company were well within the expected levels. The Company uses gap analysis to measure the re-pricing risk of the Company's assets and liabilities in order to assess the impact from interest rate changes and thereby on the profitability of the Company. Based on the outcome, the Company takes measures to mitigate any possible adverse impact.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as and when they fall due. Liquidity risk arises from the possibility that market conditions prevailing at some points in the future will require the Company to sell assets at a value which is below their underlying worth, or may result in the inability to exit from the liabilities.

The Company manages liquidity risk in accordance with the regulatory guidelines. Accordingly, the Company manages liquidity risk through cash flow management, maintaining a highly liquid assets portfolio in accordance with the prudential regulations and with a prudent funding strategy. Liquidity ratios are continuously monitored to adhere to internal and external regulatory requirements.

The Company has diverse sources of liquidity to allow for flexibility in meeting funding requirements. Fixed Deposits form a significant part of the Company's funding, and the Company continues to work on this concentrated strategy to sustain and grow this segment. The Company 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 in its management of liquidity and has in place a healthy governance structure, policy framework and review mechanism to ensure availability of adequate liquidity even under stress market conditions.

### Risk Management

### **Operational Risk**

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal process, people, systems and external events. The Company recognises the significance of operational risk, which is inherent in all areas of business. IT security, internal and external frauds, outsourcing of operations, customers' service quality, operational process reliability, recruitment and training-related issues, social and environment impacts and regulatory compliance have been identified as the major sources of the Company's operational risk.

The Company seeks to minimise exposure to operational risks, through implementing improved management and measurement approaches.

### Operational Risk Management Framework

The Board approved Operational Risk Management (ORM) Policy and Manual governs the enterprise-wide management of Operational Risk. This policy aims at not only ensuring consistent application of risk policies, procedures and systems for identifying, measuring, monitoring, reporting and controlling operational risk but also ensures that any new or changed activity, such as new products or system conversions, will be evaluated for Operational Risk prior to implementation.

The Company has established an organisational culture that places a high priority on effective ORM and adherence to sound operational controls. Ownership, management and accountability of operational risk lie with business and functional heads.

### **Information System Security**

A well-defined IT Security Policy is in place which ensures that all critical systems are validated and tested before implementation. Information Technology Division continues to implement Policies and Procedures to enhance and maintain information, security controls and systems.

In addition to the above, the Company implements Policies and Procedures to safeguard the confidentiality of the information. All Singer 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 confidentiality.

### **Business Continuity Plan**

A key function of risk management is to manage crisis situation and to ensure the continuity of business across the Company.

The Company Business Continuity Plan (BCP) is a comprehensive plan of actions that spells out the process, procedures and systems, which are essential to continue or restore the operations of the Company in the event of various categories of disasters, based on several levels of severity.

As a key requirement of the Company's BCP, a comprehensive disaster recovery centre is in place outside the Company premises with alternate arrangements to facilitate continuing key operations in the event of various pre-defined scenarios.

### Internal, External and Corporate Audit

Internal, external and corporate audits are crucial in the risk management process. Reports on the Group's operational and financial systems by these auditors are reviewed and action taken to manage any risks that have been identified. Significant audit findings by the Auditors are immediately reviewed by the Board appointed Audit Committee.

The Company's system of internal controls covers all policies and procedures, enabling significant strategic and operational risks to be managed.

### Insurance

The Company's risk mitigation programmes use insurance policies to transfer the risk of high severity losses arising from frauds and external events that are beyond the control of the Company such as natural disasters, thefts, burglaries, where feasible and appropriate.

### Compliance

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 internal regulations is the foundation of all our business activities. Compliance risk is the risk that the Company fails 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. The Company seeks to bring 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).

SFLP's Compliance Officer is the Chief Financial Officer who reports to the Board of Directors. The Compliance Officer, who is a Key Management Personnel, 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.

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#### **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 Direction, 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.

#### Anti-Money Laundering (AML)/Combating Terrorist Financing (CTF)

There has been considerable focus on implementing the new directives and legislative requirements related to anti-money laundering and financial crime across the world. In response to international best practice and global standards of AML and CTF, the Government of Sri Lanka has enacted laws during 2005-2006. Accordingly, CBSL issued Know Your Customer (KYC)/Customer Due Diligence (CDD) rules in 2007 and thereafter, the Company implemented policies which include obligations such as customer identification and verification, record keeping, monitoring and the establishment and maintenance of an AML/CTF programme.

#### **Capital Adequacy Ratio (CAR)**

This gives a sense of the financial stability of the Company. Singer Finance (Lanka) PLC complies with regulatory requirement for calculation of CAR as required by CBSL and applies the standardised approach for Credit Risk, standardised measurement method for Market Risk and basic indicator approach for Operational Risk. On the above basis, our CAR is at a strong position, which is above the minimum required by the regulator, providing a healthy 'cushion' against any potential losses.

#### Caveat

Although the key sources of risk and their mitigation 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 levels. 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.

#### **Governance Policy**

The Company enshrines the highest ethical standards in the conduct of its business affairs and its Board of Directors is tasked with ensuring that the resulting regime of exemplary governance across all aspects of business is in the best interest of stakeholders. Ethically correct conduct, integrity, honesty, fair play and loyalty are qualities that must guide all the Company's actions

Singer Finance (Lanka) PLC accepts the universally held view that successfully run business enterprises are founded on a set of fundamental qualities. Thus, the Company has embedded transparency, accountability and responsibility within the core of its business operations.

Translated into action, the Company's strong core qualities and guiding corporate governance functions ensure that we remain 'law abiding', strictly adhering to the laws and regulations of the country. Business integrity and accountability to stakeholders are top of mind factors we inculcate across all - from the Board to the branch floor.

#### **Business Ethics**

A sound system of governance is also fundamental in attracting and maintaining public confidence in the Company. Transparency is encouraged in all public disclosures, as well as in the way business and communication take place with all stakeholders.

By implementing the whistle-blowing policy, the level of transparency towards a wider dimension has increased.

All employees are bound by the Company's written Code of Ethics to encourage them to exercise honesty, work within applicable rules and regulations, maintain confidentiality, avoid conduct that will reflect a bad image of the Company, avoid bribing and avoid sexual harassment.

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

#### **Other Policies**

In addition, the Company implements policies covering,

- Remuneration and selection
- Financial integrity
- Use of Company property including computers.
- Non-harassment in the work place
- Environment, safety and health
- Security of IT system

#### **Code of Best Practice on Corporate Governance**

The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) cover the following key aspects.

#### Directors

- Directors' Remuneration
- Relationship with Shareholders
- Accountability and Audit
- Shareholders.

#### **Board of Directors**

The Board's main responsibility is creating and delivering sustainable shareholder value, within a robust corporate governance structure that maintains investor confidence and business integrity. The Company is compliant with the Code of Best Practice on Corporate Governance issued jointly by ICASL and SEC, as well as the Rules on Corporate Governance published by the Securities and Exchange Commission (SEC) and the Central Bank of Sri Lanka (CBSL).

In addition to the above, the Board is committed to a policy of 'Responsible Governance' through the governance framework of the intermediate Parent Company Singer Asia Ltd. and Singer Sri Lanka Group.

The Board endeavours to exercise effective control over the Company by formulating and implementing policies and ensuring their effective implementation. It is responsible for the governance of the Company on behalf of shareholders, within a framework of policies and controls that provide for effective risk assessment and management. The Board also provides leadership and articulates the Company's objectives and strategy for achieving those objectives.

#### **Board of Directors - Attendance at the Board Meetings**

	Name of the Director	April	May	June
1.	Mr. H.D.S. Amarasuriya	Present	Present	Present
2.	Dr. G.C.B. Wijeyesinghe	Present	Present	Present
3.	Dr. S. Kelegama	Present	Present	Present
4.	Mr. Gavin Walker (Appointed on 20th September 2010)	Not applicable	Not applicable	Not applicable
5.	Mr. H.A. Pieris	Via tele conference	Via tele conference	Excused
6.	Mr. Kamal Shah (Resigned w.e.f. 20th September 2010)	Alternate Director participated	Alternate Director participated	Alternate Director participated
7.	Mr. R.S. Wijeweera	Present	Present	Present
8.	Mr. M.P.A. Salgado	Present	Present	Present
9.	Mr. J. Hyun (Appointed on 28th February 2011)	Not applicable	Not applicable	Not applicable

#### **Board Composition**

The Board comprises eight (8) Directors including the Chairman and the other members include:

Two Independent Non-Executive Directors, Five Non-Executive Directors and One Executive Director. One Alternate Director is representing one Non-Executive Director.

#### **Board Independence**

None of the Independent Non-Executive Directors has held executive responsibilities and they have submitted a declaration confirming their independence in accordance with Section 7 of the CSE Listing Rules on Corporate Governance as at 31st March 2011. The Independent Non-Executive Directors do not have any business interest that could materially interfere with the exercise of their independent judgment. The Board Members are permitted to obtain independent professional advice from a third party including the Company's External Auditors and other professional consultants, whenever deemed necessary.

#### **Board Meetings and Circular Resolutions**

The Board holds regular meetings. During the year, 13 Board meetings were held.

The Board Sub-Committees also met on a regular basis. Circular resolutions are passed as per the requirements. During the year, 13 Circular Resolutions were passed.

July	Sept.	Oct Meeting 1	Oct Meeting 2	Nov.	Dec.	Jan.	Feb.	Feb Meeting 2	Mar.	No. of Meetings Held/ Entitled to Attend	Present
Present	Present	Present	13	13							
Present	Present	Excused	Present	Present	Present	Present	Present	Present	Present	13	12
Present	Present	Present	Excused	Present	Present	Present	Present	Excused	Excused	13	10
Not applicable	Not applicable	Alternate Director participated	Alternate Director participated	Alternate Director participated	Alternate Director participated	Alternate Director participated	Alternate Director participated	Present	Alternate Director participated	8	8
Present	Present	Present	13	12							
Alternate Director participated	Alternate Director participated	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	5	5
Present	Present	Present	13	13							
Present	Present	Present	13	13							
Not applicable	Not applicable	Via tele conference	1	1							

# Division of Responsibilities between the Chairman and the Chief Executive Officer

The functions of the Chairman and the Chief Executive Officer are separated and handled by two independent persons. This is as per the provision of Finance Companies (Corporate Governance) Direction No. 03 of 2008. Further, good corporate governance is ensured by the significant presence of Non-Executive and Independent Directors on the Board. These Directors provide a mechanism for critically reviewing all aspects of the Company's operations. They ensure that no single individual has unfettered powers of decision making and bring an independent judgment to bear on issues of strategy, performance and risk. The Chairman ensures that good governance is practised throughout the entire organisation; that there is a balance of power on the Board and both Executive and Non-Executive Directors have opportunities for effective participation. He also ensures that the Board has full knowledge of the Company's affairs and is in complete control, and facilitates effective communication with all of the Company's stakeholders including Government agencies, suppliers, shareholders, employees and the general public.

#### **Board Responsibility**

The Directors dedicate themselves to the affairs of the Company by attending Board and Board Sub-Committee meetings and making decisions by circular resolution. In advance of every Board meeting, each Director receives a comprehensive set of Board papers and any additional information requested by the Directors. It is the CEO's duty to ensure that all members are properly briefed.

The Board makes every endeavour to ensure a balanced and objective assessment of the Company's position, performance and prospects. These are discussed in the Chairman's Message on pages 6 and 7, Group CEO's review on pages 8 to 9, CEO's review on pages 10 to 11, Financial Review on pages 27 to 29, Audit Committee Report on page 54 the Remuneration Committee Report on page 55 and the Annual Report of the Board of Directors on the Affairs of the Company on pages 62 to 65.

The Company is served adequately in terms of a sufficient number of Board members who possess financial, marketing, economic and industrial qualifications and experience. The profiles of the Chairman, CEO, and other Directors are provided in the Annual Report on pages 18 and 19.

#### Strategic Planning and Implementation

The Board is responsible for the entire strategic planning process of the Company. This includes the responsibility for the formulation of the strategic vision and mission of the Company, setting the overall Corporate Policy and Strategy, monitoring performance, reviewing risks and major investments. The Board also takes on the added responsibility of directing Company performance towards achieving the best result possible and increasing shareholder value.

The Board sets the broad parameters of the Company's business. The Company's business units are then tasked with their application, in achieving specific targets and objectives.

The Company's Annual Plan addresses the requirements of all business divisions. This ensures that the entire Company follows the set plans and objectives as articulated in the Annual Plan. These in turn become the primary objectives of the Management.

#### **Executive Management**

While the Board of Directors are ultimately responsible for the operations and financial soundness of the Company, the day to day management of the Company is entrusted to the Chief Executive Officer and through him to the respective managers of the Company. There is extensive staff participation in decision making at all levels, with strategic recommendations on material matters flowing to the Board for final decision.

#### Role of the Company Secretary

The Company Secretary ensures that all Board Terms of Reference are followed and applicable rules and regulations are adhered to. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the Company Secretary. The Company Secretary possesses the required qualifications as set out in the Companies Act.

#### **Accountability**

A balanced and comprehensive review of the financial position, performance and prospects are presented by the Company in its Annual Report. In addition, the Company releases quarterly Interim Financial Statements, and other ad hoc communications based on need.

The Company has issued a Code of Ethics applicable to all employees and established a whistle-blowing policy to report violations to the Board Audit Committee. External Auditors, Internal Auditors and Corporate Auditors appointed by the intermediate Parent Company also review the CSE Listing Rules on corporate governance, financial performance and the effectiveness of internal control systems.

#### **Board Sub-Committees**

The Board has delegated some responsibilities to the Board Audit Committee, which include the following:

- Ensuring that the good financial reporting systems are in place.
- Verifying that internal control systems are effective.
- Applicable laws and regulations are complied with.
- Periodically reviewing the risk assessment processes and organisational risk profile.
- Assess the independence and evaluate performance of External Auditors.

#### **Audit Committee**

The Audit Committee is empowered to review and monitor the financial reporting process of the Company so as to provide additional assurance on the reliability of 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 communication to the shareholders and the general public.

As at year-end, the Audit Committee comprised two Independent Non-Executive Directors of the Board. The head of risk management functions as the Secretary to the Committee. The CEO, Finance Manager/Compliance Officer, Representatives of External Auditors and when necessary, the Chairman and Group CEO attend by invitation. When the occasion demands the relevant Operational Managers too attend the meetings by invitation.

The Audit Committee's 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 Singer Finance (Lanka) PLC and to review the adequacy of the internal control procedures, coverage of internal and external audit programmes, disclosure of accounting policies and compliance with statutory and corporate governance requirements.

The Committee held eight meetings during the year under review. Four were held to discuss the Quarterly Financial Statements for the year 2010/11 and final accounts for the year, whilst the other four meetings focused on a review of the Company's internal audit programme and the audits carried out by the Internal Auditor.

Detailed Report of the Audit Committee is given on page 54.

#### **Integrated Risk Management Committee**

As at year-end, the Integrated Risk Management Committee comprised One Independent Non-Executive Director, One Non-Executive Director, One Alternate Director, One Executive Director and four executives representing different risk arrears of the Company. The Committee is chaired by an Independent Non-Executive Director. Group Head of Risk Management functions as the Secretary to the Committee.

The Committee is empowered to

- (a) Review and oversee the risk and compliance profile of the Company within the context of the Board determined risk parameters.
- (b) Making recommendations to the Board concerning the Company's risk appetite and particular risk or compliance management practice of the Company.
- (c) Review and oversee management's plan for mitigating of the material risks faced by the various business units of the Company.
- (d) Oversee the implementation and review of risk management and regulatory compliance throughout the Company.

The Integrated Risk Management Committee's authority, responsibilities and specific duties have been formalised through the "Terms of Reference" of the Integrated Risk Management.

#### **Remuneration Committee**

The Remuneration Committee consists of Two Independent Non-Executive Directors, Group Chief Executive Officer, and Non-Executive Director. The Committee is chaired by an Independent Non-Executive Director. Group Chief Executive Officer, Chief Executive Officer, Non-Executive Director assist 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 Chairman, the Chief Executive Officer, Independent Directors and Executive Directors of the Company including Alternate Director and to approve recommendations made by the Group Chief Executive Officer and the Corporate Officer of Singer Asia Ltd. Singer Asia Ltd. is the intermediate Parent of the Company.

The Committee also reviews the policies pertaining to the remuneration and perquisites of the Executives of the Company. The remuneration of the Directors is disclosed on page 77 of this Annual Report and the detailed Remuneration Committee Report is given on page 55.

#### **Internal Control**

The Company's Directors are responsible for instituting a system of internal controls to ensure the effective implementation of all policies and decisions of the Board. This framework is designed to provide reasonable but not absolute assurance that the assets of the Company are safeguarded.

The Company employs personnel across different levels of operation to apply these internal controls, while the Group Internal Audit Department reviews the effectiveness of such controls.

The Company's operations are also subject to review by the Corporate Internal Audit Division of Retail Holdings NV, the Ultimate Parent Company of Singer Finance (Lanka) PLC.

#### The Internal Audit Department

The Company obtains the internal audit service from the Internal Audit Department of the Parent Company which has its own internal audit processes, implemented to ensure that effective controls are in place. These processes extend across all Company operations. The internal audit function is headed by the Group Head of Risk Management, who reports to the Board Audit Committee and the Corporate Internal Auditor.

#### **Relations with Shareholders**

The Board uses the Annual General Meeting (AGM) to communicate with shareholders and encourages their participation. Those unable to attend may appoint proxies. Each substantially separate issue is proposed as a separate resolution at the AGM including the proposal for the adoption of the Report and Accounts. The Chairman ensures that the Board is available to answer any question at the AGM, if required. The Notice of Meeting and relevant documents are circulated to the shareholders, 15 working days prior to the AGM.

#### **Investor Relations**

The feedback from shareholders is valued highly by the Board in its quest to continuously improve corporate governance practices. It is the policy of the Board of Directors that shareholders should have equal access to information. The Board has adopted a policy of free disclosure of all material information of the Company to its shareholders.

The Company also welcomes the active participation of shareholders at Annual General Meetings and solicits their views at all times, promoting healthy dialogue. Where applicable, the Company implements shareholders' suggestions, mainly those presented at the AGMs. Through the quarterly and annual publication of Financial Statements, meetings and other forms of communications, the Board and the Company's management constantly interact with the shareholders of the Company and inform them of the continuous progress of the Company.

#### **Financial Reporting and Transparency**

Financial Statements are prepared and presented under generally accepted accounting principles and in accordance with the Sri Lanka Accounting Standards of The Institute of Chartered Accountants of Sri Lanka. Financial information is circulated as appropriate within and outside the organisation.

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. All Directors are adequately briefed on matters arising at Board meetings. The Secretary and the Compliance Officer ensures that Board papers are circulated in advance to the Board meeting.

Monthly management accounts are distributed to all managers, while segmental and branch profitability statements are distributed monthly to all managers as well as to their respective department heads. Any Company employee, Director or shareholder may obtain such information from the Company's Finance Division on request. The Company's lending statistics and Bank balances are circulated to relevant users on a daily basis.

The timely publication of quarterly and annual Financial Statements, with comprehensive details beyond the statutory requirements, has been a salient feature of our financial reporting system. The Financial Statements included in this Annual Report have been audited by Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants.

#### **Compliance with Law**

The Company has established procedures to ensure compliance with all applicable statutory and regulatory requirements. The Finance Manager of the Company acts as the Compliance Officer and is responsible for ensuring proper compliance with applicable laws and regulations. A compliance statement is tabled at each Board meeting by the Compliance Officer.

# Finance Companies (Corporate Governance) Direction No. 03 of 2008 as Amended by Finance Companies (Corporate Governance) Direction No. 04 of 2008

The Monetary Board of the Central Bank of Sri Lanka has issued the Finance Companies (Corporate Governance) Direction No. 03 of 2008 as amended by the Finance Companies (Corporate Governance) Direction No. 04 of 2008 which shall apply to every Finance Company registered in terms of Section 2 of the Finance Companies Act No. 78 of 1988 and came into operation with effect from 1st January 2009.

However, as per the transitional provisions of the said Direction, Finance Companies are required to be fully compliant with this Direction by 1st January 2012.

The Board of Directors confirms that the Company has commenced compliance with the said Direction and confirms that the Company will be fully in compliance with the Direction before 1st January 2012.

Further, Company is in compliance with the Section 7 of the Colombo Stock Exchange Listing Rules on Corporate Governance and details of such compliance are discussed on pages 40 to 53.

#### **Responsible to Customers**

The Company maintains an island-wide network of branches and collection points throughout the country in collaboration with Singer Sri Lanka PLC retail network and provides its valued customers a convenient way of paying rentals on due dates.

#### **Statutory Payments**

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made in full and on time.

The following table presents the details of the Company's compliance with Section 7 of the CSE Listing Rules on Corporate Governance and the Direction issued by The Monetary Board of the Central Bank of Sri Lanka on Finance Companies (Corporate Governance) Direction No. 03 of 2008 as amended by Finance Companies (Corporate Governance) Direction No. 04 of 2008.

