



**SINGER
FINANCE**

S means
a
lot...

...and that is the premise
that our business is
founded on.

Customer, employee, supplier,
Government and shareholder
alike can count on our unfailing
delivery. Conscious of what we
mean to them, we serve them as
best as we could in the conviction
that they mean more to us.

What we mean to them and what they mean to us is in essence the message of this Annual Report. It is an account of synergy, stability, service and sharing at Singer Finance.

Thanks to our parent company, Singer Sri Lanka whose brand we leverage, our business has much to gain from it. Likewise, we are conscious of the supreme responsibility we hold to our Parent Company that has lent to us their Brand that is one of the Country's most valuable and best loved.

About Us

Singer Finance (Lanka) PLC, a subsidiary of Singer (Sri Lanka) PLC was incorporated on 19th April 2004 to operate as a finance leasing entity within the provisions of the Finance Companies Act No. 78 of 1988 as amended by Act No. 23 of 1991, which was subsequently replaced by the Finance Business Act No. 42 of 2011.

With an avowed mission to become the foremost finance company in Sri Lanka, Singer Finance engages in the financing of capital goods, agricultural equipment and a variety of products marketed by Singer Sri Lanka, and of their own.

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

Community

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

Competitors

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

Consumers

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

Employees

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

Environment

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

Shareholders

We provide a reasonable return while safeguarding their investment



Synergy

When one plus one is greater than two, synergy is at play. The synergies of Singer Finance with Singer Sri Lanka have come to mean a lot particularly to customers and shareholders of both. Sharing shop space, serving each other's customers and leveraging each other's know-how continues to translate into saving cost, boosting market growth and accelerating innovation.



Stability

The steady growth of our business volumes and particularly the growth of our deposits stand testimony to the trust that we have earned. Trust is the cornerstone that brings stability to our business. Naturally, great attention is paid to ensuring that we hold fast to the solid principles and business practices that are enshrined in our 160-year old parent brand. As a result, we attract like-minded stakeholders as would be seen in the relatively low non-performing loans ratio of 1.78% and the low staff turnover rate.



Service

Trust, innovation, convenience and empathy are important attributes that make our service stand apart from the rest. From prompt delivery of payments to suppliers to tailor-made repayment schemes for individual customers, and easy access to an island-wide network of branches our service is also supported by an online real time ERP.



Sharing

Customers, employees, suppliers, the Government and shareholders mean a lot to us. We continue to provide one-of-a-kind service levels to customers and we continue to hold the welfare and well-being of our staff at the highest standards. Our suppliers enjoy the promptness in our delivering on our commitments to them as the Government does in our growing contribution to the Exchequer. Our shareholders enjoy steady dividends.

Financial Highlights

For the year ended 31st March

Financial Performance (Rs. '000)

	2013	2012 (Restated)	Change %
Gross Income	1,748,387	1,274,897	37.1
Interest Income	1,651,911	1,198,715	37.8
Interest Expense	742,013	407,774	82.0
Profit before Tax	323,391	285,739	13.1
Income Tax Expense	66,857	70,058	(4.6)
Profit for the Year	256,535	215,681	18.9
Revenue to the Government	79,814	94,178	(15.3)
Gross Dividends*	107,467	85,333	25.9

Financial Position at the Year End (Rs. '000)

Total Equity	1,923,841	1,112,134	73.0
Other Financial Liabilities Due to Customers	3,318,927	2,740,998	21.1
Loans & Receivables to Customers	6,568,797	6,161,151	6.6
Total Assets	7,257,475	6,747,976	7.5

Investor Information

Earnings per Share (Rs.)	1.76	2.00	(12)
Dividend per Share (Rs.)*	0.65	0.80	(18.75)
Net Assets per Share (Rs.)	13.19	10.33	27.7
Price Earnings Ratio (Times)	7.16	8.09	(11.5)
Dividend Payout Ratio* (%)	41.89	39.56	5.9

Ratios

Gross Non-Performing Advances Ratio (%)	1.78	0.47
Return on Assets (Before Tax) (%)	4.62	5.13
Return on Average Shareholders' Funds (%)	16.90	21.03
Year on Year Growth in Interest Income (%)	37.8	28.70
Year on Year Growth in Profit (%)	18.9	80.50
Year on Year Growth in Other Financial Liabilities Due to Customers (%)	21.08	45.59
Net Interest Margin (NIM) (%)	15.30	16.06
Financial Leverage (Times)	4.01	6.89
Interest Cover (Times)	1.44	1.70
Equity: Interest Bearing Liabilities (Times)	0.39	0.21
Dividend Cover (Times)	2.39	2.53

Statutory Ratios

Liquid Assets (%)	12.14	11.89
Core Capital Ratio (%) - (Minimum requirement 5%)	25.26	18.08
Regulatory Capital to Risk-Weighted Assets (%) (Minimum requirement 10%)	25.26	18.08
Shareholders' Funds: Other Financial Liabilities Due to Customers % (Minimum of 10%)	57.97	40.57

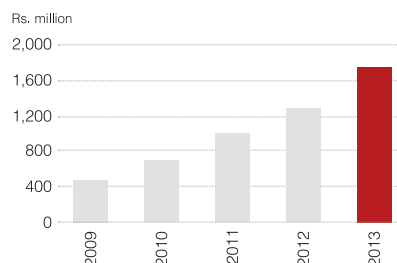
* Includes authorised final dividends of the Company.

Gross Income

Growth in Gross Income exceeded that of last year.

37.1%

2012: 27.3%

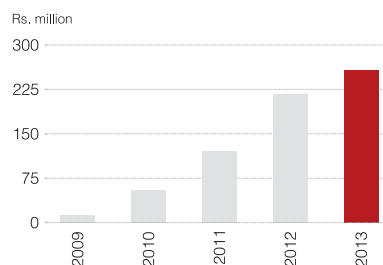


Net Profit

Despite a challenging macroeconomic environment Singer Finance recorded a 18.9% growth.

18.9%

2012: 80.5%

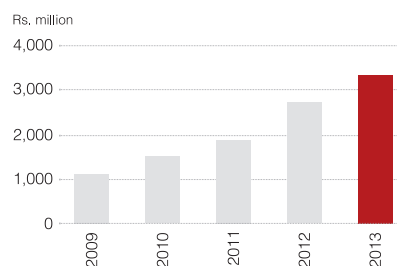


Total Deposits

Growth reflects continued trust placed on the Company by the deposit holders.

21.1%

2012: 45.6%

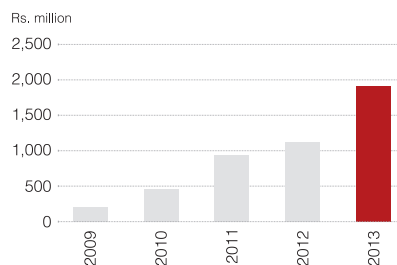


Shareholders' Funds

Substantially increased due to the rights issue of Rs. 645 million and sustained net profits.

99.9%

2012: 19%



PAGE NO	CONTENTS
002	Former Chairman's Letter
006	Letter from the Chairman
008	Group CEO's Review
012	CEO's Review
016	Board of Directors
020	Management Team
026	Management Discussion and Analysis
041	Corporate Social Responsibility
050	Risk Management
056	Corporate Governance
072	Audit Committee Report
074	Integrated Risk Management Committee Report
076	Credit Committee Report
077	Remuneration Committee Report
078	Board Nomination Committee Report
079	Financial Reports
080	Annual Report of the Board of Directors on the Affairs of the Company
088	Statement of Directors' Responsibility
089	Independent Auditors' Report
090	Statement of Comprehensive Income
091	Statement of Financial Position
092	Statement of Changes in Equity
093	Statement of Cash Flows
094	Notes to the Financial Statements
133	Five Year Summary
135	Value Added Statement
136	Share Information
139	Glossary of Financial Terms
140	Notice of Annual General Meeting
Enclosed	Form of Proxy

Former Chairman's Letter

Hemaka Amarasuriya



The company's decision to further expand operations in the fast growing North and East will prove to be **a decisive factor in enhancing growth rates and being truly representative** of the national market



Preamble

Dear Shareholders,

The period 2012/13 depicted an environment of tight liquidity, following a period of rapid credit expansion in 2010 and 2011, where the resulting build up of foreign reserves led to an expansion of the country's monetary base. In 2012, strictures on loans to the business sector to correct macroeconomic fundamentals led to slowdown in credit formation resulting in the economy growing at a slower pace than was anticipated. With recent policy rate reductions easing pressure on borrowings to act as a stimulus, growth is predicted to liven up in the Banking and Non-Bank Financial Sectors, resulting in higher credit formation for 2013. Meanwhile, the fiscal deficit remains a concern to the Government as the country strives to regain the previous momentum of rapid growth experienced in 2010/2011.