Finance Companies (Corporate Governance) Direction, No. 3 of 2008 applies to Singer Finance Lanka PLC in terms of section 2 of the Finance companies Act No 78 of 1988.

Compliance status

Principles

Responsibilities of The Board	
The Board of Directors shall strengthen the safety and soundness of the finance company by ensuring the completion of the following:	
Approve and oversee the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;	<b>Compliant</b> Strategic objectives and values are included in the Singer corporate plan.
Approve the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	<b>Compliant</b> Overall business strategy is included in the corporate plan which is approved by the Board with measurable goals.
Identify risks and ensuring implementation of appropriate systems to manage the risks prudently;	Compliant Identification and assessment of any potential risk proactively to take mitigate actions to develop comprehensive risk management strategy through Integrated Risk Management Committee.
Approve a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	<b>Compliant</b> Policy of communication with stakeholders is established.
Review the adequacy and the integrity of the finance company's internal control systems and management information systems;	Compliant Review the integrity of the Company's system of internal control and MIS over financial reporting and accounting compliance through the Audit Committee.
Identify and designating Key Management Personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Compliant Designations of the Senior Managers are considered by the organisational structure. They are the Key Management Personnel of the Company.
Define the areas of authority and key responsibilities for the Board and for the Key Management Personnel;	<b>Compliant</b> Authorities and key responsibilities of Key Management Personnel are set out in their job profiles and job descriptions.
Ensure 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;	Compliant  Monthly Board meetings are held to review the achievement of the plan objectives. Key managers are called for Board meetings as and when needed to obtain explanations.
Periodically assess the effectiveness of its governance practices, including:  (i) the selection, nomination and election of Directors and appointment of Key Management Personnel;	Compliant
(ii) the management of conflicts of interests; and	
(iii) the determination of weaknesses and implementation of changes where necessary;	
	The Board of Directors shall strengthen the safety and soundness of the finance company by ensuring the completion of the following:  Approve and oversee the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;  Approve the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;  Identify risks and ensuring implementation of appropriate systems to manage the risks prudently;  Approve a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;  Review the adequacy and the integrity of the finance company's internal control systems and management information systems;  Identify and designating Key Management Personnel, who are in a position to:  (i) significantly influence policy;  (ii) direct activities; and  (iii) exercise control over business activities, operations and risk management;  Define the areas of authority and key responsibilities for the Board and for the Key Management Personnel;  Ensure 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;  Periodically assess 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

	Principles	Compliance status
(j)	Ensure that the finance company has an appropriate succession plan for Key Management Personnel;	<b>Compliant</b> Succession plan for Key Management Personnel is in place.
(k)	Meet regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	<b>Compliant</b> Board meets by monthly board meetings to review policies and monitor progress.
(1)	Understand the regulatory environment;	Compliant Board ensures that the Company remains 'law abiding' and strictly adhere to the laws and regulations of the country.
(m)	Exercise due diligence in the hiring and oversight of External Auditors.	<b>Compliant</b> External Auditors are appointed by the Parent Company - Singer Sri Lanka.
(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.	Compliant
(3)	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. 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.	Compliant The Board members are permitted to seek independent professional advice from a third party including the Company's External Auditor, where necessary.
(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.	<b>Compliant</b> A Director is abstained from voting on any Board resolution in relation to such matter.
(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.	Compliant  The Board has a formal schedule to ensure the control of the Company.
(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.	<b>No such situation has arisen</b> Solvency Certificate is produced at each Board meeting.
(7)	The Board shall include in the finance company's Annual Report, an Annual Corporate Governance Report setting out the compliance with this Direction.	<b>Compliant</b> Corporate governance statement is included in the Annual Report.
(8)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Compliant

	Principles	Compliance status
3.	Meetings of the Board	
(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.	Compliant Board has met 13 times in the financial year under review.
(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.	<b>Compliant</b> Directors can include matters and proposals in the agenda for Board meetings.
(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.	<b>Compliant</b> Notice period of 7 days is given to confirm the attendance.
(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.	<b>Compliant</b> This situation has not arisen.
(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.	<b>Compliant</b> The Company Secretary carries out the functions specified in relevant regulations.
(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.	Compliant
(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.	Compliant
(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.	Compliant
(9)	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:	<b>Compliant</b> Minutes are kept comprehensively for each criterion.
(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.	
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	Principles	Compliance status
4.	Composition of the Board	
(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.	Compliant Presently Board comprises nine Directors.
	(Sections 7.10.1 & 7.10.2 of CSE Listing Rules)	The composition of the present Board is given below:
		Mr. Hemaka Amarasuriya (Chairman/Non-Executive Director)
		Dr. Gamini Wijeyesinghe (Independent Non-Executive Director)
		Dr. Saman Kelegama (Independent Non-Executive Director)
		Mr. Gavin Walker (Non-Executive Director)
		Mr. Asoka Pieris (Non-Executive Director)
		Mr. Shanthapriya Wijeweera (Director/Chief Executive Officer)
		Mr. Priyath Salgado (Non-Executive Director)
		Mr. J. Hyun (Non-Executive Director)
		Mr. Shyamsunder Ramanathan (Alternate Director)
(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.	Compliant
(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.	Compliant
(4)	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 number of Directors.	Compliant
(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 Directors.	Compliant
(6)	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Compliant
(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.	Compliant

	Principles	Compliance status
(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.	Compliant
(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.	Compliant
(10)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first General Meeting after their appointment.	Compliant
(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 Directors' disagreement with the Board, if any.	Compliant
5.	Criteria to Assess the Fitness and Propriety of Directors	
(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.	As per Direction No. 4 of 2008, Corporate Governance - Amendment, this will be effective from 1st January 2012. Refer 11 (4).
(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.	Compliant Directors have complied with this rule.
6.	Management Functions Delegated by the Board	
(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.	Compliant
(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.	Compliant
7.	The Chairman and the Chief Executive Officer	
(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 1st January 2009.	Compliant The functions of the Chairman and Chief Executive Officer are separated and handled by two separate persons.
(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 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.	<b>Compliant</b> The Chairman is a Non-Executive Director. Refer 4 (1).

	Principles	Compliance status
(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.	Compliant
(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.	<b>Compliant</b> The Chairman provides the leadership to the Board to articulate strategies for achieving the Company's objectives.
(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.	<b>Compliant</b> The Secretary to the Board draws up the agenda under the authority delegated by the Chairman.
(6)	The Chairman shall ensure that all Directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Compliant
(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.	Compliant
(8)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationships between Executive and Non-Executive Directors.	Compliant
(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.	Compliant
(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.	Compliant
(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.	Compliant
8.	Board Appointed Committees	
(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, at the Annual General Meeting of the company.	Compliant The Company has four Sub-Committees as,  Audit Committee  Remuneration Committee  Integrated Risk Management Committee  Credit Committee
(2)	Audit Committee	
	The following shall apply in relation to the Audit Committee: (Section 7.10.6 of CSE Listing Rules)	
(a)	The Chairman of the committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Compliant

	Principles	Compliance status
(b)	The Board members appointed to the committee shall be Non-Executive Directors.	Compliant
(c)	The committee shall make recommendations on matters in connection with:	Compliant
	(i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;	Compliant
	(ii) the implementation of the Central Bank guidelines issued to Auditors from time to time;	Compliant
	(iii) the application of the relevant accounting standards; and	Compliant
	(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.	Compliant
(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.	Compliant
(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. When assessing the External Auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider:	Compliant
	(i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services;	Compliant
	(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and	Compliant
	(iii) Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the Auditor, pose any threat to the objectivity and/or independence of the External Auditor.	Compliant
(f)	The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including:	
	<ul> <li>(i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting;</li> </ul>	Compliant
	(ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and	Compliant
	(iii) the co-ordination between Auditors where more than one Auditor is involved.	Compliant

	Principles	Compliance status
(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:	
	<ul> <li>(i) major judgmental areas;</li> <li>(ii) any changes in accounting policies and practices;</li> <li>(iii) significant adjustments arising from the audit;</li> <li>(iv) the going concern assumption; and</li> <li>(v) the compliance with relevant accounting standards and other legal requirements.</li> </ul>	Compliant
(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.	Compliant
(i)	The Committee shall review the External Auditor's management letter and the management's response thereto.	
(j)	The Committee shall take the following steps with regard to the internal audit function of the finance company:	
	(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;	Compliant
	(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;	Compliant
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	Compliant
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Compliant
	(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;	Compliant
	<ul><li>(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;</li></ul>	Compliant
(k)	The Committee shall consider the major findings of internal investigations and management's responses thereto;	Compliant
(1)	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.	Compliant

	Principles	Compliance status
(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.	Compliant
(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.	Compliant
(0)	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.	Compliant
(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.	Compliant
(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.	Compliant
(3)	Integrated Risk Management Committee	
	The following shall apply in relation to the Integrated Risk Management Committee:	
(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.	Compliant Committee comprises of one Non- Executive Director, one Independent Non- Executive Director, CEO and four Executives representing different risk areas of the Company.
(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.	Compliant
(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.	Compliant
(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.	Compliant
(e)	The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Compliant

	Principles	Compliance status
(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.	Compliant
(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.	Compliant
(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.	Compliant
9.	Related Party Transactions	
(1)	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.	Compliant The Company in the ordinary course of business has entered into an agreement with SSL on 29th October 2010 for a period of three (03) years in order to formalise the arrangements with regard to the
(2)	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 'elated parties' for the purposes of this Direction:	financing of consumer durables whereby SSL introduces its prospective customers to SFLL and SFLL provides consumer loan facilities to those customers.  SFLL has entered into an agreement with SSL to enable
(a)	A subsidiary of the finance company;	its customers to make rental payments on leasing and
(b)	Any associate company of the finance company;	hire purchase facilities to SFLL through the SSL branch
(c)	A Director of the finance company;	network. This agreement has been entered into on 22nd November 2007 covering an initial period of one
(d)	A Key Management Personnel of the finance company;	(01) year and is automatically renewable thereafter
(e)	A relative of a Director or a Key Management Personnel of the finance company;	unless either party decides otherwise.
(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 own shares exceeding 10% of the paid up capital of the finance company, has substantial interest.	
(3)	The transactions with a related party that are covered in this Direction shall be the following:	
(a)	Granting accommodation,	Compliant
(b)	Creating liabilities to the finance company in the form of deposits, borrowings and investments,	Compliant
(c)	Providing financial or non-financial services to the finance company or obtaining those services from the finance company,	Compliant
(d)	Creating or 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.	Compliant

	Principles	Compliance status
(4)	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 finance company. For the purpose of this paragraph, 'more favourable treatment' shall mean:	Compliant
(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.	Compliant
(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;	Compliant
(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;	Compliant
(d)	Providing or obtaining services to or from a related-party without a proper evaluation procedure;	Compliant
(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.	Compliant
10.	Disclosures	
(1)	The Board shall ensure that: (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 (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Compliant
(2)	The Board shall ensure that at least the following disclosures are made in the Annual Report:	
(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.	Compliant
(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.	Compliant
(c)	The External Auditor's Certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after 31st March 2010.	Compliant
(d)	Details of directors, including names, transactions with the finance company.	Compliant
(e)	Fees/remuneration paid by the finance company to the Directors in aggregate, in the Annual Reports published after 1st January 2010.	Compliant

Principles	Compliance status
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.	Compliant
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.	Compliant
A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	Compliant
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.	No such situation has arisen
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 1st January 2011.	
Transitional Provisions	
On the date of this Direction, if the number of Directors on the Board of a finance company is either less than 5 or exceed 13, such finance company shall comply with paragraph 4 (1) hereof, within three years from the date of this Direction.	Compliant
On the date of this Direction, if the number of Executive Directors in a finance company is more than one half of the number of Directors of the Board, the Board shall expressly identify the excess Executive Directors and inform the names of such excess Executive Directors to the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka within three months from the date of this Direction. Thereafter, such excess Executive Directors shall not be considered as members of the Board.	Compliant
The following transitional provision shall apply to the 9-year retirement requirement imposed under paragraph 4 (2) of this Direction:	Compliant
A Director who has completed nine years as at 1st January 2009 or who completes such term at any time prior to 31st December 2009, may continue for a further maximum period of 3 years commencing 1st January 2009.	
The following transitional provision shall apply to the maximum age limit imposed under paragraph 5 (1) of this Direction:  A Director who has reached the age of 70 years as at 1st January 2009 or who would reach the age of 70 years prior to 31st December 2009, may continue in office for a further maximum period of three years commencing 1st January 2009.	Compliant
	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.  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.  A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.  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.  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 1st January 2011.  Transitional Provisions  On the date of this Direction, if the number of Directors on the Board of a finance company is either less than 5 or exceed 13, such finance company shall comply with paragraph 4 (1) hereof, within three years from the date of this Direction.  On the date of this Direction, if the number of Directors on the Board, the Board shall expressly identify the excess Executive Directors and inform the names of such excess Executive Directors to the Directors of the Board, the Board shall expressly identify the excess Executive Directors and inform the names of such excess Executive Directors shall not be consi

	Principles	Compliance status	
(5)	The following transitional provision shall apply to the maximum 20 company directorship limitation imposed under paragraph 5 (2) of this Direction:	Compliant	
	If any person holds posts of Director in excess of the limitation given in paragraph 5 (2), such person shall within a maximum period of three years from 1st January 2009, comply with the limitation and notify the Monetary Board accordingly.		
(6)	If for any reason such as ill-health or any disqualification specified in the Act, the Monetary Board considers that exemptions referred to in sub-paragraphs 11 (3), 11 (4) and 11 (5) should not be availed of, such ground may be notified to the person by the Monetary Board, and after a hearing, the Monetary Board may limit the period of exemption.	Compliant	
	dition to the change the fellowing continue of the contribute of t		
In a	adition to the above, the following section of the CSE Listing Rilles is also compil	ied with by the Company	
	ddition to the above, the following section of the CSE Listing Rules is also compli		
Rule	no Corporate governance rule	Details of compliance	
7.10	no Corporate governance rule		
7.10	Corporate governance rule  2.5 Remuneration Committee  2.5 (a) Number of Independent Non-Executive Directors in the Committee to be:  • A minimum of two (where a Company has only two Directors on	Details of compliance  Both Directors, are Independent	
7.10	Corporate governance rule  2.5 Remuneration Committee 2.5 (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	Details of compliance  Both Directors, are Independent	
7.10	Corporate governance rule  2.5 Remuneration Committee 2.5 (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	Both Directors, are Independent Non-Executive Directors  A separate Remuneration Committee was formed	

## **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 communication to the shareholders and the public.

#### **Composition of the Committee**

As at year end, the Audit Committee comprised two Independent Non-Executive Directors of the Board namely Dr. G.C.B. Wijeyesinghe and Dr. Saman Kelegama. The Head of Risk Management functions as the Secretary to the Committee. The CEO, Non-Executive Director, Finance Manager/Compliance Officer, Audit Staff, Representatives of External Auditors and when necessary, the Chairman, Group CEO and relevant operational managers attend the meetings by invitation.

#### **Responsibilities and Duties of the Committee**

The Audit Committee's 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, disclosure of Accounting Policies and Compliance with Statutory and Corporate Governance requirements.

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 risks and control issues.

The Audit Committee reviews significant business risks and internal control issues and suggests, where necessary, appropriate remedial measures.

The Committee along with the Board, Internal Audit and External Audit review the Quarterly Financial Results to ensure compliance with mandatory, statutory and other regulatory requirements laid down by the authorities.

The Audit Committee also reviews the Corporate Audit Report done by the Corporate Internal Auditors of Singer Asia Ltd. Corporate Internal Auditors carry out an audit at least once a year.

The Compliance Officer monitors the Singer Finance (Lanka) PLC's compliance with the applicable laws and regulations, including any internal policy codes of conduct of its employees.

#### Meetings of the Committee

During the year, 7 Audit Committee meetings were held to discuss the reports of the Internal and External Auditors and quarterly accounts. The final accounts were also discussed at the meeting held on 26th May 2011. The minutes of the meetings were tabled at the meeting of the Board of the Directors for information and necessary action.

#### **External Auditors**

The Audit Committee recommended to the Board of Directors that Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants be reappointed as the External Auditors for the year ending 31st March 2012, subject to the approval of the Shareholders at the Annual General Meeting.

Dr. Gamini.C.B. Wijeyesinghe

Migri

Chairman - Audit Committee

Colombo 30th May 2011

## **Remuneration Committee Report**

The Remuneration Committee consists of three Non-Executive Directors, Chairman, Group Chief Executive Officer, Chief Executive Officer and Executive Director. The Committee is chaired by a Non-Executive Director. The Chairman, the Group Chief Executive Officer, Chief Executive Officer, Executive Director assist 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 Chief Executive Officer, Independent Directors and Executive Directors of the Board of the Company including Alternate Directors and approve recommendations made by the Group Chief Executive Officer and the Corporate Officer of Singer Asia Ltd."

Singer Asia Ltd is the intermediate Parent of Singer (Sri Lanka) PLC.

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 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.

The Committee meets from time to time and reviews the Group's remuneration and fee structures to assure alignment with strategic priorities and with compensation offered by comparative companies.

The Committee met twice during the period.

I wish to thank the other members of the Committee, Deshabandu Ajith Jayaratne, Dr. Saman Kelegama, Mr. Hemaka Amarasuriya, Mr. Asoka Pieris, Mr. Priyath Salgado and Mr. Shanthapriya Wijeweera for their valuable contributions to the deliberations of the Committee.

Dr. Gamini C.B. Wijeyesinghe

, Miny

Chairman - Remuneration Committee

Colombo 30th May 2011

## **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:

Dr. Saman Kelegama;

Mr. Priyath Salgado;

Mr. Shantha Wijeweera; and

four executives representing different risk areas of the Company. Group Head of Risk Management functions as the Secretary to the Committee.

The quorum of the Committee is two members.

The Head of Group Risk functions as the secretary to the Committee. The other members of the staff are invited to attend the meeting when the Committee requires their presence.

#### **Meetings and Activities**

The Committee met two (2) 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 giving the recommendations. All minuets of the Committee meetings are tabled and ratified at meetings of the Board and follow up action is taken on outstanding matters.

#### 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 abovementioned Risk Management Committee assesses the credit, market, liquidity, operational and strategic risks on regular basis through appropriate risk indicators and management information.

Dr. S. Kelegama

Chairman - Integrated Risk Management Committee

Colombo

30th May 2011



In addition to our own n service centres, we mak through the 345 strong parent, Singer Sri Lanka this scale of presence is that only the giants in th industry in Sri Lanka can an unparalleled level of customers when it comes etwork of 13 branches/ e our services available branch network of our PLC. Undoubtedly, an invaluable 'asset' e financial services lay claim to. It means convenience to the to accessing our services.

## Rewarding, Recognising and Rejuvenating

Our staff has been the powerhouse of our success. Their dynamism, their capacity to innovate and their willingness to make the extra effort has helped Singer Finance establish its mark within a short period of time.

The Company has fostered an innovative and inspiring workplace. Every effort has been made to create an environment in which work is enjoyable and rewarding and provides opportunities for employees to grow, every year, in multifaceted ways.

Every year, the Company invests substantially in providing new opportunities for our employees. Opportunities are provided for staff to grow their knowledge and skills and opportunities are provided for staff to meet their aspirations and the aspirations of their families and invest in secure futures for all.

The Company ensures that all statutory requirements are strictly complied with. Compensation and rewards are linked closely to performance and longevity. The Company's compensation schemes are on par with the best in the industry. High performers and longevity are provided special recognition.

Singer Finance is an equal opportunity employer. Special efforts are made to ensure that the workplace is safe and secure and that our policies and practice do not discriminate against anyone on account of sex, ethnicity, language or religion. The Company has made a special effort to recruit people from diverse backgrounds to create a multi-ethnic and multi-cultural working environment.

#### **Total Workforce Based on Category of Employment:**

Category	No. of Employees	Percentage
Key & Senior Management	4	3.8
Middle Management	5	4.9
Junior Management	13	12.5
Non-Management	80	78.8
	102	100.0

#### **Our Rewards**

The Company provides a variety of benefits to its full time employees, way beyond others in the industry.

#### • Distress Loans

Distress loans are available in the case of emergencies such as a sudden illness, a death in the family, damage to homes due to flooding or other disasters, urgent home repairs, or a family wedding.

#### Vehicle and Motorcycle Loans

Permanent employees belonging to specified categories can apply for interest-free, five-year vehicle loans. Seventy-five per cent of the vehicle valuation is granted as a loan.

#### • Educational Support

The Company has two schemes to help employees with their studies:

- The Company will grant a lump sum of Rs. 225,000 for an employee's educational needs. The employee must then serve the Company for a period of eight years. This amount needs to be repaid only if the employee leaves the Company within this period of eight years.
- 2. The Company will reimburse two-thirds of the cost of a particular course of study provided that the employee is successful in the final examination.