Non-Bank Financial Sector (NBFI's) - An Overview

The sector consisting of 60 Licensed Finance Companies (LFC's) and specialized leasing companies (SLC's) recorded a growth of 22% in 2012. Growth was encouraged by a rapid expansion in the branch network, increasing exponentially by 206 branches to a national total of 972. This compares favourably with an increase of 106 units in 2011. Wide spreading of the licensed sector appears to be the proven method to counter unauthorised finance business which threatens the stability and reputation of the sector from time to time.

Decrease in vehicle imports due to higher excise duty applicable on imported vehicles since April 2012 and the fluctuating value of the Rupee against trading foreign currencies impacted the leasing and hire purchase portfolios, while the competitive rates offered for deposit mobilization by banks to mop up limited liquidity posed further challenges during 2012.

Despite these extreme trading conditions, deposits mobilized by LFC's grew by a significant 37% to Rs. 254 Billion as against 27% to Rs. 146 Billion in 2011 reflecting increased public confidence in this sector. Overcoming the deterrents faced by L.F.C.'s, the sector lived up to expectations and demonstrated a willingness to manage the turbulence from the growth pangs of a middle income economy fast tracking towards the next paradigm, a G.D.P. projection of US\$ 100 Billion in the foreseeable future. (G.D.P. in 2012 - US\$ 59 Billion).

Singer Finance (Lanka) PLC

Your Company is now 9 years since incorporation and meanwhile has built a reputation in the industry for stability trust and reliability, following a path of steady sustainable growth towards maturity status. Singer Finance is in the enviable position of being a 80% owned subsidiary of the iconic parent, Singer (Sri Lanka) PLC. Singer is a heritage brand in the Sri Lankan business world and holds the singular honour of repeatedly being selected as the No. 1 People's Choice by the SLIM-A.C. Nielsen annual survey by a majority vote countrywide. Deployment of trained professionals, gradual expansion of the branch network to reach out to peripheral markets, easy customer reach and exceptional service, a portfolio of relevant product offers and focus on competitiveness are among the hallmarks of our progress to date. In the next stage of evolution the company is exploring possibilities of diversifying into a range of new financial products and services to support its established core business success.

Operating Results and Strategies

A detailed analysis of financial performance is described elsewhere in this report under the caption "Financial Review". This leaves me to comment on specific "headlines" reflective of market trends and our strategic responses thereto.

Company's revenue consisting mainly of interest income grew by 37.8% to Rs. 1.7 Billion. Translating income proportionately towards profit growth was not possible due to sudden sharp rise in interest expense which in turn adversely impacted the entire industry. Possibilities for a lower interest regime in 2013 will somewhat mitigate this adverse trend paving the way for an industry profit recovery in the upcoming year. Despite slow growth in profit, we outperformed the NBFIs which recorded a profit decline of 21% in 2012.

The importance of continuous capital formation for LFC'S cannot be overemphasized. We are observed to strategically build our capital base year on year by enhancing equity through retained earnings and rights issues the last of which took place during the year under review, resulting in the total equity increasing from Rs. 939 million in 2011 to Rs. 1.923 Billion in 2013. A healthy mix between deposits mobilised and bank borrowings accompanied by lower dependence on parent company funding strengthened the liability side of the Balance Sheet during the year under review. The significant improvement in the Asset to Deposit ratio (A.D.R) bears ample testimony to this restructuring success.

The company's decision to further expand operations in the fast growing North and East will prove to be a decisive factor in enhancing growth rates and being truly representative of the national market. It should be noted that 37 new branches were opened in this region during the year, demonstrating the growing buoyancy in this newly emerging territory. Singer is a long enduring trusted brand in this region viewed to possess awesome strengths. Therefore Singer Finance's expansion will prove timely and rewarding as well.

Acknowledgements

As I step down from office as Director and Chairman in compliance with the governance directions of the Central Bank of Sri Lanka under Corporate Governance Direction No. 3 of 2008 which requires Directors in the Bank and Non-Bank Financial Sector to step down from office after serving a maximum period of nine years, I wish to place on record my sincere thanks to the Board of Directors, Management and Staff, Deposit Holders, Shareholders, Regulatory Authorities and the public at large who had dealings with the company for their spontaneous support, advice and co-operation during my tenure of office. I wish to place on record the Board and Management's sincere appreciation to Mr. Asoka Pieris the Group Chief Executive Officer who retires simultaneously under the above code of governance for the services rendered by him since the incorporation of the company in 2004.

I wish to congratulate my successor Dr. Saman Kelegama and wish him success. With his vast experience in the Banking and Non-Banking Financial Sectors and in the country's broader economic sphere we have no doubt he will lead the organization with Chief Executive Officer, Mr. Shantha Wijeweera and his management team to even greater heights in the years ahead. I conclude by wishing the company, management and employees every success in the years ahead and added strength for their new endeavours.

Sincerely,



Hemaka Amarasuriya

Former Chairman

2012/13

Letter from the Chairman

Dr. Saman Kelegama



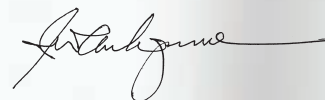
As I assume my new role as Chairman, the Company looks forward to challenging and rewarding times ahead. Singer Finance has consolidated its position as a medium sized finance company and is renowned for trust and the high level of governance practised over the years.

I wish to thank my predecessor Mr. Hemaka Amarasuriya and Mr. Asoka Pieris - Group Chief Executive Officer, who resigned from the Board in compliance with the governance directions of the Central Bank of Sri Lanka under Corporate Governance Direction No. 3 of 2008, which requires Directors in the Bank and Non-Bank Financial Sector to step down from office after serving a maximum period of nine years.

Mr. Amarasuriya was instrumental in setting up and guiding Singer Finance to the level it has reached today, drawing from his vast experience in the finance and retail industry. He will continue to serve on the Board of the Parent Company of Singer Finance.

There are exciting times ahead for Singer Finance, with several innovative products in the pipeline. We will continue to add to the level of excellence we have reached through the last nine years. We will grow to reach further and expand our product portfolio to meet the existing, and growing needs of the market. Above all, we will continue to cultivate the trust and respect our market has for the 'Singer' name.

Sincerely,



S. Kelegama

Chairman

30th May 2013

Group CEO's Review

Asoka Pieris

Chief Executive Officer - Singer Group of Companies



In a year of challenging market conditions,
**Singer Finance continued its growth in
Business Volumes**



Dear Shareholders,

In a year of challenging market conditions, Singer Finance continued its growth in Business Volumes, Income and Profits. It did this without compromising on risks and controls. The Company also continued to venture into new areas and to expand its presence. The Company also continued to strengthen its links with the parent company.

Singer Finance income grew by 37% while Net Profit grew by 18.9% to Rs. 256.5 million. The details are described in the Financial Review section of the Annual Report.

During the year under review, Singer Finance improved its funding by increasing its public deposits by 21%. The Company had a rights issue in August 2012 and infused fresh equity capital. The Company has one of the best gearing and capital adequacy ratios within the finance companies.

During the year under review, the Company opened branches in Embilipitiya and Tissamaharama and converted window service centres in Thambuttegama and Nikaweratiya to branches. The Company opened window service centres at Giriulla and at seven Singer Mega shops of the parent company. The Company also received approval from Central Bank of Sri Lanka to be an authorised dealer for foreign currency and to form an insurance brokerage subsidiary.

In a challenging environment, Singer Finance increased its focus on the risks and controls. The Company has strong internal controls, tight credit approvals and good follow-up. Although the non-performing loan rates increased from 0.47% as at 31st March 2012 to 1.78% as at 31st March 2013, the non-performing loan ratio remains among the lowest in the sector.

Myself and the outgoing Chairman, Mr. Hemaka Amarasuriya have served the Board of the Company from the inception and completed nine years. To comply with Central Bank Directions, which stipulate that a Director cannot serve more than nine years, we have stepped down from the Board of Directors. I thank the outgoing Chairman, Mr. Hemaka Amarasuriya, for the excellent services to the Company since its inception in 2004.