#### Professional Subscriptions

Subscription fees to any one professional body are reimbursed for all senior grade employees.

#### Death Donation

In the event of an employee's death, his or her family will receive a sum of Rs. 50,000 in addition to the employee's salary for six months. In the event of the death of an employee's spouse, child, parent or unmarried sibling, the employee is entitled to a sum of Rs. 25,000.

#### Accident Cover

The Company provides accident cover to all staff, whose line of work exposes them to the risk of accidents, either at the workplace or because their job involves extensive travel.

#### Travel Expenses

Singer Finance provides several facilities to employees who engage in official travel. This includes vehicle maintenance, a transport allowance and reimbursement of travel expenses. The Company has divided its staff into two categories: field staff and office staff. Vehicle and transport allowances are then allocated depending on which category the employee falls into and the 'grade' he or she is in.

#### Discounted Sales

All products that are marketed by Singer are offered to its employees at discounted prices and are given on easy payment terms at no interest.

#### Lodging

Singer Finance reimburses all expenses incurred by field staff in staying at approved hotels while on official business.

## Rewarding, Recognising and Rejuvenating

#### Sports and Recreation Facilities

The Group Head Office has a state-of-the art gym for the benefit of all employees.

#### • Other Leisure Facilities

Company picnics, inter-departmental sports tournaments and a Christmas party are part of the calendar every year even during times of economic downturn. The Christmas party for the Singer Group is a much looked forward to event in the Company's social calendar. Employees' families are also invited for the event. Religious ceremonies for all faiths are organised regularly.

Our Company takes part in the 'Singer Sports Day' organised by the Singer Group and participates in inter-departmental indoor games and six-a-side cricket tournaments.

#### **Training**

Every year the Company invests substantially in upgrading the skills and knowledge of its employees. This is one way in which we stay ahead of our competitors. For these purposes we share the resources of our parent company's Training Division.

Singer has set up a Training Division staffed by full time staff that offers one of the most comprehensive training programmes among business organisations in Sri Lanka. In addition to 'in-house' training programmes, the Company also provides external training for its staff. The training programmes conducted by Central Bank's Training School (CBTS) are the most sought after during the past year. We sent our staff for the following training programmes conducted by CBTS:

Programme Name	No. of Participants
Effective Credit Appraisals and Credit Risk Management	24
2. Monetary Policy and Financial Stability	01
3. Accounting and Financial Management	01
4. Legal Aspects Relating to Collateral	03
5. Treasury Operations & Assets and Liability Management	01
6. Marketing Techniques for Bankers	05
7. Stress Testing Techniques for Risk Management	02
8. Internal Controls and Auditing for Financial Institutions	02
9. Improving Your Quality of Work Life: A Balancing Act	01
10. Advanced Course on MS Excel	02
11. Exchange Control Regulations for Financial Institutions	01
12. Strategic Thinking and Goal Setting for	
Superior Organisational Performance	01
13. Anti-Money Laundering and Countering the	
Financing of Terrorism	02
14. Advanced Database Administration	02
	48

#### **Driving Our Employees to Higher Levels**

The long-term sustainability of our business depends on the training and development we provide to our human resources. Building a company that can adapt to future challenges and benefit from emerging opportunities means that our employees must be equipped with appropriate skills and knowledge.

Whenever possible, we fill job vacancies by promoting employees from within the Company. This policy has succeeded in securing the long-term loyalty of our employees and in inspiring them to think 'out of the box'. This philosophy is coupled with a range of specialised training programmes: the 'High Flyers', 'Junior Manager Development', and 'Middle Manager Development' programmes.

#### The 'High Flyers'

This programme is aimed at the 'non-management' category of the organisation especially at the officer and senior officer levels. Department heads from each division will identify those employees who are eligible for promotion but lack certain skills. The aim of this programme is to close that skill gap.

Under this programme, communication skills, presentation skills, personality development and other related subjects are addressed. Over the past few years, a high proportion of those who went through the training were promoted to management level positions.

#### 'Junior Manager Development'

This programme is aimed at developing the managerial skills, communication skills and presentation skills of employees to enable them to move up the organisational hierarchy. In previous years, many of those who completed the training were promoted to the middle management level.

#### 'Middle Manager Development'

This programme was started in 2010 with the intention of polishing the managerial and personal skills required to become a successful senior manager. This comprehensive development program includes modules on leadership, delegation, evaluation of the performance of subordinates, mentoring and related areas.

#### **Annual Training Needs**

Divisional Heads at Singer are required to give a detailed account of their division's training requirements in the third quarter of every year. After an analysis of these and other requirements, our Group Training Division implements tailor-made programmes to address these training needs. These are either external training programmes that sends individual employees to seminars, conferences and technical sessions, or through internal programmes that train groups of employees in particular skill sets.

Department Heads are also responsible for assessing skill shortages by studying his or her department's annual performance appraisals and analysing the skill requirements needed to successfully navigate future challenges.

## Rewarding, Recognising and Rejuvenating

#### **Age Analysis of Employees**

Age Group	Key & Senior Management	Middle Management	Junior Management	Non- Management	Total Management
Above 50	1	1	-	1	3
41 - 50	-	-	2	1	3
31 - 40	3	4	11	18	36
21 - 30	_	-	_	60	60
Below 20	_	-	_	-	_
	4	5	13	80	102

#### **Human Rights and Equality in the Workplace**

Singer Finance is committed to promoting and protecting all human rights contained in the constitution and the international treaties that Sri Lanka has signed. Respecting human dignity and promoting human freedom is very much a part of our business strategy.

Singer Group is an equal opportunity employer and all employees are treated with equal respect and dignity. Opportunities for career advancement within the Company are based on performance, future potential and the requirements of the institution. Sex, social background, caste, or old school tie will not act as an obstacle for employees to move up the career ladder.

The Company's Code of Conduct prohibits employees from discriminating against another employee, potential employee, customer or supplier because of their race, religion, colour, nationality, age, sex, sexual orientation or disability. Similarly no employee may harass, intimidate, or act in an unwelcome, hostile, offensive, degrading or abusive manner with respect to any other employee, or with respect to any customer or supplier, or the employee of any customer or supplier. Singer encourages its suppliers, customers and business partners to incorporate similar commitments in their business practices.

Guaranteeing equal rights and equal opportunities to the large number of women employed within the institution is a matter of priority. The Company takes special steps to create an environment that is comfortable for women of all ages.

#### **Grievance Handling**

Grievance handling is central to the Company's commitment to fairness. It gives every employee an opportunity to air his or her grievances and demand remedial action. Fairness and impartiality are integral to each stage of the process and the employee is protected from any retaliatory action.

No industrial disputes, individual or collective were recorded during the year under review.

#### **Eliminating Discrimination**

No incidents of discrimination have been reported during the period under review. We maintained a good relationship with our employees and created an environment free of industrial disputes. This was despite a temporary reduction in benefits because of the economic downturn.

#### **Empowering Employees**

Employee empowerment is an intrinsic part of our business philosophy. We believe that in order to be truly sustainable, Singer Group must nurture the talents of its employees by pushing them to think 'beyond boundaries' and rewarding them for their initiative and loyalty.

By adhering to a comprehensive human resources policy that covers the following 12 critical areas, Singer ensures that employees have maximum opportunity for empowerment:

- Recruitment/Transfers
- Manpower planning/Succession planning
- Training and development
- Performance planning, appraisal and development
- Organisation changes
- Occupational health and safety
- Foreign travel
- Complaints
- Grievances
- Rules of disciplinary procedure
- Relative's employment/Business relationship
- Sexual harassment in the workplace

#### **Maternity Leave**

Singer, like other companies, is legally obliged to grant new mothers maternity leave of 82 days. However, the Company has always been flexible on maternity leave and has given priority to the interest of the mother and child over that of the Company.

#### **Child and Forced Labour**

The Company has a zero tolerance policy on child labour and compulsory labour. At Singer all labour is voluntary and of free will. All employees are over the age of 18, in compliance with Sri Lankan Labour Law.

#### Sexual Harassment at the Workplace

Sexual harassment in the workplace is a new area in our HR policy and we are working constantly to educate employees and ensure that complaints are handled promptly. No complaints of sexual harassment were reported during the past year.

# FINANCIAL REPORTS

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# **Financial Calendar - 2010/11**Initial Public Offering (IPO)

Issue of prospectus1st December 2010Issue Opening Date15th December 2010Planned Issue Closing Date4th January 2011Actual Issue Closing Date15th December 2010Date of Listing of shares17th January 2011

Interim Financial Statements in terms of Rule 8.3 of the Colombo Stock Exchange.

For the nine months ended 31st December 2010 (unaudited)

#### 3rd Quarter

4th Quarter	
For the twelve months ended 31st March 2011 (unaudited)	30th May 2011
Annual Report & Annual General Meeting	
Annual Report 2010/11 Approved on	30th May 2011
Fourth Annual General Meeting	7th July 2011
Extraordinary General Meeting	7th July 2011
Final Dividend Payment	20th June 2011

15th February 2011

#### Proposed Financial Calendar - 2011/12

#### **1st Quarter Results**

For the three months period	l ending 30th June 2011 (unaudi	ited) 15th August 2011
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## 2nd Quarter Results

For the	six months	period e	ending 3	30th S	September	2011	(unaudited)	15th N	November :	2011
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#### **3rd Quarter Results**

For the nine months p	period ending 31st December	2011 (unaudited)	15th February	y 2012
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#### 4th Quarter Results

For the twelve months period ending 31st March 2012 (unaudited)	31st May 2012
Annual Report and Accounts for 2011/12 (audited)	June 2012

Fifth Annual General Meeting	June 2012

## 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 2011.

#### **Review of the Year**

The Chairman's Message (pages 6/7), the Group Chief Executive Officer's Review (pages 8/9), Chief Executive Officer's review (Pages 10/11) and Operations Review (pages 24/26), 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 27/29 elaborates the financial results of the Company. The 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, hire purchase financing, financing of consumer durables under loan scheme and granting loans and mobilising deposits. There have been no significant changes in the nature of the principal activities of the Company during the financial year under review.

During the year, the Company listed its shares in the Main Board of the Colombo Stock Exchange by issuing ordinary shares of 26.6 million. (25% of the issued and fully paid shares)

#### **Financial Statements**

The Financial Statements prepared in compliance with the requirements of the Section 151 of the Companies Act No. 07 of 2007 are given on pages 68 to 92.

The Financial Statements present the Information required by the Finance Companies Act No. 78 of 1988.

#### **Independent Auditors Report**

The Auditors' Report on the Financial Statements is given on page 67 in this Report.

#### **Accounting Policies**

The accounting policies adopted in preparation of the Financial Statements are given on pages 72 to 76. The accounting policies adopted are consistent with those of the previous financial year statements. There were no changes in the accounting policies adopted by the Company during the year under review.

#### Property, Plant & Equipment

During the year under review, the Company invested a sum of Rs. 11.6 million (2009/10, Rs. 3.9 million) in Property, Plant & Equipment. Rs. 7.2 million was spent on renovating and upgrading leasehold premises. Further Rs. 2 million, Rs. 1.8 million, and Rs. 0.7 million were spent on purchasing of EDP Equipment, furniture & fittings, and office equipment respectively.

Movement in Property, Plant & Equipment during the year is disclosed under Note 18 to the Financial Statements.

#### **Intangible Assets**

During the year under review, the Company acquired Rs. 5.7 million worth of software to develop the IT infrastructure of the Company. Total investment in software as at Balance Sheet date was Rs. 24.8 million.

Details of intangible assets are disclosed under Notes 17 to the Financial Statements.

#### **Investments**

The Company has invested in 100 shares of par value of Rs. 413 each of Credit Information Bureau of Sri Lanka to be a member of the Bureau to obtain Credit information of its clients.

#### Directors' Responsibilities

The Statement of the Directors' Responsibility is given on page 66.

#### **Corporate Governance**

Singer Finance (Lanka) PLC adheres to appropriate corporate governance principles as described on pages 36 to 53.

#### **Profit and Appropriations**

2010/11 Rs.	2009/10 Rs.
222,002,280	87,018,752
109,966,793	32,900,179
112,035,487	54,118,573
55,031,117	13,618,473
20,000,000	10,000,000
26,115,808	_
120,950,796	57,737,046
5,602,000	2,705,929
4,639,978	_
42,666,667	20,000,000
52,908,645	22,705,929
68,042,151	35,031,117
	222,002,280 109,966,793 112,035,487 55,031,117 20,000,000 26,115,808 120,950,796 5,602,000 4,639,978 42,666,667 52,908,645

#### **Dividends**

In terms of Article 7 of the Articles of Association of the Company, a final dividend of Rs. 0.40 per share has been approved by the Directors for the Financial Year ended 31st March 2011, for payment on 20th June 2011. The Board has reasonable grounds for believing that the Company would satisfy the Solvency Test immediately after the distribution is made and accordingly the Board of Directors has signed the Certificate of Solvency in accordance with the Section 57 of the Companies Act No. 07 of 2007. The Board of Directors will obtain a Certificate of Solvency from the Auditors prior to the date of despatch of the dividend payment.

#### Reserves

The Company's Reserves and Retained Earnings as at 31st March 2011 amounted to Rs. 131.7 million vs Rs. 65.7 million as at 31st March 2010. The break-up and movement are shown in the Statement of Changes in Equity in the Financial Statements.

#### **Stated Capital**

As per the provisions of the Companies Act No. 07 of 2007, the stated capital of the Company was Rs. 800,000,005 as at 31st March 2011 and was changed during the year due to issuing of new Ordinary Shares of 26.7 million amounting to Rs. 400 million while listing at the Main Board in the Colombo Stock Exchange. Further, the Company subdivided each share into two shares based on the shareholding as at 28th October 2010, thus increasing the number of shares of the Company from 40,000,000 to 80,000,000. Details are given in Note 25 to the Financial Statements.

#### **Events Occurring after the Balance Sheet Date**

No circumstances have arisen since the Balance Sheet date , which would require adjustment or disclosure except for the following events:

(a) The Board of Directors has approved a final Dividend of Rs. 0.40 per Ordinary Share for the year ended 31st March 2011, for payment on 20th June 2011.

#### **Statutory Payments**

The declaration relating to statutory payments is made in the Statement of Directors' Responsibility on page 66.

#### **Directors Interests and Interest Register**

Details of transactions with Director- related entities are disclosed in Note 32 to the Financial Statements on page 91 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:

Dr. G.C.B. Wijeyesinghe - *Chairman* Dr. Saman Kelegama

The Report of the Audit Committee on page 54 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 the Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

## Annual Report of the Board of Directors on the Affairs of the Company

#### **Integrated Risk Management Committee**

Following are the names of the Directors and Executives comprising the Integrated Risk Management Committee of the Board:

Dr. S. Kelegama - Chairman

Mr. R.S. Wijeweera

Mr. M.P.A. Salgado

Mr. L. Yatiwella

Mr. P. Meegoda - Secretary

Mr. N.C. Jayawantha - Finance Manager

Mr. R.I. Jayasuriya - Credit & Recovery Manager

#### **Remuneration Committee**

Following are the names of the Directors comprising the Remuneration Committee of the Board:

Dr. G.C.B. Wijeyesinghe - Chairman

Mr. Hemaka Amarasuriya

Dr. Saman Kelegama

Mr. H.A. Pieris

Mr. R.S. Wijeweera

Mr. M.P.A. Salgado

The Report of the Remuneration Committee on page 55 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 Note 7 to the Financial Statements on page 77.

#### **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 Parent Company as per the provisions in Article 44.

#### **Share Information and Substantial Shareholdings**

The distribution of shareholding, Public holding percentage, market value of shares, twenty largest Shareholders are given on page 95.

Earnings per share, dividend per share, dividend payout and net assets value per share are given in the Financial Highlights on page 3 of the Annual Report.

#### **Directorate and Shareholdings**

The names of Directors of the Company as at 31st March 2011 and their brief profiles are shown on pages 18/19 and Inner Back Cover.

Mr. Kamal Shah has resigned from the Board of Directors with effect from 20th September 2010. Directors place on record their appreciation for the invaluable service rendered by Mr. Kamal Shah during his term as Director of the Company. Consequent to Mr. Kamal Shah's resignation from the service of the Company, Mr. S. Ramanathan ceased to be an Alternate Director to Mr. Kamal Shah with effect from 20th September 2010.

Mr. G.J. Walker was appointed as a Director of the Company on 20th September 2010 to fill casual vacancy created by the resignation of Mr. Kamal Shah.

Mr. Shyamsunder Ramanathan was appointed as an Alternate Director to Mr. G.J. Walker on 20th September 2010.

Mr. J.J. Hyun was appointed as a Director of the Company on 28th February 2011 in addition to the existing Directors.

The Board has received notice from Dr. G.C.B. Wijeyesinghe that he has attained the age of 77 years on the 19th February 2011. The Board has requested Dr. G.C.B. Wijeyesinghe to continue to serve as a Director of the Company and Dr. G.C.B. Wijeyesinghe has consented to remain on the Board subject to due compliance of the provision of the Companies Act No. 07 of 2007 and has offered himself for the re-appointment to the Board.

The Directors recommended the resolution declaring that the age limit stipulated in the Section 210 of the Companies Act No. 07 of 2007 shall not apply to Dr. G.C.B. Wijeyesinghe, notwithstanding his having attained the age of 77 years and that his reappointment for a further period of one year is approved and to re-elect him in terms of the Section 211 of the Companies Act No. 07 of 2007.

The Directors have not had any dealings in shares (purchase or sales) of the Company during the year.

Shareholdings of the Directors and Chief Executive Officer at the beginning of the year and as at the end of the year are as follows:

	As at* 01.04. 2010	As at 31.03. 2011
Mr. H.D.S. Amarasuriya	06	06
Dr. G.C.B. Wijeyesinghe	_	_
Dr. S. Kelegama	_	_
Mr. G.J. Walker - Appointed w.e.f. 20th September 2010	_	_
Mr. H.A. Pieris	02	02
Mr. Kamal Shah - Resigned w.e.f. 20th September 2010	_	_
Mr. R.S. Wijeweera	02	02
Mr. M.P.A. Salgado	02	02
Mr. J.J. Hyun - Appointed w.e.f. 28th February 2011	_	-
Mr. S. Ramanathan		-

st After the split of Ordinary Shares of one into two with effect from 28th October 2010.

#### **Independence of Directors**

In accordance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, and Rule 7.10.2(b) of the Colombo Stock Exchange (CSE) Listing Rules, Dr. G.C.B. Wijeyesinghe, and Dr. Saman Kelegama who are Non-Executive Directors of the Company, have submitted a signed and dated declaration as per the specimen given in appendix 7 (a) of continuing listing requirement of CSE.

Although, Dr. G.C.B. Wijeyesinghe has not met the criteria mentioned in the Finance Companies (Corporate Governance) Direction No. 3 of 2008 items 4.4 (e) and Items (e) & (g) of Rule 7.10.4 of the CSE Listing Rules the Board of Directors of the Company is of the opinion that Dr. G.C.B. Wijeyesinghe is nevertheless independent on the following basis:

- (a) His high standing in society and business sector
- (b) His experience and knowledge particularly in the accounting field will continue to be an asset to the Company
- (c) His stature in the academic field of management, being a member of the Board of Study of the Postgraduate Institute of Management for Several years. He has been conferred a doctorate by the University of Sri Jayawardenapura.
- (d) His continued valuable services to the Company in various ways and in particular as the Chairman of the Audit Committee of the Company.
- (e) He does not participate in executive decision making.

Although Dr. Saman Kelegama has not met the criteria mentioned in the Finance Companies (Corporate Governance) Direction No. 3 of 2008 items 4.4 (e) and Item (g) of Rule 7.10.4 of the CSE Rules, the Board of Directors of the Company is of the opinion that Dr. Saman Kelegama is nevertheless independent on the following basis.

- (a) His high standing in society and business sector
- (b) His experience and knowledge particularly in the field of Economics will continue to be an asset to the Company
- (c) His continued valuable services to the Company in various ways and in particular as the Chairman of the Integrated Risk Management Committee of the Company.
- (d) He does not participate in executive decision making.

(Dr. G.C.B. Wijeyesinghe and Dr. Saman Kelegama did not participate in these deliberations and decisions taken pursuant thereto as referred to above to avoid conflict of interest)

#### **Donations**

During the year, the Company has not made any donations.

#### **Auditors**

The Financial Statements for the period under review were audited by Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants who offer themselves for re-appointment for the ensuing year. The Directors propose the re-appointment of Messrs KPMG Ford, Rhodes, Thornton & Co. as Auditors of the Company for the year 2011/12.

The audit and non-audit fees paid to the Auditors by the Company is disclosed in Note 7 on page 77 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 Auditor. Details on the work of the Audit Committee are set out in the Audit Committee Report.

#### **Notice of Meeting**

The 4th Annual General Meeting will be held at The Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 7, on Thursday 7th July 2011 at 10.00 a.m.

An Extraordinary General Meeting of the shareholders will be held on Thursday 7th July 2011 following the Annual General Meeting.

The Notice of the Annual General Meeting and the Extraordinary General Meeting of the shareholders are given on pages 97 and 98 respectively.

For and on behalf of the Board.

H.D.S. Amarasuriya

Chairman

R.S.Wijeweera

Director/CEO

K.K.L.P. Yatiwella (ACA)

Company Secretary

Singer Finance (Lanka) PLC Colombo

30th May 2011

## 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 Balance Sheet date and of the profit 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, the Directions issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act No 78 of 1988 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 under the generally accepted accounting principles and in accordance with the Sri Lanka Accounting Standards 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 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 Ford, Rhodes, Thornton & Co. , 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 page 67 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 Balance Sheet date have been paid, or were provided.

By Order of the Board

K.K.L.P. Yatiwella (ACA)
Company Secretary

Singer Finance (Lanka) PLC Colombo

30th May 2011



KPMG Ford, Rhodes, Thornton & Co. (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, P. O. Box 186, Colombo 00300, Sri Lanka.

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# TO THE SHAREHOLDERS OF SINGER FINANCE (LANKA) PLC [FORMERLY KNOWN AS SINGER FINANCE (LANKA) LTD.]

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Singer Finance (Lanka) PLC, which comprise the balance sheet as at 31st March, 2011, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 68 to 92 of the Annual Report.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### **Scope of Audit and Basis of Opinion**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March, 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March, 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **Report on Other Legal and Regulatory Requirements**

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007. The financial statements present the information required by the Finance Companies Act No. 78 of 1988.

Chartered Accountants

Colombo

30th May 2011

KPMG Ford, Rhodes, Thornton & Co., 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.

A.N. Fernando FCA P.Y.S. Perera FCA W.W.J.C. Perera FCA W.K.D.C. Abeyrathne ACA M.R. Mihular FCA C.P. Jayatilake FCA Ms. S. Joseph ACA S.T.D.L. Perera FCA Ms. M.P. Perera FCA T.J.S. Rajakarier FCA Ms. S.M.B. Jayasekara ACA G.A.U. Karunaratne ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

## **Income Statement**

For the year ended 31st March	Note	2011 Rs.	2010 Rs.
Income	3	970,664,170	703,915,316
Interest Income	4	891,830,804	639,158,945
Interest Expense	5	(285,696,780)	(316,421,877)
Net Interest Income		606,134,024	322,737,068
Other Income	6	78,833,366	64,756,371
		684,967,390	387,493,439
Less - Operating Expenses			
Personnel Cost	7.1	73,725,959	42,947,429
Administration & Selling Expenses		354,647,560	206,707,144
Operating Profit before Provision for Loan Losses and Tax		256,593,871	137,838,866
Provision for Loan Losses	12.4	(919,019)	(30,320,297)
Loan Loss Recoveries		1,135,000	1,200,000
Profit from Ordinary Activities before VAT on Financial Services and Tax	7	256,809,852	108,718,569
Value Added Tax on Financial Services		34,807,572	21,699,817
Profit before Tax		222,002,280	87,018,752
Income Tax Expense	8	109,966,793	32,900,179
Net Profit for the Year		112,035,487	54,118,573
Basic Earnings per Share	9	1.77	0.96
Dividend per Share	26	0.40	0.25

The Accounting Policies and Notes on pages 72 to 92 form an integral part of these Financial Statements.

Balance Sheet 68/69

Liabilities         Deposits from Customers       19       1,815,116,989       1,518,043,087         Interest-Bearing Loans & Borrowings       20       80,885,776       40,017,362         Trade & Other Payables       21       295,657,596       189,845,115         Amount due to Related Companies       22       1,187,515,182       997,250,452         Income Tax Payable       75,990,653       29,377,162         Deferred Revenue       23       14,564,983       9,023,973         Deferred Tax Liabilities       16.2       3,986,062       2,904,380         Retirement Benefit Obligations       24       5,572,322       3,751,233         Total Liabilities       3,479,289,563       2,790,212,764         Equity         Stated Capital       25       800,000,005       400,000,000         Capital Reserve       16,350,118       10,748,118         Investment Fund       27       4,639,978       -         Retained Earnings       110,708,818       55,031,117         Total Equity       931,698,919       465,779,235	As at 31st March	Note	2011 Rs.	2010 Rs.
Government Securities         11         181,057,001         155,788,349           Hire Purchase Receivable         12.1         1,761,151,345         1,041,041,779           Lease Rental Receivable         12.2         719,009,874         404,761,685           Loans and Advances         12.3         1,516,766,855         1,535,275,822           Investment Securities         13         41,300         41,300           Investment Securities         14         7,630,990         -           Other Debtors and Prepayments         15         141,488,452         61,953,943           Deferred Tax Assets         16.1         13,419,719         8,581,800           Interpolities         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,402           Total Assets         19         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         20         80,885,776         40,017,362           Interest-Bearing Loans & Borrowings         21         295,657,596         189,845,115           Amount due to Related Companies         22         1,187,515,182         997,250,452           Income Tax Payable         75,990,653         29,377,162      <	Assets			
Hire Purchase Receivable         12.1         1,761,151,345         1,041,041,779           Lease Rental Receivable         12.2         719,009,874         404,761,685           Loans and Advances         12.3         1,516,766,855         1,535,275,822           Investment Securities         13         41,300         41,300           Investment Securities         14         7,630,990         -           Other Debtors and Prepayments         15         144,488,452         61,953,943           Deferred Tax Assets         16.1         13,419,719         8,581,480           Intagible Assets         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,402           Total Assets         4,410,988,482         3,255,991,999           Libilities         2         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         19         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         20         8,085,777         40,017,362           Tadd & Other Payables         21         295,657,596         189,485,115           Amount due to Related Companies         21         295,657,596         189,485,115	Cash and Bank Balances	10	30,083,811	17,335,634
Lease Rental Receivable         12.2         719,009,874         404,761,685           Loans and Advances         12.3         1,516,766,855         1,535,275,822           Investment Securities         13         41,300         41,300           Inventories         14         7,630,990         -           Other Debtors and Prepayments         15         141,488,452         61,953,443           Deferred Tax Assets         16.1         13,419,719         8,581,480           Intangible Assets         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,402           Tatal Assets         4410,988,482         3255,991,999           Catal Assets         4410,988,482         3255,991,999           Catal Assets         9         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         9         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         9         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         9         1,818,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         2         1,818,115,169         9,972,50,452	Government Securities	11	181,057,001	156,758,349
Loans and Advances         12.3         1,516,766,855         1,535,275,822           Investment Securities         13         41,300         41,300           Investment Securities         14         7,630,990         -           Other Debtors and Prepayments         15         141,488,452         61,953,483           Deferred Tax Assets         16         13,419,719         8,581,408           Intangible Assets         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,402           Total Assets         4,410,988,482         3,255,991,999           Catal Assets         19         1,815,116,989         1,518,043,087           Total Assets         19         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         20         80,885,776         40,017,362           Incerts-Bearing Loans & Borrowings         21         295,657,596         189,845,115           Amount due to Related Companies         21         295,657,596         189,845,115           Amount due to Related Companies         22         1,187,515,182         997,250,452           Deferred Revenue         23         14,564,983         9,037,162 <td< td=""><td>Hire Purchase Receivable</td><td>12.1</td><td>1,761,151,345</td><td>1,041,041,779</td></td<>	Hire Purchase Receivable	12.1	1,761,151,345	1,041,041,779
Investment Securities         13         41,300         41,300           Inventories         14         7,630,990         -           Other Debtors and Prepayments         15         141,488,452         61,953,943           Deferred Tax Assets         16.1         13,419,719         8,581,480           Intangible Assets         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,002           Total Assets         19         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         20         80,885,776         40,017,362           Tade & Other Payables         21         295,657,596         189,845,115           Amount due to Related Companies         21         295,657,596         189,845,115           Income Tax Payable         25         1,187,515,182         97,250,455           Income Tax Payable         75,990,653         2,377,162           Deferred Tax Liabilities         16.2         3,986,062         2,904,380           Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities         25         800,000,005         400,000,000           Capital Reserve	Lease Rental Receivable	12.2	719,009,874	404,761,685
Inventories         14         7,630,990         -           Other Debtors and Prepayments         15         141,488,452         61,953,943           Deferred Tax Assets         16.1         13,419,719         8,581,480           Intangible Assets         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,002           Total Assets         4,410,988,482         3,255,991,999           Liabilities         9         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         19         1,815,116,989         1,518,043,087           Incerest-Bearing Loans & Borrowings         20         80,885,776         40,017,362           Tade & Other Payable         21         295,657,596         189,845,115           Amount due to Related Companies         21         295,657,596         189,845,115           Income Tax Payable         75,990,653         29,771,042           Deferred Revenue         23         14,564,983         9,033,973           Retirement Benefit Obligations         16.2         3,986,062         2,904,380           Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities<	Loans and Advances	12.3	1,516,766,855	1,535,275,822
Other Debtors and Prepayments         15         141,488,452         61,953,943           Deferred Tax Assets         16.1         13,419,719         8,581,480           Intangible Assets         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,402           Total Assets         4,410,988,482         3,255,991,999           Liabilities         9         1,815,116,989         1,518,043,087           Deposits from Customers         19         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         20         80,885,776         40,017,362           Tade & Other Payables         21         295,657,596         189,845,115           Amount due to Related Companies         22         1,187,515,182         997,250,452           Income Tax Payable         75,990,653         29,377,162           Deferred Revenue         23         14,564,983         90,23,973           Deferred Tax Liabilities         16,2         3,986,062         2,904,380           Retirement Benefit Obligations         2         3,771,233         751,233           Total Liabilities         25         800,000,005         40,000,000           Equity	Investment Securities	13	41,300	41,300
Deferred Tax Assets         16.1         13,419,719         8,581,480           Intangible Assets         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,402           Total Assets         4,410,988,482         3,255,991,999           Liabilities         \$\$\$\frac{1}{2}\$\$ \$\frac{1}{2}\$\$ \$\frac{1}	Inventories	14	7,630,990	_
Intangible Assets         17         12,346,158         7,313,605           Property, Plant & Equipment         18         27,992,977         22,928,402           Total Assets         4,410,988,482         3,255,991,999           Liabilities         Use of the Payables           Deposits from Customers         19         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         20         80,885,776         40,017,362           Tade & Other Payables         21         295,657,596         189,845,115           Amount due to Related Companies         22         1,187,515,182         997,250,452           Income Tax Payable         75,990,653         29,377,162           Deferred Revenue         23         14,564,983         9,023,973           Deferred Tax Liabilities         16.2         3,986,062         2,904,380           Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities         3,479,289,563         2,790,212,764           Equity         25         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118           Investment Fund         27         4,639,978         -	Other Debtors and Prepayments	15	141,488,452	61,953,943
Property, Plant & Equipment         18         27,992,977         22,928,402           Total Assets         4,410,988,482         3,255,991,999           Liabilities         Use of the property	Deferred Tax Assets	16.1	13,419,719	8,581,480
Total Assets         4,410,988,482         3,255,991,999           Liabilities         Upposits from Customers         19 1,815,116,989 1,518,043,087           Interest-Bearing Loans & Borrowings         20 80,885,776 40,017,362         40,017,362           Trade & Other Payables         21 295,657,596 189,845,115         189,845,115           Amount due to Related Companies         22 1,187,515,182 997,250,452         997,250,452           Income Tax Payable         75,990,653 29,377,162         29,377,162           Deferred Revenue         23 14,564,983 9,023,973         90,23,973           Deferred Tax Liabilities         16.2 3,986,062 2,904,380           Retirement Benefit Obligations         24 5,572,322 3,751,233           Total Liabilities         3,479,289,563 2,790,212,764           Equity         25 800,000,005 400,000,000           Capital Reserve         16,350,118 10,748,118           Investment Fund         27 4,639,978 -           Retained Earnings         110,708,818 55,031,117           Total Equity         931,698,919 465,779,235	Intangible Assets	17	12,346,158	7,313,605
Total Assets         4,410,988,482         3,255,991,999           Liabilities         Upposits from Customers         19 1,815,116,989 1,518,043,087           Interest-Bearing Loans & Borrowings         20 80,885,776 40,017,362         40,017,362           Trade & Other Payables         21 295,657,596 189,845,115         189,845,115           Amount due to Related Companies         22 1,187,515,182 997,250,452         997,250,452           Income Tax Payable         75,990,653 29,377,162         29,377,162           Deferred Revenue         23 14,564,983 9,023,973         90,23,973           Deferred Tax Liabilities         16.2 3,986,062 2,904,380           Retirement Benefit Obligations         24 5,572,322 3,751,233           Total Liabilities         3,479,289,563 2,790,212,764           Equity         25 800,000,005 400,000,000           Capital Reserve         16,350,118 10,748,118           Investment Fund         27 4,639,978 -           Retained Earnings         110,708,818 55,031,117           Total Equity         931,698,919 465,779,235	Property, Plant & Equipment	18	27,992,977	22,928,402
Deposits from Customers         19         1,815,116,989         1,518,043,087           Interest-Bearing Loans & Borrowings         20         80,885,776         40,017,362           Trade & Other Payables         21         295,657,596         189,845,115           Amount due to Related Companies         22         1,187,515,182         997,250,452           Income Tax Payable         75,990,653         29,377,162           Deferred Revenue         23         14,564,983         9,023,973           Deferred Tax Liabilities         16.2         3,986,062         2,904,380           Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities         3,479,289,563         2,790,212,764           Equity         5         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118           Investment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235			4,410,988,482	3,255,991,999
Trade & Other Payables         21         295,657,596         189,845,115           Amount due to Related Companies         22         1,187,515,182         997,250,452           Income Tax Payable         75,990,653         29,377,162           Deferred Revenue         23         14,564,983         9,023,973           Deferred Tax Liabilities         16.2         3,986,062         2,904,380           Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities         3,479,289,563         2,790,212,764           Equity         Stated Capital         25         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118         1nvestment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117         55,031,117         70tal Equity         931,698,919         465,779,235	Deposits from Customers			
Amount due to Related Companies       22       1,187,515,182       997,250,452         Income Tax Payable       75,990,653       29,377,162         Deferred Revenue       23       14,564,983       9,023,973         Deferred Tax Liabilities       16.2       3,986,062       2,904,380         Retirement Benefit Obligations       24       5,572,322       3,751,233         Total Liabilities       3,479,289,563       2,790,212,764         Equity         Stated Capital       25       800,000,005       400,000,000         Capital Reserve       16,350,118       10,748,118         Investment Fund       27       4,639,978       -         Retained Earnings       110,708,818       55,031,117         Total Equity       931,698,919       465,779,235	Interest-Bearing Loans & Borrowings	20	80,885,776	40,017,362
Income Tax Payable         75,990,653         29,377,162           Deferred Revenue         23         14,564,983         9,023,973           Deferred Tax Liabilities         16.2         3,986,062         2,904,380           Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities         3,479,289,563         2,790,212,764           Equity         Stated Capital         25         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118         10,748,118         10,748,118         10,748,118         10,748,118         10,708,818         55,031,117         55,031,117         70tal Equity         931,698,919         465,779,235	Trade & Other Payables	21	295,657,596	189,845,115
Deferred Revenue         23         14,564,983         9,023,973           Deferred Tax Liabilities         16.2         3,986,062         2,904,380           Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities         3,479,289,563         2,790,212,764           Equity         25         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118           Investment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235	Amount due to Related Companies	22	1,187,515,182	997,250,452
Deferred Tax Liabilities         16.2         3,986,062         2,904,380           Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities         3,479,289,563         2,790,212,764           Equity         25         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118           Investment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235	Income Tax Payable		75,990,653	29,377,162
Retirement Benefit Obligations         24         5,572,322         3,751,233           Total Liabilities         3,479,289,563         2,790,212,764           Equity         25         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118           Investment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235	Deferred Revenue	23	14,564,983	9,023,973
Equity         3,479,289,563         2,790,212,764           Stated Capital         25         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118           Investment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235	Deferred Tax Liabilities	16.2	3,986,062	2,904,380
Equity         Stated Capital       25       800,000,005       400,000,000         Capital Reserve       16,350,118       10,748,118         Investment Fund       27       4,639,978       -         Retained Earnings       110,708,818       55,031,117         Total Equity       931,698,919       465,779,235	Retirement Benefit Obligations	24	5,572,322	3,751,233
Stated Capital         25         800,000,005         400,000,000           Capital Reserve         16,350,118         10,748,118           Investment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235	Total Liabilities		3,479,289,563	2,790,212,764
Capital Reserve         16,350,118         10,748,118           Investment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235	• •	25	800 000 005	400 000 000
Investment Fund         27         4,639,978         -           Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235	·			
Retained Earnings         110,708,818         55,031,117           Total Equity         931,698,919         465,779,235	·	77		10,740,110
Total Equity         931,698,919         465,779,235				- 55 021 117
	Total Liabilities & Equity		4,410,988,482	3,255,991,999

The Accounting Policies and Notes on pages 72 to 92 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.

Chithraka Jayawantha

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed on behalf of the Board,

Director

Shanthapriya Wijeweera

Hemaka Amarasuriya

Director

Colombo 30th May 2011

Singer Finance (Lanka) PLC | Annual Report 2010/11

# Statement of Changes in Equity

		Stated Capital	Reserve Fund	Investment Fund	Retained Earnings	Total
	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2009		200,000,000	8,042,189		13,618,473	221,660,662
Dividend		_	_		(10,000,000)	(10,000,000)
Issue of Shares		200,000,000	_		_	200,000,000
Transfers		_	2,705,929		(2,705,929)	_
Profit for the Year		-	_		54,118,573	54,118,573
Balance as at 31st March 2010		400,000,000	10,748,118		55,031,117	465,779,235
Dividend	26	-	-		(20,000,000)	(20,000,000)
Issue of Shares		400,000,005	_		_	400,000,005
Direct Cost on Share Issue		-	_		(26,115,808)	(26,115,808)
Transfers		-	5,602,000	4,639,978	(10,241,978)	_
Profit for the Year		_	_		112,035,487	112,035,487
Balance as at 31st March 2011		800,000,005	16,350,118	4,639,978	110,708,818	931,698,919

The Accounting Policies and Notes on pages 72 to 92 form an integral part of these Financial Statements.

Cash Flow Statement 70/71

For the year ended 31st March	Note	2011 Rs.	2010 Rs.
Cash Flows From/(Used in) Operating Activities			
Receipts from operating activities		2,999,454,769	1,135,968,742
Interest Payments		(215,533,145)	(171,854,601)
Recoveries on Loans Previously Written-Off		1,135,000	1,200,000
Receipts from Other Operating Activities		189,157,573	135,698,452
Cash Payments to Employees & Suppliers		(1,269,556,976)	(1,078,246,697)
Operating Profit before Changes in Operating Assets and Liabilities (Note A)	_	1,704,657,221	22,765,896
(Increase)/Decrease in Operating Assets			
Investments held for Regulatory or Monetary Control Purposes		(24,298,652)	12,453,090
Funds Advanced to Customers		(2,453,715,263)	(1,055,885,116)
		(2,478,013,915)	(1,043,432,026)
Increase/(Decrease) in Operating Liabilities			
Public Deposits		297,073,902	420,063,757
Amounts due to Related Companies		190,264,730	773,469,039
ESC Paid		(11,508,013)	(2,227,939)
Income Tax Paid		(67,109,862)	(17,908,855)
meditie tok i die		408,720,757	1,173,396,002
Net Cash From Operating Activities		(364,635,937)	152,729,872
Cash Flows from/(used in) Investing Activities			
Acquisition of Property, Plant & Equipment		(11,617,544)	(3,971,405)
Incurred on Software Development		(5,750,952)	(1,812,324)
Net Cash Flows used in Investing Activities		(17,368,496)	(5,783,729)
Cash Flows from/(used in) Financing Activities			
Proceeds from issuance of Share Capital		400,000,005	200,000,000
Direct Cost on Share Issue		(26,115,808)	
Repayment of Interest Bearing Loans & Borrowings		(15,672,540)	(311,657,394)
Dividends Paid		(20,000,000)	(10,000,000)
Net Cash Flows from/(used in) Financing Activities		338,211,657	(121,657,394)
Net increase in Cash and Cash Equivalents		(43,792,776)	25,288,749
Cash and Cash Equivalents at the beginning of the Year		17,335,634	(7,953,114)
Cash and Cash Equivalents at the end of the Year	10	(26,457,142)	17,335,634
A. Reconciliation of Profit before Tax with Cash Inflow from Operating Activities  Profit before Income Tax		222 002 200	07.010.753
		222,002,280	87,018,752
Depreciation/Amortisation		7,271,367	9,086,112
Provision for Defined Benefit Plans - Gratuity Provision for Bad Debts		1,821,089	907,742
Deferred Revenue		919,019	30,320,297 1,999,966
Increase/(Decrease) in Interest Payable		5,541,010	
		(4,722,572) (7,630,990)	(3,588,475)
(Increase)/Decrease in Inventories (Increase)/Decrease in Lease Receivables	_	398,276,916	201 020 045
(Increase)/Decrease in Lease Receivables (Increase)/Decrease in Hire Debtors	_		301,929,945
(Increase)/Decrease in Hille Debtors	_	890,020,144	500,451,138
S 77		155,100,552	(965,941,651)
		(74,476,650)	21,520,524
(Increase)/Decrease in Other Receivables Increase/(Decrease) in Other Payables		110,535,056	39,061,546

The Accounting Policies and Notes on pages 72 to 92 form an integral part of these Financial Statements.