I congratulate the incoming Chairman, Dr. Saman Kelegama and wish him all success. Dr. Saman Kelegama has been closely involved with the Company during his period on the Board. I also congratulate Mrs. Marina Tharmaratnam, who is appointed as the Senior Independent Director, all other incoming Directors and Alternate Directors and wish them success. There has been a very smooth transition and both at Board level and at operational levels there is no effect due to these changes.

I wish to place on record my appreciation of Mr. Shantha Wijeweera, Chief Executive Officer and all our staff for their contribution and commitment without which it would have not been possible to achieve these results.

I thank the outgoing Chairman, Mr. Hemaka Amarasuriya, current Chairman, Dr. Saman Kalegama and Board of Directors of the Company, and the Chairman and Chief Executive Officer of Singer Asia for their valuable support and guidance.

I thank the Governor of the Central Bank, Controller of Exchange, Directors and other Officials of the Central Bank for their excellent support to the growth of the financial services sector.

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

Sincerely,



Asoka Pieris

Chief Executive Officer - Singer Group of Companies

30th May 2013

CEO's Review

R.S. Wijeweera

Chief Executive Officer



Customer convenience has been one of our success stories. **We are linked close to 400 Singer retail outlets.** Our customers have the option of using the Singer online system, a state-of-the art ERP, for the payment at retail outlets

Singer Finance continued its growth momentum despite unfavourable business conditions that prevailed throughout the year. Adverse macroeconomic conditions as well as topsy-turvy weather conditions during certain parts of the year effected the finance industry as a whole. Also, the Sri Lankan Accounting Standards underwent a major change when The Institute of Chartered Accountants of Sri Lanka decided to adopt fair value accounting for the financial years beginning after 1st January 2012. The financial statements reported in the Annual Report comply with the SLFRS/LKAS prescribed by The Institute of Chartered Accountants of Sri Lanka.

Singer Finance grew its Profit after Tax to Rs. 256.5 million over the preceding year, an increase of 18.9%. Income of the Company amounted to Rs. 1,748 million, up by Rs. 474 million over the previous year an increase of 37%. However, the Interest expense of Rs. 742 million is exceeding the prior year Interest expense by Rs. 334 million, an increase of 82%. This increase is twofold. First being the high Interest rates that prevailed throughout the year under review and secondly, the high borrowings during most part of the year when compared with prior year. However it is revealing to note that Government has re-introduced a low interest rate policy since January 2013 to encourage investments.

Expenses of the Company have increased from Rs. 544 million to Rs. 604.6 million by 11% when compared to last year. Due to the adverse economic conditions and weather, Provision for Bad & Doubtful debts increased when compared to last year, a situation common in the finance industry in the year gone by. However, the Company has decreased its cost to income ratio from 66% in 2011/2012 to 62% in 2012/2013 and the Revenue per employee also has increased from 8.2 million last year to Rs. 8.7 million in year under review.

Our Total Assets grew by 7.5% during the year. We experienced a growth of 18% in our Hire Purchase & Leasing portfolio to Rs. 5.6 billion. However, Loans and Advances contracted during the year by 33.6% to Rs. 916 million due to discontinuation of financing of locally manufactured consumer durables sold by the parent company.

Singer Finance Invested Rs. 14.2 million in its Information Technology system and Rs. 38 million in its Property, Plant & Equipment during the year to improve the efficiency and to expand the reach of the Company to serve its valued customers scattered throughout the country. In line with the national policy of financial inclusiveness, we continue to reach-out to under-served rural economy. During the year, two branches (Embilipitiya and Tissamaharama) and one Window (Giriulla) were opened and two more windows (Nikaweratiya and Thambuttegama) were upgraded to branch status. We intend to further increase our presence in strategically important areas of the country in the immediate future.

The Company finances its assets through Public Deposits, Interest Bearing Loans & Borrowings and Stated Capital. During the year, Public Deposit base increased to Rs. 3,318.9 million by 21%. However, the Interest Bearing Loans & Borrowings contracted by 17.5% to Rs. 1,009 million. Singer Finance reduced its payables to its parent company as well as to providers of finances through funds collected from the Rights Issue as well as from the internally generated funds.

Singer Finance completed a successful Rights Issue in August 2012, which was oversubscribed during a period where the CSE was struggling to attract Investors to the market. Through this Rights Issue, we were able to raise Rs. 645 million. This epitomises the faith shareholders have in their Company, and this in turn entrusts us with a higher sense of responsibility, which we have shouldered with much joy and pride.