#### 1. Corporate Information

#### 1.1 Reporting Entity

#### 1.1.1 General

Singer Finance (Lanka) PLC is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 331, Dr. Colvin R. De Silva Mawatha, Colombo 02, and the principal place of business is situated at the above address.

The Company made a public issue of 26,666,667 ordinary shares at Rs. 15 per share by a Prospectus dated 1st December 2010 in order to meet the regulatory requirements of the Monetary Board of Central Bank of Sri Lanka and for listing the shares of the Company on the Colombo Stock Exchange. Consequently, the Company changed its name to Singer Finance (Lanka) PLC.

The Company was listed on the Main Board of the Colombo Stock Exchange on 17th January 2011.

#### 1.1.2 Principal Activities and Nature of Operations

To carry on Finance business only in conformity with the provisions of the Finance Act No. 78 of 1988 as amended by the Act No. 23 of 1991 and the Directions and Rules issued there under and other relevant regulations.

To enter into arrangements with persons for the sale or purchase of any goods, articles, vehicles or other things by buying, selling, letting on hire, hire purchase on easy payment systems or by leasing financing, or otherwise finance or assist any such purposes.

To advance, deposit, or lend and to accept advances, deposits and loans of money, securities or property to with or from such persons and with or without security.

#### 1.1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Singer (Sri Lanka) PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Retail Holdings N.V, which is incorporated in Netherlands Antilles.

#### 1.1.4 Number of Employees

The number of employees of the Company as at the end of the year was 102 (2009/10 - 78).

#### 1.1.5 Date of Authorisation for Issue

The Financial Statements of Singer Finance (Lanka) PLC for the year ended 31st March 2011 were authorised for issue by the Board of Directors on 30th May 2011.

#### 1.1.6 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

#### 1.2 Basis of Preparation

#### 1.2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS), issued by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

#### 1.2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for certain investments and items of Property, Plant & Equipment, which are measured at fair value as explained in the respective Notes to the Financial Statement.

#### 1.2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the functional currency of the Company.

#### 1.2.4 Use of Estimates and Judgments

The presentation of Financial Statements in conformity with SLAS requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 2. Significant Accounting Policies

The accounting policies have been consistently applied by the Company to the periods presented in the Financial Statements. Certain comparative amounts have been re-classified to conform to the current year's presentation.

#### 2.1 Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency rate of exchange ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are retranslated using the exchange rates as at the dates of the initial transactions. Foreign exchange differences arising on translation are taken to profit and loss.

#### 2.2 Assets and Bases of their Valuations

Assets classified as current assets on the Balance Sheet are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter.

#### 2.2.1 Property, Plant & Equipment

Items of Property, Plant & Equipment are measured at cost or valuation less accumulated depreciation and impairment losses.

#### (a) Cost and Valuations

All items of Plant and Equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the asset.

Land and buildings are measured at fair value at the date of revaluation. A revaluation is carried out when there is a substantial difference between the fair value and the carrying amount of the land and buildings, and is carried out by professionally qualified valuers. When items of Plant and Equipment are subsequently revalued, the entire class of such assets are revalued.

Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as an income to the extent of the previous write down.

Decreases in the carrying amount on revaluation that offset previous increases of the same individual asset is charged against revaluation reserve directly in equity. All other decreases are recognised in profit and loss.

#### (b) Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the useful lives of each item of plant and equipment. Freehold land is not depreciated.

The estimated useful lives are as follows:

Motor Vehicle	5 years
Furniture & Fittings	10 years
Equipment	10 years
EDP Equipment	5 years
Improvements on Leasehold Premises	5 years

Depreciation of an asset commences when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### 2.2.2 Intangible Assets

An intangible asset is recognised initially at cost when it is probable that future economic benefits will flow to the Company and the cost of the asset can be measured reliably in accordance with SLAS 37 on 'Intangible Assets'. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Amortisation expense on intangible assets with finite lives is recognised in profit and loss on a straight-line basis over the estimated useful lives, from the date they are available for use.

The estimated useful lives of intangible assets with finite lives are as follows:

The Class of Intangible Assets	Useful Life
Computer Software	10 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

#### 2.3 Trade and Other Receivables

#### 2.3.1 Hire Receivable

Assets sold to the customers under fixed rate hire agreements which transfer all the risks and rewards as well as the legal title at the end of such contractual period are classified as hire purchase receivables. Hire purchase receivable in the Balance Sheet represent the total hire value net of unearned finance charges, prepayments and provisions for doubtful recoveries.

#### 2.3.2 Lease Rentals Receivables

Assets leased to customers under agreements, which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Lease rentals receivables in the balance sheet represent total minimum lease payments due net of unearned income, prepayments and provision for doubtful recoveries.

#### 2.3.3 Loans and Advances

Loans and advances granted to customers under loan agreements are classified as Loan Receivables. Loan rentals receivables in the balance sheet represent total minimum loan rental payments due net of unearned income, prepayments and provision for doubtful recoveries.

#### 2.3.4 Other Debtors and Prepayments

Other debtors and prepayments are stated at the amounts they are estimated to realise net of provisions for bad and doubtful debts.

#### 2.3.5 Provision for Bad and Doubtful Debts

The allowances for bad and doubtful debts are based on the collectability of the receivables and a general provision is made for these amounts based on the period of arrears as fallows:

Hire Purchase Receivables

Arrears of 121 to 180 days
50% of debtors net of unearned carrying charges.

Arrears 181 days and over 100% of debtors net of unearned carrying charges.

Lease Rentals Receivables

Arrears of 121 to 180 days

50% of receivables net of unearned carrying charges.

Arrears 181 days and over 100% of receivables net of unearned carrying charges.

Loan and Consumer Receivables

Arrears of 61 to 150 days

50% of receivables net of unearned carrying charges.

Arrears 151 days and over 100% of receivables net of unearned carrying charges.

Insurance Receivables
Arrears 121 to 180 days
50% of receivables.

Arrears of 181 days and over 100% of receivables.

#### 2.4 Investments

(a) Initial Recognition

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees.

(b) Measurement

#### 2.4.1 Current Investments

Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio. (OR in total/by category of investment/ on individual investment)

Unrealised losses arising from reduction to market value and reversals of such reduction required to state current investments at lower of cost and market value are included in the Income Statement.

#### 2.4.2 Non-Current Investments

Long-term investments are measured initially at cost. Provision for diminution in value is made when in the opinion of the Directors there has been a decline other than temporary in the carrying amount of the investment.

#### 2.5 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks, net of outstanding bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

#### 2.6 Inventories

Inventories are measured at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

#### 2.7 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cashgenerating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value, less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit and loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased

amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

#### 2.8 Liabilities and Provisions

#### 2.8.1 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 measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit and loss net of any reimbursement.

#### 2.8.2 Retirement Benefit Obligations

#### (a) Defined Benefit Plan - Gratuity

A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a Qualified Actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by SLAS 16.

The actuarial valuation involves making assumptions about discount rates, salary increment rate, and mortality rate and retirement age. Due to the long-term nature of his plans such estimates are subject to significant uncertainty.

The liability is not externally funded.

#### (b) Defined Contribution Plans - Employees' Provident Fund/Mercantile Services Provident Society and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for contributions to Employees' Provident Fund/Mercantile Services Provident Society and Employees' Trust Fund in line with respective Statutes and Regulations. The Company contributes 12%, 12% and 3% of gross emoluments of employees to the Employees' Provident Fund/Mercantile Services Provident Society and the Employees' Trust Fund respectively and is recognised as an expense in profit and loss in the periods during which services are rendered by employees.

#### 2.9 Income Statement

#### 2.9.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sale taxes. The following specific criteria are used for the purpose of recognition of revenue:

#### (a) Hire Purchase

The excess of aggregated contract receivables over the cost of the hired assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as income over the term of hire purchase contract commencing from the month in which the first rental is due, in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the hirer's net investment outstanding on the hire purchase.

#### (b) Lease

The excess of aggregated contract receivables over the cost of the leased assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as income over the term of lease contract commencing from the month in which the first rental is due, in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the lessee's net investment outstanding on the lease outstanding.

#### (c) Loans and Advances

The excess of aggregated contract receivables over the facility granted constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as income over the term of the loan agreement commencing from the month in which first rental is due, in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the lenders net investment outstanding on the loan outstanding.

## (d) Service Charges Received from Leasing, Hire Purchase Transactions and Loans

Service fee income received from Leasing, Loans and Hire Purchase transactions were deferred and amortised over the period of Lease, Hire Purchase Contracts and Loan Agreements.

#### (e) Interest

Interest income is recognised as the interest accrues, unless collectability is in doubt.

#### (f) Insurance Commission Income

Commission income on insurance is recognised on an accrual basis.

#### (q) Others

Other income is recognised on an accrual basis.

Net gains and loss of revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

#### 2.10 Expenditure Recognition

- (a) Expenses are recognised in profit and loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in a maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.
- (b) For the purpose of presentation of the Income Statement the Directors are of the opinion that 'function of expenses' method present fairly the elements of the Company's performance, and hence such presentation method is adopted.

#### 2.11 Taxation

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

#### (a) Current Taxes

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### (b) Deferred Taxation

Deferred income 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.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that taxable profit will be available against which they can be utilised.

#### 2.12 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### 2.13 Events Occurring after the Balance Sheet Date

All material events occurring after the Balance Sheet date have been considered and where necessary, adjustments made in these Financial Statements.

#### 2.14 Earnings Per Share

The Company presents basic Earnings per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted number of ordinary shares outstanding during the period.

#### 2.15 Cash Flow Statement

Cash and cash equivalents as referred to in the Cash Flow Statement comprises cash in hand, amounts due from banks on demand or with an original maturity of three months or less.

The Cash Flow Statement has been prepared by using the 'Direct Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard No. 09 on Cash Flow Statements. Cash and cash equivalents comprise mainly of cash balances, loans at call and short-term placements.

#### 2.16 Segment Reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing product or services (Business Segment) or in providing product or services with in a particular economic environment (Geographical Segment), which is subject to risk and rewards that are different from those of other segments.

For the year ended 31st March	2011 Rs.	2010 Rs.
3. Income		
3.1 Summary		
Gross Income	970,664,170	703,915,316
3.2 Analysis of Gross Income		
Interest Income (Note 4)	891,830,804	639,158,945
Other Income (Note 6)	78,833,366	64,756,371
	970,664,170	703,915,316
4. Interest Income		
Interest Income on Hire Purchase	329,698,181	256,124,228
Interest Income on Lease	122,659,398	108,649,721
Interest Income on Loans		
	432,955,249	267,644,796
Interest Income on Fixed Deposits Loans	6,517,976 891,830,804	6,740,200 639,158,945
		037,130,713
5. Interest Expense		
Interest on Fixed Deposits	216,340,471	246,452,629
Interest on Bank Loans	6,930,973	18,950,115
Interest on Inter-Company Payable	60,900,636	50,620,251
Interest on Bank Overdraft	1,524,700 285,696,780	398,882 316,421,877
6. Other Income		3.0,.2.,6
Commission Income	2,716,387	2,139,780
Income on Treasury Bills	17,045,488	17,077,991
Service Charge	10,818,281	6,540,941
Insurance Commission	6,725,695	3,629,798
Return Cheque Charges	165,814	293,077
Overdue Interest	31,399,734	30,825,411
Others	9,961,967	4,249,373
	78,833,366	64,756,371
7. Profit from Ordinary Activities before VAT on Financial Services and Tax Stated after charging all expenses including the following:		
Directors' Emoluments	6,354,395	5,989,886
Auditors' Remuneration - Statutory Audit	470,000	410,000
- Audit Related Services	315,000	160,000
- Non-Audit Services	305,430	125,430
Amortisation of Intangible Assets	718,399	3,477,109
Depreciation on Property, Plant & Equipment	6,552,968	5,609,002
Legal Expense	1,806,870	233,964
Personnel Cost (Note 7.1)	73,725,959	42,947,429
Operating Lease Rentals	9,095,875	4,936,781

For the year ended 31st March	2011 Rs.	2010 Rs.
7.1 Personnel Cost		
Staff Cost	66,283,635	37,956,586
Defined Benefit Plan Costs - Retiring Gratuity	1,821,089	907,742
Defined Contribution Plan Costs - EPF, ETF and MSPS	5,621,235	4,083,101
	73,725,959	42,947,429
8. Income Tax Expense		
Current Tax		
Current Income Tax Expense on Ordinary Activities for the Year (Note 8.1)	106,248,651	47,231,213
Under Provision in Respect of Previous Year	7,474,699	
	113,723,350	47,231,213
Deferred Tax		
Income (Note 8.2)	(3,756,557)	(14,331,034)
	109,966,793	32,900,179
8.1 Reconciliation Between Current Tax Expense and the Product of Accounting Profit Multiplied by the Statutory tax rate is as follows:		
Accounting Profit Before Income Tax	222,002,280	87,018,752
Aggregate Disallowable Expenses	424,850,868	291,500,934
Aggregate Tax Deductible Expenses	(332,817,726)	(214,694,833)
Tax Loss Utilised During the Year		(30,214,632)
Taxable Profit	314,035,422	133,610,221
Income Tax at 33 <sup>1</sup> / <sub>3</sub> % (2010 - 35%)	104,678,474	46,763,577
Social Responsibility Levy at 1.5%	1,570,177	467,636
Current Income Tax Expense	106,248,651	47,231,213

The Company tax expense is based on the taxable profit of the Company. The Company is liable to income tax at  $33^{1}/_{3}$ % on taxable profit with effect from 1st April 2010 (2009/10 - 35%) and an additional 1.5% Social Responsibility Levy on tax is payable with effect from 1st April 2008 (From 1st April 2006 to 31st March 2008 was 1% on tax payble).

For the year ended 31st March	2011 Rs.	2010 Rs.
8.2 Deferred Tax Expense/(Income)		
Deferred Tax Charge/(Credit) Arising Due to Origination Reversal of Temporary Differences	(5,553,444)	(14,331,034)
Adjustment Due to Change in Tax Rate	1,796,887	_
	(3,756,557)	(14,331,034)

**8.3** Deferred tax has been computed using the enacted tax rate of 28%.

#### 9. Earnings per Share

Basic Earnings per Share is calculated by dividing the net profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Number of Ordinary Shares Used as the Denominator           Weighted Average Number of Ordinary Shares in Issue         63,333,333         56,666,667           Basic Earnings per Share (Rs.)         1.77         0.96           9.1 Weighted Average Number of Ordinary Shares         suspend Ordinary Shares at the beginning of the Year         40,000,000         20,000,000           Effect of Shares Issued in October 2009         6         20,000,000         Effect of Shares Issued in December 2010         40,000,000         6           Effect of Shares Issued in December 2010         26,666,667         40,000,000         6           Weighted Average Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667           10. Cash and Short-Term Funds         5         10,666,667         40,000,000           10. I savourable Cash & Cash Equivalents         29,523,198         17,020,508           Stati In Hand         560,613         315,126           Cash with Bank's         29,523,198         17,020,508           Total Interest Income         (56,540,953)         -           Bank Overdraft (Note 20)         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow	For the year ended 31st March	2011 Rs.	2010 Rs.
Number of Ordinary Shares Used as the Denominator           Weighted Average Number of Ordinary Shares in Issue         63,333,333         56,666,667           Basic Earnings per Share (Rs.)         1.77         0.96           9.1 Weighted Average Number of Ordinary Shares         suspend Ordinary Shares at the beginning of the Year         40,000,000         20,000,000           Effect of Shares Issued in October 2009         6         20,000,000         Effect of Shares Issued in December 2010         40,000,000         6           Effect of Shares Issued in December 2010         26,666,667         40,000,000         6           Weighted Average Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667           10. Cash and Short-Term Funds         5         10,666,667         40,000,000           10. I savourable Cash & Cash Equivalents         29,523,198         17,020,508           Stati In Hand         560,613         315,126           Cash with Bank's         29,523,198         17,020,508           Total Interest Income         (56,540,953)         -           Bank Overdraft (Note 20)         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow	Amount Used as the Numerator		
Weighted Average Number of Ordinary Shares in Issue         63,333,333         56,666,667           Basic Earnings per Share (Res.)         1.77         0.96           9.1 Weighted Average Number of Ordinary Shares         8.90         40,000,000         20,000,000           Effect of Shares Issued in October 2009         -         20,000,000         -           Effect of Shares Issued in October 2010         40,000,000         -         -           Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000         -           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667         -           10. Cash and Short-Term Funds         50,613         315,126         33,333         56,666,667         -           10. Taylor Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         - <td>Net Profit Attributable to Equity Holders of the Company (Rs.)</td> <td>112,035,487</td> <td>54,118,573</td>	Net Profit Attributable to Equity Holders of the Company (Rs.)	112,035,487	54,118,573
Weighted Average Number of Ordinary Shares in Issue         63,333,333         56,666,667           Basic Earnings per Share (Res.)         1.77         0.96           9.1 Weighted Average Number of Ordinary Shares         8.90         40,000,000         20,000,000           Effect of Shares Issued in October 2009         -         20,000,000         -           Effect of Shares Issued in October 2010         40,000,000         -         -           Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000         -           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667         -           10. Cash and Short-Term Funds         50,613         315,126         33,333         56,666,667         -           10. Taylor Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         -         -         -         0,000,000         - <td>Number of Ordinary Shares Used as the Denominator</td> <td></td> <td></td>	Number of Ordinary Shares Used as the Denominator		
9.1 Weighted Average Number of Ordinary Shares         Issued Ordinary Shares at the beginning of the Year       40,000,000       20,000,000         Effect of Shares Issued in October 2009       - 20,000,000       - 20,000,000         Effect of Shares Split in October 2010       40,000,000       - 26,666,667         Number of Ordinary Shares at the end of the Year       106,666,667       40,000,000         Weighted Average Number of Ordinary Shares at the end of the Year       63,333,333       56,666,667         10. Cash and Short-Term Funds       500,613       315,126         Cash in Hand       560,613       315,126         Cash with Banks       29,523,198       17,020,508         Total       (56,540,953)       -         Cash and Cash Equivalents       (56,540,953)       -         Bank Overdraft (Note 20)       (56,540,953)       -         Cash and Cash Equivalents for the Purpose of Cash Flow       (26,457,142)       17,335,634         11. Government Securities       181,057,001       156,758,349         12. Rental Receivable on Leased Assets, Hire Purchase and Loans       181,057,001       156,758,349         12.1.1 Rentals Receivables       2,341,606,327       1,447,329,235         Unearned Interest Income       (569,210,145)       (391,782,227		63,333,333	56,666,667
Issued Ordinary Shares at the beginning of the Year         40,000,000         20,000,000           Effect of Shares Issued in October 2009         -         20,000,000           Effect of Shares Split in October 2010         26,666,667         -           Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667           10. Cash and Short-Term Funds         500,613         315,126           10.1 Favourable Cash & Cash Equivalents         29,523,198         17,020,508           Total         30,083,811         17,335,634           10.2 Unfavourable Cash & Cash Equivalents         50,613         315,126           Sash and Cash Equivalents for the Purpose of Cash Flow         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow         (26,457,142)         17,335,634           11. Government Securities         181,057,001         156,758,349           Tax. Rental Receivable on Leased Assets, Hire Purchase and Loans         2,341,606,327         1,447,329,235           12. Hire Purchase Receivables         2,341,606,327         1,447,329,235           12. In Rentals Receivable on Leased Assets, Hire Purchase and Loans         2,341,606,327         1,447,329,235	Basic Earnings per Share (Rs.)	1.77	0.96
Issued Ordinary Shares at the beginning of the Year         40,000,000         20,000,000           Effect of Shares Issued in October 2009         -         20,000,000           Effect of Shares Split in October 2010         26,666,667         -           Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667           10. Cash and Short-Term Funds         500,613         315,126           10.1 Favourable Cash & Cash Equivalents         29,523,198         17,020,508           Total         30,083,811         17,335,634           10.2 Unfavourable Cash & Cash Equivalents         50,613         315,126           Sash and Cash Equivalents for the Purpose of Cash Flow         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow         (26,457,142)         17,335,634           11. Government Securities         181,057,001         156,758,349           Tax. Rental Receivable on Leased Assets, Hire Purchase and Loans         2,341,606,327         1,447,329,235           12. Hire Purchase Receivables         2,341,606,327         1,447,329,235           12. In Rentals Receivable on Leased Assets, Hire Purchase and Loans         2,341,606,327         1,447,329,235	9.1 Weighted Average Number of Ordinary Shares		
Effect of Shares Issued in October 2010         40,000,000         -           Effect of Shares Spilt in October 2010         26,666,667         -           Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667           10. Cash and Short-Term Funds         50,613         315,126           Cash in Hand         560,613         315,126           Cash with Banks         29,523,198         17,020,508           Total         30,083,811         17,335,634           10.2 Unfavourable Cash & Cash Equivalents         \$66,540,953         -           Sah and Cash Equivalents for the Purpose of Cash Flow         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow         (26,457,142)         17,335,634           11. Government Securities         181,057,001         156,758,349           12. Rental Receivable on Leased Assets, Hire Purchase and Loans         12.11 Rentals Receivable         2,341,606,327         1,447,329,235           12. Rental Receivable on Leased Assets, Hire Purchase and Loans         12.11 Rentals Receivable         (369,210,145         (391,782,277           12. Rental Receivable on Leased Assets, Hire Purchase and Loans         (369,210,145         (391,78		40.000.000	20.000.000
Effect of Shares Split in October 2010         40,000,000         -           Effect of Shares Issued in December 2010         26,666,667         -           Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667           10. Cash and Short-Term Funds         50,13         315,126           Cash in Hand         560,613         315,126           Cash with Banks         29,523,198         17,020,508           Total         30,083,811         17,335,634           10.2 Unfavourable Cash & Cash Equivalents         (56,540,953)         -           Bank Overdraft (Note 20)         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow         (26,457,142)         17,335,634           11. Government Securities         181,057,001         156,758,349           Investment in Treasury Bills         181,057,001         156,758,349           12. Rental Receivable on Leased Assets, Hire Purchase and Loans         2,341,606,327         1,447,329,235           12. Hire Purchase Receivables         2,341,606,327         1,447,329,235           12. Hire Purchase Receivable         2,341,606,327         1,447,329,235           12. Hire Pur			
Effect of Shares Issued in December 2010         26,666,667         ————————————————————————————————————		40,000,000	_
Number of Ordinary Shares at the end of the Year         106,666,667         40,000,000           Weighted Average Number of Ordinary Shares at the end of the Year         63,333,333         56,666,667           10. Cash and Short-Term Funds         50,613         315,126           Cash in Hand         560,613         315,126           Cash with Banks         29,523,198         17,020,508           Iotal         30,083,811         17,335,634           10.2 Unfavourable Cash & Cash Equivalents         \$ (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow         (26,457,142)         17,335,634           11. Government Securities         \$ (31,057,001)         156,758,349           12. Rental Receivable on Leased Assets, Hire Purchase and Loans         \$ (31,066,327)         1,473,392,355           12.1.1 Rentals Receivables         \$ (331,606,327)         1,473,392,325           10. Interest income         \$ (569,210,145)         (391,782,227           10. The Purchase Receivable         \$ (30,27,682)         (391,782,227           10. The Purchase Receivable on Leased Assets, Hire Purchase and Loans         \$ (30,682,710,145)         (391,782,227           10. The Purchase Receivable         \$ (30,27,682)         (391,782,227         (391,782,227           10. Cash and Cash Equivalents in Come <td>·</td> <td></td> <td>_</td>	·		_
10. Cash and Short-Term Funds 10.1 Favourable Cash & Cash Equivalents Cash in Hand \$560,613 315,126 Cash with Banks \$29,523,198 17,020,508 Total \$3,0083,811 17,335,634  10.2 Unfavourable Cash & Cash Equivalents Bank Overdraft (Note 20) \$(56,540,953) - Cash and Cash Equivalents for the Purpose of Cash Flow \$(26,457,142) 17,335,634  11. Government Securities Investment in Treasury Bills \$181,057,001 156,758,349  12. Rental Receivable on Leased Assets, Hire Purchase and Loans 12.11 Hire Purchase Receivables 12.1.1 Rentals Receivable 13.1.1 Government Securities 14.1.1 Government Securities 15.1.1 Rentals Receivable (569,210,145) (391,782,227) 16.1.1 Rentals Receivable (391,782,227) 17.1.2 Rentals Receivable (391,782,227) 18.1.3 Receivable (391,782,227) 18.1.4 Receivable (391,782,227) 18.1.5 Receivable (391,792,396,182) (391,792,292,396,182) (391,792,292,396,182) (391,792,292,396,182) (391,792,292,396,182) (391,792,292,396,182) (391,792,292,396,182) (391	Number of Ordinary Shares at the end of the Year		40,000,000
10.1 Favourable Cash & Cash Equivalents         Cash in Hand       560,613       315,126         Cash with Banks       29,523,198       17,020,508         Total       30,083,811       17,335,634         10.2 Unfavourable Cash & Cash Equivalents         Bank Overdraft (Note 20)       (56,540,953)       -         Cash and Cash Equivalents for the Purpose of Cash Flow       (26,457,142)       17,335,634         11. Government Securities         Investment in Treasury Bills       181,057,001       156,758,349         12. Rental Receivable on Leased Assets, Hire Purchase and Loans       2,341,606,327       1,447,329,235         12. 1. Hire Purchase Receivables       2,341,606,327       1,447,329,235         12. 1.1 Rentals Receivable       2,341,606,327       1,447,329,235         12. 1.1 Rentals Receivable       (569,210,145)       (391,782,227         12. 1.1 Rentals Receivable       (569,210,145)       (847,500         Rentals Receivable in Advance       (387,557)       (847,500         Interest in Suspens	Weighted Average Number of Ordinary Shares at the end of the Year	63,333,333	56,666,667
10.1 Favourable Cash & Cash Equivalents         Cash in Hand       560,613       315,126         Cash with Banks       29,523,198       17,020,508         Total       30,083,811       17,335,634         10.2 Unfavourable Cash & Cash Equivalents         Bank Overdraft (Note 20)       (56,540,953)       -         Cash and Cash Equivalents for the Purpose of Cash Flow       (26,457,142)       17,335,634         11. Government Securities         Investment in Treasury Bills       181,057,001       156,758,349         12. Rental Receivable on Leased Assets, Hire Purchase and Loans       2,341,606,327       1,447,329,235         12. 1. Hire Purchase Receivables       2,341,606,327       1,447,329,235         12. 1.1 Rentals Receivable       2,341,606,327       1,447,329,235         12. 1.1 Rentals Receivable       (569,210,145)       (391,782,227         12. 1.1 Rentals Receivable       (569,210,145)       (847,500         Rentals Receivable in Advance       (387,557)       (847,500         Interest in Suspens	40. Cook and Chart Town Frieds		
Cash in Hand         560,613         315,126           Cash with Banks         29,523,198         17,020,508           Total         30,083,811         17,335,634           10.2 Unfavourable Cash & Cash Equivalents           8 ank Overdraft (Note 20)         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow         (26,457,142)         17,335,634           11. Government Securities           Investment in Treasury Bills         181,057,001         156,758,349           12. Rental Receivable on Leased Assets, Hire Purchase and Loans           12.1.1 Rentals Receivable         2,341,606,327         1,447,329,235           Unearned Interest Income         (569,210,145)         (391,782,227           Provision for Bad & Doubtful Debts (Note 12.1.5)         (6,680,913)         (51,30,047           Rentals Received in Advance         (387,557)         (847,500           Interest in Suspense (Note 12.1.6)         (4,176,367)         (8,527,682           Net Receivables         1,761,151,345         1,041,041,779           12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         964,912,071         660,127,443           Unearned Interest Income         (333,916,838)         (260,573,660			
Cash with Banks         29,523,198         17,020,508           Total         30,083,811         17,335,634           10.2 Unfavourable Cash & Cash Equivalents           Bank Overdraft (Note 20)         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow         (26,457,142)         17,335,634           11. Government Securities           Investment in Treasury Bills         181,057,001         156,758,349           12. Rental Receivable on Leased Assets, Hire Purchase and Loans           12.1.1 Rentals Receivable         2,341,606,327         1,447,329,235           Unearned Interest Income         (569,210,145)         (391,782,227           Provision for Bad & Doubtful Debts (Note 12.1.5)         (6,680,913)         (5,130,047           Rentals Received in Advance         (387,557)         (847,500           Interest in Suspense (Note 12.1.6)         (4,176,367)         (8,527,682           Net Receivables         1,761,151,345         1,041,041,779           12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         964,912,071         660,127,443           Unearned Interest Income         (333,916,838)         (260,573,660           Rentals Receivable         (157,058)         (164,593)		560 613	215 176
Total         30,083,811         17,335,634           10.2 Unfavourable Cash & Cash Equivalents           Bank Overdraft (Note 20)         (56,540,953)         -           Cash and Cash Equivalents for the Purpose of Cash Flow         (26,457,142)         17,335,634           11. Government Securities           Investment in Treasury Bills         181,057,001         156,758,349           12. Rental Receivable on Leased Assets, Hire Purchase and Loans           12.1.1 Rentals Receivable         2,341,606,327         1,447,329,235           12.1.1 Rentals Receivable         2,341,606,327         1,447,329,235           Unearned Interest Income         (569,210,145)         (391,782,227           Provision for Bad & Doubtful Debts (Note 12.1.5)         (6,680,913)         (5,130,047           Rentals Received in Advance         (387,557)         (847,500           Interest in Suspense (Note 12.1.6)         (4,176,367)         (8,527,682           Net Receivables         1,761,151,345         1,041,041,779           12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date           Rentals Receivable         964,912,071         660,127,443           Unearned Interest Income         (333,916,838)         (260,573,660           Rentals R			
10.2 Unfavourable Cash & Cash Equivalents  Bank Overdraft (Note 20) (56,540,953) - Cash and Cash Equivalents for the Purpose of Cash Flow (26,457,142) 17,335,634  11. Government Securities Investment in Treasury Bills 181,057,001 156,758,349  12. Rental Receivable on Leased Assets, Hire Purchase and Loans 12.1 Hire Purchase Receivables 12.1.1 Rentals Receivable 2,341,606,327 1,447,329,235  12. Investment in Treasury Bills 2,341,606,327 1,447,329,235  12. Rental Receivable (569,210,145) (391,782,227  12. Investment Income (569,210,145) (391,782,227  12. Investment Income (569,210,145) (391,782,227  12. Rentals Receivable (1,477,396,182 1,055,547,008) (6,680,913) (5,130,047)  Rentals Receivable (387,557) (847,500) (1,476,367) (8,527,682) (1,476,367) (8,527,682) (1,476,367) (1,4			
Investment in Treasury Bills       181,057,001       156,758,349         12. Rental Receivable on Leased Assets, Hire Purchase and Loans         12.1 Hire Purchase Receivables         12.1.1 Rentals Receivable       2,341,606,327       1,447,329,235         Unearned Interest Income       (569,210,145)       (391,782,227         Provision for Bad & Doubtful Debts (Note 12.1.5)       (6,680,913)       (5,130,047         Rentals Received in Advance       (387,557)       (847,500         Interest in Suspense (Note 12.1.6)       (4,176,367)       (8,527,682         Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         Rentals Receivable       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)	Bank Overdraft (Note 20)	<del></del> -	- 17,335,634
Investment in Treasury Bills       181,057,001       156,758,349         12. Rental Receivable on Leased Assets, Hire Purchase and Loans         12.1 Hire Purchase Receivables         12.1.1 Rentals Receivable       2,341,606,327       1,447,329,235         Unearned Interest Income       (569,210,145)       (391,782,227         Provision for Bad & Doubtful Debts (Note 12.1.5)       (6,680,913)       (5,130,047         Rentals Received in Advance       (387,557)       (847,500         Interest in Suspense (Note 12.1.6)       (4,176,367)       (8,527,682         Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         Rentals Receivable       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)	11 Covernment Securities		
12. Rental Receivable on Leased Assets, Hire Purchase and Loans         12.1 Hire Purchase Receivables       2,341,606,327       1,447,329,235         12.1.1 Rentals Receivable       2,341,606,327       1,447,329,235         Unearned Interest Income       (569,210,145)       (391,782,227         Provision for Bad & Doubtful Debts (Note 12.1.5)       (6,680,913)       (5,130,047         Rentals Received in Advance       (387,557)       (847,500         Interest in Suspense (Note 12.1.6)       (4,176,367)       (8,527,682         Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)		181 057 001	156 758 3/19
Unearned Interest Income       (569,210,145)       (391,782,227         1,772,396,182       1,055,547,008         Provision for Bad & Doubtful Debts (Note 12.1.5)       (6,680,913)       (5,130,047         Rentals Received in Advance       (387,557)       (847,500         Interest in Suspense (Note 12.1.6)       (4,176,367)       (8,527,682         Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)	12. Rental Receivable on Leased Assets, Hire Purchase and Loans 12.1 Hire Purchase Receivables		
1,772,396,182       1,055,547,008         Provision for Bad & Doubtful Debts (Note 12.1.5)       (6,680,913)       (5,130,047         Rentals Received in Advance       (387,557)       (847,500         Interest in Suspense (Note 12.1.6)       (4,176,367)       (8,527,682         Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)			, , ,
Provision for Bad & Doubtful Debts (Note 12.1.5)       (6,680,913)       (5,130,047         Rentals Received in Advance       (387,557)       (847,500         Interest in Suspense (Note 12.1.6)       (4,176,367)       (8,527,682         Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         Rentals Receivable       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)	uneamed interest income		, , , , ,
Rentals Received in Advance       (387,557)       (847,500         Interest in Suspense (Note 12.1.6)       (4,176,367)       (8,527,682         Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         Rentals Receivable       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)	Provision for Rad & Doubtful Dobts (Note 17.1.5)		
Interest in Suspense (Note 12.1.6)       (4,176,367)       (8,527,682         Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         Rentals Receivable       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)	,		
Net Receivables       1,761,151,345       1,041,041,779         12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         Rentals Receivable       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)			
12.1.2 Hire Purchase Rentals Receivable within One Year from Balance Sheet Date         Rentals Receivable       964,912,071       660,127,443         Unearned Interest Income       (333,916,838)       (260,573,660         Rentals Received in Advance       (157,058)       (164,593)			
Rentals Receivable         964,912,071         660,127,443           Unearned Interest Income         (333,916,838)         (260,573,660           Rentals Received in Advance         (157,058)         (164,593)		.,. 0 1, 13 1,3 13	.,,,,,,,,,
Unearned Interest Income         (333,916,838)         (260,573,660           Rentals Received in Advance         (157,058)         (164,593)		964 912 971	660 127 442
Rentals Received in Advance (157,058) (164,593			
			, , ,
	Tentas received in Navanec	630,838,175	399,389,190

For the year ended 31st March	2011 Rs.	2010 Rs.
12.1.3 Hire Purchase Rentals Receivable after One Year but before Five Years from Balance Sheet Date		
Rentals Receivable	1,376,694,256	787,201,792
Unearned Interest Income	(239,469,674)	(139,736,249)
Rentals Received in Advance	(230,500)	(682,907)
	1,136,994,082	646,782,636
12.1.4 Non-Performing Hire Purchase on which Interest is not being Accrued		
Rentals Receivable	17,011,923	30,955,410
Unearned Interest Income	(3,712,801)	(9,202,885)
Provision for Bad & Doubtful Debts	(6,680,913)	(5,130,047)
	6,618,208	16,622,478
12.1.5 Movement in Provision for Bad & Doubtful Debts		
Balance at the beginning of the Year	5,130,047	3,909,618
Charge for the Year	5,379,766	9,557,898
Written-off during the Period	(3,828,900)	(8,337,469)
	6,680,913	5,130,047
12.1.6 Movement in Interest in Suspense		
Balance at the beginning of the Year	8,527,682	7,487,313
Charge for the Year	32,069,738	56,757,116
Suspended Interest Recovered	(36,421,053)	(55,716,747)
	4,176,367	8,527,682
12.2 Lease Rentals Receivable 12.2.1 Rentals Receivable	095 545 562	E 6 7 0 3 0 0 3 4
Unearned Lease Interest Income	985,545,563	567,028,034
uneamed Lease interest income	(256,123,768)	(149,141,431)
Provision for Bad & Doubtful Debts (Note 12.2.5)	729,421,795 (6,266,957)	417,886,603
Rentals Received in Advance	(0,266,937)	(6,346,766) (2,427,282)
Interest in Suspense (Note 12.2.6)	(2,702,390)	(4,350,870)
Net Receivables	719,009,874	404,761,685
12.2.2 Lease Rentals Receivable within One Year from the Balance Sheet Date		
Rentals Receivable	404,499,637	282,603,174
Unearned Interest Income	(145,630,773)	(97,138,107)
Rentals Received in Advance	(718,491)	(772,133)
	258,150,373	184,692,934
12.2.3 Lease Rentals Receivable after One Year but before Five Years from the		
<b>Balance Sheet Date</b> Rentals Receivable	581,045,926	284,424,860
Unearned Interest Income	(113,195,385)	(52,003,323)
Rentals Received in Advance	(724,083)	(1,655,150)
	467,126,458	230,766,387

For the year ended 31st March	2011 Rs.	2010 Rs.
12.2.4 Non-Performing Leases on which Interest is not being Accrued		
Rentals Receivable	13,383,954	16,123,561
Unearned Interest Income	(3,358,584)	(3,887,066)
Provision for Bad & Doubtful Debts	(6,266,957)	(6,346,766)
	3,758,413	5,889,729
12.2.5 Movement in Provision for Bad & Doubtful Debts		
Balance at the beginning of the Year	6,346,766	7,489,827
Charge for the Year	4,002,882	5,683,322
Written-off during the Period	(4,082,691)	(6,826,384)
Thicker on ourning the vertoo	6,266,957	6,346,766
12.2.6 Movement in Interest in Suspense		
Balance at the beginning of the Year	4,350,870	4,821,980
Interest Suspended during the Year	13,151,548	26,688,217
Suspended Interest Recovered	(14,800,028)	
Suspended interest Recovered	2,702,390	(27,159,327) 4,350,870
		.,550,670
12.3. Loans and Advances		
12.3.1 Loans and Advances Receivable	1,750,398,197	1,796,645,671
Unearned Loan Interest Income	(265,359,157)	(264,198,576)
Receivables on Loans against Fixed Deposits	45,510,864	38,115,450
Net Receivable	1,530,549,905	1,570,562,545
Provision for Bad & Doubtful Debts (Note 12.3.5)	(10,295,747)	(29,977,308)
Rentals Received in Advance	(137,615)	(94,648)
Interest in Suspense (Note 12.3.6)	(3,349,687)	(5,214,767)
Net Receivables	1,516,766,855	1,535,275,822
12.3.2 Loans and Advances Receivable within One Year from the Balance Sheet Date		
Loans and Advances Receivable	1,583,272,426	1,578,262,122
Unearned Interest Income	(248,436,206)	(236,943,517)
Rentals received in advance	(126,911)	(94,648)
	1,334,709,309	1,341,223,957
12.3.3 Loans and Advances Receivable after One Year but before Five Years from the Balance Sheet Date		
Loans and Advances Receivable	167,125,771	218,383,549
Unearned Interest Income	(20,272,638)	(27,255,058)
Rentals Received in Advance	(10,705)	-
Nethols Received in Advance	146,842,428	191,128,491
		., .,,
12.3.4 Non-Performing Loans and Advances on which Interest is not being Accrued	20.242.222	70.044.633
Loans and Advances Receivable	28,313,228	79,841,632
Unearned Interest Income	(5,114,786)	(11,845,298)
Provision for Bad & Doubtful Debts	(10,295,747)	(29,977,308)
	12,902,695	38,019,026

As at 31st March	2011 Rs.	2010 Rs.
12.3.5 Movement in Provision for Bad & Doubtful Debts		
Balance at the beginning of the Year	29,977,308	24,196,264
Charge for the Year	(8,413,629)	14,928,847
Written-off during the Period	(11,267,932)	(9,147,804)
	10,295,747	29,977,308
12.3.6 Movement in Interest in Suspense		
Balance at the beginning of the Year	5,214,767	5,231,651
Charge for the Year	25,518,030	25,258,420
Suspended Interest Recovered	(27,383,110)	(25,275,304)
	3,349,687	5,214,767
12.4 Provision for Losses		
12.4.1 Movement in Provision for Bad & Doubtful Debts		
Balance at the beginning of the Year	42,854,190	36,845,548
Charge for the Year	919,019	30,320,297
Written-off during the Period	(19,179,367)	(24,311,656)
	24,593,842	42,854,190
12.4.2 Provision for Bad & Doubtful Debts Consist of Provisioning Against		
Lease Receivable	6,266,957	6,346,766
Hire Purchase Receivable	6,680,913	5,130,047
Loans	10,295,747	29,977,308
Others	1,350,225	1,400,069
	24,593,842	42,854,190

#### 12.5 Concentration of Credit Risk

Sector-wise analysis of Company's hire purchase portfolio reflecting the exposure to credit risk in the various sectors of the economy is depicted below:

	2011		2010	
	Rs. '000	%	Rs. '000	0/0
Agriculture	673,566	17	449,691	15
Industrial	100,196	3	118,873	4
Tourism	64,705	2	77,383	3
Trading	110,920	3	184,977	6
Transport	113,718	3	163,408	5
Construction	35,362	1	77,668	3
Services	374,539	9	166,337	6
Individual	2,523,922	62	1,742,742	58
	3,996,928	100	2,981,079	100

s at 31st March 2011		2011	11	
	No. of Ordinary Shares	Cost of Investment Rs.	No. of Ordinary Shares	Cost of Investment Rs.
13. Investment Securities				
Unquoated Shares				
Credit Information Bureau of Sri Lanka	100	41,300	100	41,300
For the year ended 31st March			2011 Rs.	2010 Rs.
14. Inventories				
Trading Stocks		7,	630,990	-
		7,	630,990	_
15. Other Debtors and Prepayments				
Loans to Employees (Note 15.1)		26,	578,528	19,034,547
VAT Recoverable		62,	862,750	21,687,925
Notional Tax Recoverable		4,	552,536	-
ESC Recoverable		11,	357,765	-
Prepayments		5,	932,885	6,149,718
Insurance Receivable		15,	062,285	12,965,922
Advances and Other Receivables		16,	491,928	3,515,900
Provision for Bad & Doubtful Debts - Other Receivables		(1,	350,225)	(1,400,069)
		141,	488,452	61,953,943
15.1 Loans to Employees				
Balance at the beginning of the Year		19,	034,547	26,687,762
Loans Granted during the year		15,	680,000	548,000
Loan Recoveries during the Year		(8,	136,019)	(8,201,215)
Balance at the end of the Year		26,	578,528	19,034,547
Due within One Year		5,	877,164	2,981,327
Due after One Year		20,	701,364	16,053,220
16. Deferred Taxation				
16.1 Deferred Tax Assets				
Balance as at the beginning of the Year		8,	581,480	9,079,837
Adjustment due to change in Tax Rate - Recognised in Income Statement		(2,	556,137)	_
Origination & Reversal of Temporary Differences - Recognised in Income Statem	ent		394,376	(498,357)
Balance as at the end of the Year			419,719	8,581,480
16.2 Deferred Tax Liability				
Balance as at the beginning of the Year		2.	904,380	17,733,771
Adjustment Due to Change in Tax Rate - Recognised in Income Statement			759,250)	-
Origination & Reversal of Temporary Differences - Recognised in Income Statement	ent		840,932	(14,829,391)
Balance as at the end of the Year	<del></del>		986,062	2,904,380
bolonice 65 of the Cha of the real			700,002	۷,/۱۳,۵۵۷

**16.3** 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.

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:

#### 16.4 Composition of Deferred Tax

Total composition of perented tax	2011		2010	
	Assets	Liabilities	Assets	Liabilities
	Rs.	Rs.	Rs.	Rs.
Property, Plant & Equipment	-	767,720	_	642,846
Intangible Assets	-	3,218,342	_	2,261,534
Deferred Benefit Obligation	1,560,250	-	1,312,932	_
Lease Rental Receivable	11,859,469	-	7,268,548	_
	13,419,719	3,986,062	8,581,480	2,904,380
Net Deferred Tax	9,433,657		5,677,100	
		Balance	Additions/	Balance
		as at	Transfers	as at
		01.04.2010	D <sub>0</sub>	31.03.2011
		Rs.	Rs.	Rs.
17. Intangible Assets				
17.1 Gross Carrying Amount				
At Cost				
EDP Software		19,000,375	5,750,952	24,751,327
		19,000,375	5,750,952	24,751,327
17.2 Amortisation				
EDP Software		(11,686,770)	(718,399)	(12,405,169)
		(11,686,770)	(718,399)	(12,405,169)
As at 31st March			2011 Rs.	2010 Rs.
17.3 Carrying Amounts				
Carrying Amounts			12,346,158	7,313,605
Total Carrying Amount of EDP Software			12,346,158	7,313,605

<sup>17.4</sup> During the financial year, the Company acquired Software to the aggregated value of Rs. 5,750,952/- (2010 - Rs. 1,812,324/-).

**<sup>17.5</sup>** EDP Software included fully-depreciated assets having a gross carrying amount of Rs. 4,714,000/- (2010 - Rs. 4,714,000/-).

	Balance as at 01.04.2010 Rs.	Additions/ Transfers Rs.	Balance as at 31.03.2011 Rs.
18. Property, Plant & Equipment			
18.1 Gross Carrying Amount			
At Cost			
Improvement on Leasehold Premises	18,180,965	7,167,292	25,348,257
Equipment	3,989,768	669,293	4,659,062
EDP Equipment	8,880,163	1,986,377	10,866,540
Motor Vehicles	3,801,026	-	3,801,026
Furniture & Fittings	5,608,671	1,794,582	7,403,253
Total Gross Carrying Amount	40,460,594	11,617,544	52,078,137
	Balance as at 01.04.2010 Rs.	Charge for the year/ Transfers Rs.	Balance as at 31.03.2011 Rs.
18.2 Depreciation and Impairment Losses			
Improvement on Leasehold Premises	(8,819,484)	(3,729,997)	(12,549,480)
Equipment	(1,389,045)	(427,631)	(1,816,677)
EDP Equipment	(5,131,537)	(1,366,043)	(6,497,579)
Motor Vehicles	(510,291)	(360,205)	(870,496)
Furniture & Fittings	(1,681,835)	(669,093)	(2,350,928)
Total Depreciation and Impairment Losses	(17,532,192)	(6,552,968)	(24,085,160)
For the year ended 31st March		2011 Rs.	2010 Rs.
18.3 Carrying Amounts			
Improvement on Leasehold Premises		12,798,776	9,361,481
Equipment		2,842,385	2,600,723
EDP Equipment		4,368,961	3,748,627
Motor Vehicles		2,930,530	3,290,735
Furniture & Fittings		5,052,325	3,926,836
Total Carrying Amount of Property, Plant and Equipment		27,992,977	22,928,402

**<sup>18.4</sup>** During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 11,617,544/- (2010 - Rs. 3,971,405/-).

**<sup>18.5</sup>** Property, Plant & Equipment included fully-depreciated assets having a gross carrying amount of Rs. 6,098,902/- (2010 - Rs. 5,586,203/-).

**<sup>18.6</sup>** Depreciation charges for the year of Rs. 6,552,968/- (2010 - Rs. 5,609,002/-) is included in Administration and Selling Expenses of the Income Statement.

As at 31st March					2011 Rs.	2010 Rs.
19. Deposits from Customers						
Fixed Deposits						
Balance at the beginning of the Year				1,518	3,043,087	1,097,979,330
New Deposits				836	5,267,912	794,458,650
Capitalisation of Interest				87	7,097,917	88,326,280
				2,441	1,408,916	1,980,764,260
Repaid Deposits				(626	5,291,927)	(462,721,173)
Balance at the end of the Year				1,815	5,116,989	1,518,043,087
1 to 90 Days				560	),044,840	676,194,160
91 to 365 Days				960	),269,891	697,668,608
More than 365 Days				294	1,802,258	144,180,320
				1,815	5,116,989	1,518,043,087
Bank Loans (Note 20.1) Loan on Securitisation (Note 20.2) Bank Overdraft (Note 10.2)	Amount Repayable within 1 Year Rs. 3,410,500 - 56,540,953 59,951,453	Amount Repayable after 1 Year Rs. 1,046,864 19,887,460 - 20,934,323	Rs. 4,457,363 19,887,460 56,540,953	Amount Repayable within 1 Year Rs.  15,672,539  15,672,539	Amount Repayable after 1 Year Rs. 4,457,364 19,887,460 - 24,344,823	70ta Rs 20,129,903 19,887,460 - 40,017,362
			As at 01.04.2010 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2011 Rs.
20.1 Bank Loans (a) Movement of Bank Loans					(=	
DFCC Bank			7,500,000	_	(7,500,000)	
Bank of Ceylon			12,629,903		(8,172,540)	
			20,129,903		(15,672,540)	4,457,363
(b) Bank Loan Repayable after One Year	Repayment	Security	31.03.2011 Rs.	31.03.2010 Rs.		
Lender/Rate of Interest (p.a.)			ксраунисти	Jecuity		

	As at 01.04.2010 Rs.	Obtained	Repayments Rs.	As at 31.03.2011 Rs.
20.2 Loan on Securitisation				
(a) Movement of Loan on Securitisation				
Loan on Securitisation	19,887,460	_	_	19,887,460
	19,887,460	_	_	19,887,460
(b) Loan on Securitisation Repayable after One Year			31.03.2011	31.03.2010
Lender/Rate of Interest (p.a.)	Repayment	Security	Rs.	Rs.
Loan on Securitisation Fixed Rate 25.75%	Monthly Payment	Hire Purchase Receivable	19,887,460	19,887,460
As at 31st March			2011 Rs.	2010 Rs.
21. Trade and Other Payables				
Trade Payables		15	1,941,138	71,256,570
Interest Payable		7	1,273,850	75,996,422
VAT on Financial Services			1,561,776	(210,894)
Accrued Expenses		1	9,880,565	8,487,788
Insurance Payable		2	4,251,730	13,788,230
Other Payable		2	6,748,537	20,526,999
		29	5,657,596	189,845,115
As at 31st March	Relationship		2011 Rs.	2010 Rs.
22. Amount due to Related Companies		'	,	
22.1 Trade				
Singer (Sri Lanka) PLC	Parent Compan	y 87	1,304,534	997,250,452
		87	1,304,534	997,250,452
22.2 Non-Trade				
Singer (Sri Lanka) PLC	Parent Compan	•	6,210,648	_
			6,210,648	-
		1,18	7,515,182	997,250,452
As at 31st March			2011 Rs.	2010 Rs.
23. Deferred Revenue				
Balance as at the beginning of the Year			9,023,973	7,024,008
Amounts Collected during the Year		1	9,075,677	10,680,685
Amounts Recognised as Revenue during the Year		(1	3,534,667)	(8,680,720)
		( •	3,33 .,00. ,	(0,000,120)

As at 31st March	2011 Rs.	2010 Rs.
24. Retirement Benefit Obligations		
Present Value of Unfunded Gratuity	5,572,322	3,751,233
Total Present Value of the Obligation	5,572,322	3,751,233
Provision for Retiring Gratuity		
At the beginning of the Year	3,751,233	2,843,491
Actuarial Gain/(loss)	458,498	(164,108)
Current Service Cost	989,555	807,798
Interest Cost	373,036	264,052
	5,572,322	3,751,233
Benefits Paid	-	_
At the end of the Year	5,572,322	3,751,233

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 firm Messrs Actuarial & Management Consultants (Pvt) Ltd.

The required accounting provision of the Company has been determined based on the recommendation on this Report.

Following key assumptions were made in arriving at the above figures:

- (a) Rate of Discount 10.5% p.a. (net of tax)
- (b) Salary Increment Rate

Year 1 10%

Year 2 onwards 9%

(c) Retirement Age

Males 60 Years Females 60 Years

(d) Assumptions regarding future mortality are based on A67/70 Mortality Table , issued by the Institute of Actuaries, London. The demographic assumptions underline the valuation are in respect to retirement age, early withdrawal from service and retirement on medical grounds.

The expense so recognised is included in Selling and Administrative Expenses in the Income Statement.

The Company's retirement benefit obligation would have been Rs. 7.3 million as at the Balance Sheet date, had their retirement benefit obligation been calculated as per requirement of Gratuity Act No. 12 of 1983.

#### 25. Stated Capital

#### 25.1 Issued & Fully Paid

	At the		Issued for	At the
	beginning		Cash during	end of
	of the Year	Share	the period	the Year
	01.04.2010 Number	Split Number	Number	31.03.2011 Number
Number of Shares - Ordinary Shares	40,000,000	40,000,000	26,666,667	106,666,667
	40,000,000	_	26,666,667	106,666,667
	Rs.	Rs.	Rs.	Rs.
Rupees - Ordinary Shares	400,000,000	_	400,000,005	800,000,005
	400,000,000	_	400,000,005	800,000,005

#### 25.2 Rights, Preference and Restrictions of Classes of Capital

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at a meeting of the Company.

The Company subdivided each share into two shares based on the shareholding as at 28th October 2010, thus increasing the number of shares of the Company from 40,000,000 to 80,000,000. Further, the Company issued 26,666,667 Ordinary Shares at Rs. 15 per share through Initial Public Offering (IPO) on 22nd December 2010.

#### 26. Dividends

As at 31st March	2011 Rs.	2010 Rs.
Ordinary Shares	42,666,667	20,000,000
Proposed Final Dividend per Share (Rs.)	0.40	0.25
27. Investment Fund	4,639,978	-
	4,639,978	-

**27.1** During the year the Company transferred a sum of Rs. 4,639,978/- to Investment Fund account according to the guidelines issued by the Central Bank of Sri Lanka.

#### 28. Financial Reporting by Segments

The primary segment reporting format is determined to be business segment as nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The following table presents financial information regarding business segments:

#### 28.1 Business Segments

	Finar	nce Lease	Hire	Purchase	Loans &	Advances	Inv	estments	Un	allocated	To	otal
As at 31st March	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest	122,659	108,650	329,698	256,124	439,473	274,385	_	-	_	-	891,831	639,159
Other	16,290	13,867	30,164	23,770	6,481	4,528	17,045	17,078	8,853	5,513	78,833	64,756
Total Revenue	138,949	122,517	359,862	279,894	445,954	278,913	17,045	17,078	8,853	5,513	970,664	703,915
Profit before Tax	40,938	20,173	101,428	41,269	79,636	25,577	_	_	-	-	222,002	87,019
Income Tax Expense											(109,967)	(32,900)
Profit after Tax											112,035	54,119
Segment Assets	719,010	404,762	1,761,151	1,041,042	1,516,767	1,535,276	181,098	156,799	228,976	115,209	4,407,002	3,253,088
Segment Liabilities	619,511	334,325	1,371,992	821,385	1,193,309	1,443,114	_	_	294,476	179,652	3,479,289	2,778,476

#### 29. Maturity Analysis of Assets and Liabilities

An analysis of the Interest bearing assets and liabilities employed by the Company as at 31st March 2011, based on the remaining period at the Balance Sheet date to the respective contractual maturity date is given below:

Less than 3	3-12	1-3	Over 3	2011
Months	Months	Years	Years	Total
30,083,811	_	_	_	30,083,811
181,057,001	_	_	_	181,057,001
209,904,087	414,253,175	951,242,321	185,751,762	1,761,151,345
76,478,227	175,405,189	358,566,369	108,560,089	719,009,874
326,524,554	1,043,399,873	140,604,619	6,237,809	1,516,766,855
824,047,680	1,633,058,237	1,450,413,309	300,549,659	4,208,068,886
19.6	38.8	34.5	7.1	100.0
560,044,840	961,674,891	255,268,493	38,128,765	1,815,116,989
518,160,710	587,341,213	82,013,259	_	1,187,515,182
66,382,753	13,456,159	1,046,864	_	80,885,776
1,144,588,303	1,562,472,264	338,238,616	38,128,765	3,083,517,947
37.1	50.7	11.0	1.2	100.0
	30,083,811 181,057,001 209,904,087 76,478,227 326,524,554 824,047,680 19.6 560,044,840 518,160,710 66,382,753 1,144,588,303	Months         Months           30,083,811         -           181,057,001         -           209,904,087         414,253,175           76,478,227         175,405,189           326,524,554         1,043,399,873           824,047,680         1,633,058,237           19.6         38.8           560,044,840         961,674,891           518,160,710         587,341,213           66,382,753         13,456,159           1,144,588,303         1,562,472,264	Months         Months         Years           30,083,811         -         -           181,057,001         -         -           209,904,087         414,253,175         951,242,321           76,478,227         175,405,189         358,566,369           326,524,554         1,043,399,873         140,604,619           824,047,680         1,633,058,237         1,450,413,309           19.6         38.8         34.5           560,044,840         961,674,891         255,268,493           518,160,710         587,341,213         82,013,259           66,382,753         13,456,159         1,046,864           1,144,588,303         1,562,472,264         338,238,616	Months         Months         Years         Years           30,083,811         -         -         -           181,057,001         -         -         -           209,904,087         414,253,175         951,242,321         185,751,762           76,478,227         175,405,189         358,566,369         108,560,089           326,524,554         1,043,399,873         140,604,619         6,237,809           824,047,680         1,633,058,237         1,450,413,309         300,549,659           19.6         38.8         34.5         7.1           560,044,840         961,674,891         255,268,493         38,128,765           518,160,710         587,341,213         82,013,259         -           66,382,753         13,456,159         1,046,864         -           1,144,588,303         1,562,472,264         338,238,616         38,128,765

#### 30. Commitments and Contingencies

There were no significant capital commitments which have been approved or contracted for by the Company as at the Balance Sheet date except for the following:

Operating Lease Commitments as at 31st March 2011 is as follows:

Within one year	Rs. 3.6 million
Between one to five years	Rs. 10.3 million
Over five years	Rs. 2.6 million

#### 30.1 Assets Pledged as Securities

The following assets have been pledged as securities against the long-term and short-term borrowings that have been disclosed under Note 20 to the Financial Statements.

Funding Institute	Nature of Assets	Nature of Liability	Value of Assets Pledged 2011 Rs.	Included Under
Sampath Bank	Lease Receivable	Bank Overdraft	50,000,000	Rentals Receivable
ВОС	Lease Receivable	Long & Short-Term Borrowings	10,156,236	Rentals Receivable
Deutsche Bank	Hire Purchase Receivables	Long & Short-Term Borrowings	29,211,565	Rentals Receivable

#### 31. Events Occurring after the Balance Sheet Date

There have been no material events occurring after the Balance Sheet date which require adjustments to or disclosures in the Financial Statements except the following.

(i) On the 30th May 2011, the Board of Directors approved a Final Dividend of Rs. 0.40 per share amounting to Rs. 42.7 million for the year ended 31st March 2011. This dividend will be paid on 20th June 2011.

#### 32. Related Party Transactions

#### 32.1 Identity of Related Parties

The Company has a related party relationships with its Parent Company, its associate companies, affiliate companies and with its Directors.

The following companies are also related companies of Singer Finance (Lanka) PLC with whom no transactions were entered into during the year:

#### **Ultimate Parent Company**

Retail Holdings N.V.

#### Affiliate Companies

Singer Industries (Ceylon) PLC Regnis (Lanka) PLC Reality Lanka Ltd. Singer Asia Sourcing Ltd. Regnis Appliances (Pvt) Ltd.

#### Intermediate Parent Companies

Singer Asia Ltd. Singer (Sri Lanka) B.V. Singer Asia Holdings N.V.

#### 32.2 Transactions with Parent Company

Transactions with parent company are disclosed in Note 32.3.

#### 32.3 Transactions with Key Management Personnel and Directors

A number of Key Management Personnel or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. These transactions are given below:

Name of the Company and Relationship	Name of Director	Nature of the Transaction	2011 Rs. million	2010 Rs. million
Singer (Sri Lanka) PLC Parent Company	Mr. H.D.S. Amarasuriya (Chaiman)	Payments to Singer (Sri Lanka) PLC on behalf of customers	1,558.0	1,555.0
	Dr. G.C.B. Wijeyesinghe	Investment in Shares	_	200.0
	Dr. Saman Kelegama	Administrative Fees Paid	92.2	44.2
	Mr. G.J. Walker	: G.J. Walker Loans Settled During the year		177.5
	Mr. H.A.Pieris	Sales Financed to purchase goods from Singer (Sri Lanka) PLC	2,142.7	2,411.0
	Mr. M.P.A. Salgado	Purchase of Assets	0.4	0.1
	Mr. S. Ramanathan	Dividend Paid (Gross)	20.0	10.0
		Interest Expense	60.9	50.6
		Cash Collections by Singer (Sri Lanka) PLC	2,381.9	1,802.7
		Collection Commission Paid	6.7	4.4
		Royalty Paid Through Singer (Sri Lanka) PLC	9.8	6.4
		Rent Reimbursed	6.2	2.1
		Expenses Paid Through Singer (Sri Lanka) PLC	67.4	168.0
		Balance Payable	1,187.4	997.3

**32.4** The amounts due to Singer (Sri Lanka) PLC as at 31st March 2011, are disclosed in Note 22 of the Financial Statements.

#### 33. Transactions with Key Management Personnel

(a) Key Management Personnel include members of the Board of the Directors of the Company and its Parent. Transactions with Key Management Personnel, their close family members and parties/entities in which such Key Management Personnel or their close family members have control, joint control or significant influence can be shown as follows:

#### (i) Transactions with Key Management Personnel or close Family Members

	2011 Rs. million	2010 Rs. million
Deposits kept by Key Management Personnel or their close family members	40.7	14.4
(ii) Compensation of Key Management Personnel		
Short-Term Employee Benefits	6.354	5.989

In addition to their salaries the Company provides non-cash benefits to the Key Management Personnel and contributes to a post employment defined benefit plan on their behalf. Directors emoluments are disclosed in Note 7 to the Financial Statements.

(iii) No transaction had 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.

Five Year Summary 92/93

Year ended 31 st March	2011	2010	2009 (Restated)	2008	2007
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
GDP Growth - %	8.5*	8.0	3.5	6.0	6.8
Turnover - Net	891,831	639,159	396,533	254,338	152,983
Profit before Tax	222,002	87,019	16,422	40,399	20,617
Taxation	109,967	32,900	3,691	3,980	9,521
Profit after Tax	112,035	54,119	12,731	36,419	11,096
Property, Plant & Equipment	27,993	22,928	24,566	18,142	7,437
Deferred Tax Assets	13,420	8,581		-	
Other Assets	4,369,575	3,224,483	2,053,930	1,395,542	850,489
Total Assets	4,410,988	3,255,992	2,078,496	1,413,684	857,926
Interest-Bearing Loans and Borrowings	80,886	40,017	362,126	386,584	212,186
Provision for Gratuity	5,572	3,751	2,844	1,643	921
Public Deposits	1,815,117	1,518,043	1,097,979	642,198	288,565
Deferred Tax Liability	3,986	2,904	8,654	15,440	11,460
Other Liability	1,573,728	1,225,498	385,232	121,370	127,264
NET ASSETS	931,699	465,779	221,661	246,449	217,530
NET ASSETS	231,022	403,777	221,001	240,447	217,330
Share Capital and Reserves					
Stated Capital	800,000	400,000	200,000	200,000	200,000
Capital Reserves	16,350	10,748	8,042	3,013	1,192
Investment Fund	4,640	_	_	_	-
Revenue Reserves	110,709	55,031	13,619	43,436	16,338
SHAREHOLDERS' FUNDS	931,699	465,779	221,661	246,449	217,530
Ratio and Statistics					
Earnings per Share - Rs.	1.77	0.96	0.64	1.82	0.78
Net Assets per Share - Rs.	14.71	8.22	5.54	6.16	5.44
Dividends			40.000		====
Amount - Rs. '000	42,667	20,000	10,000	15,000	7,500
Per Share - Rs.	0.40	0.25	0.25	0.38	0.19
Cover - Times	4.4	3.8	2.5	4.8	4.1
0ther					
Market Price per Share - Rs.	36.50	_		_	_
Price Earnings Ratio - Times	21	_	_	_	-
Annual Sales Growth - %	39.5	61.2	55.9	66.2	127.6
Average Annual Inflation - %	6.90	4.80	14.40	17.50	13.70
Net Income to Net Turnover - %	12.6	8.5	3.2	14.3	7.3
Gross Non-Performing Advances Ratio					
(Net of Interest in Suspense ) - As per SFLP Policy %	0.97	2.69	3.74	4.85	6.25
Gross Non-Performing Advances Ratio -					
As per CBSL Direction - %	0.5	1.7	2.74	3.28	3.60
Non-Interest Expense to Gross Income - %	44.1	39.6	32.1	33.1	45.2
Return on Assets (Before Tax) - %	1.4	0.8	0.2	0.9	0.7
Return On Average Shareholders Funds - %	18.7	15.7	5.4	15.7	6.9
Net Interest Margin (NIM) - %	15.5	12.6	7.5	11.0	14.8
Equity: Interest-Bearing Liabilities	0.7	0.4	0.4	0.6	0.8
Non-Performing Loans Net of Provision to Equity - %	1.7	8.5	14.8	8.8	5.4
Shareholders Funds: Public Deposits - % (Minimum of 10%)	51.3	30.7	20.2	38.4	75.4
Capital Adequacy Ratio Tier I (Minimum Requirement 5%)	22.6	15.4	11.7	19.2	27.8
Regulatory Capital to Risk Weighted Assets					== :
(Minimum Requirement 10%)	22.6	15.4	11.8	19.2	27.8
Liquid Asset Ratio % (Minimum Requirement 10% )	11.6	11.5	15.6	15.6	16.6

<sup>\*</sup> GDP Growth % for 2011 is as estimated by Central Bank of Sri Lanka.

## **Share Information**

#### 1. Stated Capital

		31st March 2011	31st March 2010
Issued and Fully-Paid Capital (Rs.)	:	800,000,005	400,000,000
No. of Shares - Ordinary Shares	:	106,666,667	80,000,000*
Class of Shares	:	Ordinary s	shares
Voting Rights	:	One Vote per Or	dinary Share

<sup>\*</sup> After the split of shares of one into two with effect from 28th October 2010.

#### 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 as at 31st March 2011

Name of Directors	No. of Shares
Mr. H.D.S. Amarasuriya	6
Dr. G.C.B. Wijeyesinghe	Nil
Mr. H.A. Pieris	2
Mr. M.P.A. Salgado	2
Mr. G.J. Walker	Nil
Dr. S. Kelegama	Nil
Mr. S. Ramanathan	Nil
Mr. R.S. Wijeweera	2
Mr. J. Hyun	Nil

#### 4. Analysis of Shareholders According to the Number of Shares as at 31st March 2011

No. of Shareholders: 31st March 2011 - 13,348 (31st March 2010 - 5)

			Resi	dent Shareholders	5	Non-Res	ident Shareholde	rs		Total	
			No. of Holders	Total Holdings	0/0	No. of Holders	Total Holdings	%	No. of Holders	Total Holdings	0/0
1 -	1,000 s	hares	10,891	5,027,421	4.72	18	12,700	0.01	10,909	5,040,121	4.73
1,001 -	10,000 s	hares	2,040	7,136,691	6.69	9	21,500	0.02	2,049	7,158,191	6.71
10,001 - 1	00,000 s	hares	361	10,019,267	9.39	3	45,700	0.04	364	10,064,967	9.43
100,001 - 1,0	00,000 s	hares	24	4,234,200	3.97	1	169,200	0.16	25	4,403,400	4.13
Over 1,0	00,001 s	hares	1	79,999,988	75.00	0	-	0.00	1	79,999,988	75.00
Total			13,317	106,417,567	99.77	31	249,100	0.23	13,348	106,666,667	100.00

#### 5. Analysis of Shares

	315	t March 2011
Categories of Shares	No. of Holders	No. of Shares
Individuals	13,122	22,024,275
Institutions	226	84,642,392
Total	13,348	106,666,667

#### 6. Market Value per Share for the period ended 31st March

	RS.	Date
Highest Value per Share during the year	55.70	18th January 2011
Lowest Value per Share during the year	35.00	15th March 2011
Closing Price	36.50	31st March 2011

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#### 7. Public Shareholdings as at 31st March 2011

Issued Share Capital	106,666,667
1. Directors	
Mr. H.D.S. Amarasuriya	6
Mr. H.A.Pieris	2
Mr. M.P.A. Salgado	2
Mr. R.S. Wijeweera	2
	(12)
2. Parent Company	
Singer (Sri Lanka) PLC	(79,999,988)
Public	26,666,667

#### 8. Dividends

Interim Dividend 2010/11 - Nil (2009/10 - Nil).

Final Dividend 2010/11 - Rs. 0.40 (2009/10 - Rs. 0.25).

## 9. Twenty Largest Shareholders as at 31st March 2011

Name	No. of Shares	%
1. Singer (Sri Lanka) PLC	79,999,988	75.00
2. Pan Asia Banking Corporation PLC/Nuwara Eliya Property Development	353,300	0.33
3. Mr. Shakir Asgerally Lukmanjee	350,000	0.33
4. Mercantile Investments Ltd.	300,000	0.28
5. Dpmc Financial Services (Pvt) Ltd. Account No. 02	261,100	0.24
6. Naqeah (Pvt) Ltd.	256,300	0.24
7. Dr. Walimuni Sunil Elton Fernando	210,000	0.19
8. Mrs. Hyacinth Letitia De Silva	200,000	0.19
9. Mr. Duraisamy Ganeshamoorthy	200,000	0.19
10. Mr. Chandasiri Jayasingha Pandita Siriwardana	200,000	0.19
11. Mrs. Fleur Annaleen Ann Mack	183,000	0.17
12. Mr. Seneviratne Ranhoti Gamage Jagath	169,700	0.16
13. Mr. Salem Ali Othman Ali Abo Qamaz	169,200	0.16
14. Mrs. Melani Senobia Fernando	152,200	0.14
15. Mr. Ifthikar Hussain Usoof	148,100	0.14
16. Mr. Murukesan Prashanthan	145,000	0.14
17. Mr. Ranasingha Somachandra	113,400	0.11
18. Mr. Wasantha Gamini Herath	104,300	0.10
19. Vallibel Finance Ltd.	103,000	0.10
20. Indra Property Develpoment (Pvt) Ltd.	103,000	0.10
	83,721,588	78.49
Others	22,945,079	21.51
Total	106,666,667	100.00

#### **10. Public Holdings**

The percentage of shares held by the public is 25%.

#### 11. Share Trading

For the year ended 31st March	2011
Number of Transactions	36,827
Number of Shares Traded	53,846,200
Value of Shares Traded (Rs.)	2,493,792,360

## **Glossary of Financial Terms**

#### **Accounting Policies**

Specifies principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

#### **Amortisation**

The expense of writing off over a fixed period, the initial value of intangible assets such as goodwill, patents etc.

#### **Borrowings**

All interest-bearing liabilities

#### **Capital Adequacy Ratios**

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.

#### **Capital Reserves**

Reserves identified for specific purposes and considered not available for distribution.

#### **Cash Equivalents**

Liquid investments with original maturity periods of three months or less.

#### **Contingent Liabilities**

Conditions or situations at the Balance Sheet date the financial effect of which are to be determined by future events which may or may not occur.

#### **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 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.

#### **Earnings Per Share**

Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

#### **Equity**

Shareholders' funds.

#### **Gross Dividend**

Portion of profits inclusive of tax withheld, distributed to shareholders.

#### Gross Non-Performing Advances (As per CBSL)

A loan placed on a cash basis (i.e., Interest Income is only recognised 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.

#### Interest Cover

Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

#### **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.

#### **Net Assets Per Share**

Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

#### **Price Earnings Ratio**

Market price of share divided by earnings per share as reported at that date.

#### **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.

#### **Related Parties**

Parties who could control or significantly influence the financial and operating policies of the business.

#### Return on Average Shareholders' Funds

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.

#### **Working Capital**

Capital required to finance the day-to-day operations computed as the excess of current assets over current liabilities.

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## **Notice of Annual General Meeting**

SINGER FINANCE (LANKA) PLC [Company Registration No. PB 813 PQ]

NOTICE is hereby given that the Fourth Annual General Meeting of the Shareholders of Singer Finance (Lanka) PLC will be held on Thursday, 7th July 2011, at the Sri Lanka Foundation Institute, No. 100, Independence Square Colombo 07, at 10.00 a.m. for the purpose of considering and if thought fit passing the following:

- 1. To receive, consider and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2011 with the Report of the Auditors thereon.
- 2. To resolve declaring that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Dr. G.C.B. Wijeyesinghe who has attained the retirement age stipulated in Section 210 of the said Act and who has attained the age of 77 years on 19th February 2011 and that his reappointment for another one year in terms of Section 211 of the said Act is approved and to re-elect him as a Director of the Company in terms of the said Section 211.
- 3. To elect Mr. G.J. Walker and J.J. Hyun who were appointed as Directors of the Company to fill the casual vacancies and are being recommended for election.
- 4. To re-elect Mr. H.A. Pieris who retires by rotation and being eligible is being recommended for re-election.
- 5. To Authorise Directors to determine contribution to charities.
- 6. To reappoint Messrs KPMG Ford, Rhodes, Thornton & Co. as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

By Order of the Board Of Directors of

(Sqd.)

K.K.L.P. Yatiwella (ACA)

Secretary

Singer Finance (Lanka) PLC

Colombo 30th May 2011

#### 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 registered office of the Company at No. 331, Dr. Colvin R. De Silva Mawatha Colombo 02 not later than 48 hours before the time appointed for holding of the Meeting.

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.

## **Notice of Extraordinary General Meeting**

SINGER FINANCE (LANKA) PLC [Company Registration No. PB 813 PQ]

NOTICE is hereby given that an Extraordinary General Meeting of the Shareholders of Singer Finance (Lanka) PLC will be held on Thursday, 7th July 2011 following the Annual General Meeting of the Company, at the Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 07 at 10.00 a.m. for the purpose of considering and if thought fit passing the following:

#### **Special Resolution**

RESOLVED THAT the Articles of Association of the Company be amended as follows:

- a. The name of the Company in Article 1 be amended so that the amended Article will read as follows:
- 1. Name

The name of the Company is "Singer Finance (Lanka) PLC".

- b. The name of the Company and the Company registration number in Article 16 (3) be amended so that the amended Article 16 (3) will read as follows:
- 3. An instrument appointing a Proxy shall be in the following form or a form as near thereto as circumstances permit:

[Company Registration No. PB 813 PQ]

I/We,	of	being a Member/Mem	bers of the above-named
Company, hereby appoint	of	or failing him	
of		or failing him	of
as	my/our Proxy to vote for me/us on	my/our behalf at the Annual/Extraordinary	y General Meeting of the
Company to be held on the	day of 20 and a	at any adjournment thereof.	
Signed this day of 20			
By order of the Board of Directors of			

(Sgd.)

K.K.L.P. Yatiwella (ACA)
Secretary

Singer Finance (Lanka) PLC

Colombo 30th May 2011

#### 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 registered office of the Company at No. 331, Dr. Colvin R. De Silva Mawatha, Colombo 02 not later than 48 hours before the time appointed for holding of the Meeting.

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.

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Not	es												

# Form of Proxy Annual General Meeting

SINGER FINANCE (LANKA) Limited [Company Registration No. PB 813 PQ]

<ol> <li>Dr. Gamini Christopher Bernard Wijeyesinghe</li> <li>Dr. Saman Bandara Kelegama</li> <li>Mr. Gavin Joan Walker</li> <li>or failing</li> <li>or failing</li> </ol>	him him		, 0
<ol> <li>Mr. Hemaka Devapriya Senarath Amarasuriya</li> <li>Dr. Gamini Christopher Bernard Wijeyesinghe</li> <li>Dr. Saman Bandara Kelegama</li> <li>Mr. Gavin Joan Walker</li> </ol>	him him	or fa	iling him/he
<ol> <li>Dr. Gamini Christopher Bernard Wijeyesinghe</li> <li>Dr. Saman Bandara Kelegama</li> <li>Mr. Gavin Joan Walker</li> <li>or failing</li> <li>or failing</li> </ol>	him		
6. Mr. Robert Shanthapriya Wijeweera or failing 7. Mr. Merennege Priyath Ananda Salgado or failing 8. Mr. John J. Hyun or failing 9. Mr. Shyamsunder Ramanathan  As my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the at the Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 07, at 10.00 a.m	him him him him him e Company to be he		n July 2011,
at the Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 07, at 10.00 a.m	n. and at any adjou	rnment thereof.	
		For	Against
<ol> <li>To receive, consider and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2011 with the Report of the Auditors thereon.</li> </ol>			
2. To resolve that Section 210 of the Companies Act No. 07 of 2007 shall not apply to Dr. G.C.B. Wijeyesinghe and to re-elect him as a Director.			
3. To appoint G.J. Walker as Director of the Company			
4. To appoint J.J. Hyun as Director of the Company.			
5. To re-elect H.A. Pieris, who retires by rotation.			
6. To Authorise Directors to determine contribution to charities.			
7. To reappoint Messrs KPMG Ford, Rhodes, Thornton & Co. as the Auditors of the Company for year and to authorise the Directors to determine their remuneration.	the ensuing		
	Signed this	day of	201

## Form of Proxy

#### Instructions for Completion of Form of Proxy

- If a Proxy other than the names mentioned overleaf is preferred, delete the names printed and add the name of the Proxy preferred and initial the alteration.
- Please indicate how your Proxy should vote by marking "X" in the cage provided for each resolution. If no indication is given, or if there is, in the view of the Proxy Holder, any doubt (by reason of the manner in which the instruction contained in the Proxy have been completed) as to the way in which the Proxy Holder should vote, the Proxy Holder in his/her discretion may vote as he/she thinks fit.
- A Company/Corporation should execute the Proxy under its seal in the manner authorised by its Articles of Association or Statute creating it or under the hand of an Officer or Attorney duly authorised.
- If the Form of Proxy is signed by an attorney, a certified copy (certified by Notary Public) of the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company and the original of the Power of Attorney should be produced for inspection at the meeting if required.
- Unless the completed Form of Proxy is deposited at the Registered Office of the Company at No. 331,
   Dr. Colvin R. De Silva Mawatha, Colombo 02, Sri Lanka, not less than 48 hours before the time of the meeting, the same will not be valid.

## Form of Proxy

#### **Extraordinary General Meeting**

SINGER FINANCE (LANKA) Limited [Company Registration No. PB 813 PQ]

I / We		of
		being a Member/
Members of the above-named Company, hereby appoint		
1. Mr. Hemaka Devapriya Senarath Amarasuriya	or failing him	
2. Dr. Gamini Christopher Bernard Wijeyesinghe	or failing him	
3. Dr. Saman Bandara Kelegama	or failing him	
4. Mr. Gavin Joan Walker	or failing him	
5. Mr. Hiran Asoka Pieris	or failing him	
6. Mr. Robert Shanthapriya Wijeweera	or failing him	
7. Mr. Merennege Priyath Ananda Salgado	or failing him	
8. Mr. Johan J. Hyjun	or failing him	
9. Mr. Shyamsunder Ramanathan		
As my/our Proxy to vote for me/us and on my/our behalf at the Extraordinary G 2011, following the Annual General Meeting of the Company, at the Sri Lanka F at 10.00 a.m. and at any adjournment thereof.		
		For Against
Special Resolution		
THAT the Articles of Association of the Company be amended as set out in		
the Notice convening the meeting.		
	Sianed this	day of 2011
		Signature(s) of Shareholder(s)

#### Instructions for Completion of Form of Proxy

- If a Proxy other than the names mentioned above is preferred, delete the names printed and add the name of the Proxy preferred and initial the alteration.
- Please indicate how your proxy should vote by marking "X" in the cage provided for each resolution. If no indication is given, or if there is, in the view of the Proxy holder, any doubt (by reason of the manner in which the instruction contained in the proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder in his/her discretion may vote as he/she thinks fit.
- A Company/Corporation should execute the proxy under its seal in the manner authorised by its Article of Association or Statute creating it or under the hand of an Officer or Attorney duly authorised.
- If the Form of Proxy is signed by an attorney, a certified copy (certified by Notary Public) of the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company and the original of the Power of Attorney should be produced for inspection at the meeting if required.
- Unless the completed Form of Proxy is deposited at the Registered Office of the Company at No. 331, Dr. Colvin R. De. Silva Mawatha, Colombo 02, Sri Lanka, not less than 48 hours before the time of the meeting, the same will not be valid.

## **Corporate Information**

#### Name of the Company

Singer Finance (Lanka) PLC (Formerly known as Singer Finance (Lanka) Ltd.)

#### 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.

#### **Accounting Year**

31st March

#### Registered Office

331, Dr. Colvin R. De Silva Mawatha Colombo 02 Tel: 2303717 Fax: 2303715

#### Company Registration No.

Old -N (PBS) 1171 New- PB 813 PQ

#### Tax Payer Identification Number

134011718-0000

#### Bankers

Commercial Bank of Ceylon PLC Deutsche Bank AG Sampath Bank PLC DFCC Vardhana Bank Ltd. Bank of Ceylon Hatton National Bank PLC

#### **Auditors**

KPMG Ford, Rhodes, Thornton & Co. (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha P.O. Box 186 Colombo 03

#### Registrars

Business Intelligence Ltd. No. 8, Tickell Road Colombo 08

#### Secretary

Mr. K.K.L.P. Yatiwella 331, Dr. Colvin R. De Silva Mawatha Colombo 02

#### Lawyers

Murugesu & Neelakandan Attorneys-at-Law No. 2, Deal Place Colombo 03

#### Directorate

H.D.S. Amarasuriya - Chairman G.C.B. Wijeyesinghe S. Kelegama G.J. Walker- Alternate Mr. S. Ramanathan (Appointed w.e.f. 20th September 2010) H.A. Pieris- Group Chief Executive Officer R.S. Wijeweera- Chief Executive Officer M.P.A. Salgado J.J. Hyun (Appointed w.e.f. 28th February 2011)

#### Senior Management

R.S. Wijeweera - Director/Chief Executive Officer N.C. Jayawantha - Finance Manager A.G.I.H. Perera - Manager Business Development R.I. Jayasuriya - Manager - Credit & Recoveries J. Wijeyegoonewardene- Head of Deposits



#### SINGER FINANCE (LANKA) PLC

331, Dr. Colvin R. De Silva Mawatha, Colombo 02, Sri Lanka

Telephone : 94-11-2303717 | Fax : 94-11-2303715



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