Customer convenience has been one of our success stories. We are linked close to 400 Singer retail outlets. Our customers have the option of using the Singer online system, a state-of-the art ERP, for the payment at retail outlets.

Our most important asset, our Staff, is well trained to deliver tailored customer services and structure advice to suit any individual requirement. Their dynamism and commitment have been crucial to the steady growth that we have experienced over the years. Many of the staff members had been with us since our inception and have been our partners in growth. We continue to provide quality training programmes for them in order to grow their level of skills and confidence in order to meet the changes in the world of finance. In this regard, Singer Finance has been a keen follower of training programmes offered by the Central Bank's training school.

It gives us immense pleasure in associating with the iconic brand "Singer", the foremost trusted brand in Sri Lanka which was accorded the "SLIM-AC Nielsen People's Brand" of the year award for the 8th consecutive year. This association has made our steadfast commitment to business excellence that much easier. It is with profound responsibility that I remind all our shareholders, our commitment to ethical business will always remain a top priority in achieving business excellence.

It is with great gratitude that I thank our outgoing Chairman Mr. Hemaka Amarasuriya and Non-Executive Director Mr. Asoka Pieris for their invaluable services rendered since the inception of the company in 2004 and guiding the company throughout its journey thus far. These two gentlemen resigned from the board in order to comply with Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka, which states that a director cannot serve in the board of a finance company for more than 9 years.

I wish all success to Dr. Saman Kelegama who served in our board for many years on his new appointment as the Chairman of the Company. Oxford educated Dr. Kelegama, is an Economist by training and an expert on South Asian Economic Integration issues and we are privileged to have his services at the helm. We also welcome Mrs. Marina Tharmaratnam to the Board as a Senior Independent Director.

I would like to thank the Governor of the Central Bank, the Director and other officials of the Department for the supervision of Non-Bank Financial Institutions and Exchange Controller, who have been very supportive of our forward march. We also wish to acknowledge the valuable services rendered by CRIB, its General Manager and staff whose value-added services immensely helped us to improve our processes and maintenance of credit quality.

I also thank the Chairman and Board of Directors of the Company for their valuable support and guidance.

I also thank our shareholders for placing their continued trust which we endeavour to behold at all times.



R.S. Wijeweera
Chief Executive Officer
30th May 2013

Board of Directors



Dr. Saman Kelegama

Chairman/Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC as Director on 13th November 2008. Director of Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, S C Securities and Colombo Stock Exchange.

Executive Director, Institute of Policy Studies of Sri Lanka, Fellow National Academy of Sciences in Sri Lanka, former President of Sri Lanka Economic Association, Member of the Postgraduate Institute of Management (PIM) and author of several publications on the economy of Sri Lanka. He holds a D.Phil (Economics), from Oxford University, UK.



Mrs. M.A. Tharmaratnam

Senior Independent Director

Mrs. Marina Tharmaratnam was appointed to the Board of Singer Finance (Lanka) PLC on the 7th August 2012.

She is a Director of DFCC Vardhana Bank PLC, and the current Chairperson of World Vision Sri Lanka, previously held senior managerial positions with Eagle Insurance, DFCC Bank and as the CEO and Director of Union Assurance PLC from 2003 to 2009 and continued to serve on its Board until December 2010.

Mrs. Tharmaratnam is a Fellow of The Institute of Chartered Accountants of Sri Lanka, Member of the Chartered Institute of Marketing with a Postgraduate Diploma in Marketing awarded by CIM - UK, was a Chartered Marketer and a Fellow of the Institute.



Mr. Jayendran A. Setukavalar

Non-Executive Independent Director

Joined the Board of Singer Finance (Lanka) PLC on the 22nd of March 2012. He also serves on the Boards of A. Baur & Co. (Pvt) Ltd., Baur's Air Services Ltd., A. Baur & Company (Travel) Ltd., A. Baur Trading (Pvt) Ltd., Baur's Agri Exports (Pvt) Ltd., Swiss Trading Group (Pvt) Ltd., Swiss Hotel Management Academy (Pvt) Ltd., Mr. Setukavalar is also a member of the Board of Governors of the CMS schools in Sri Lanka and is the current Chairman of its Finance Committee.

Mr. Setukavalar has over 38 years of experience in the fields of Auditing, Accounting and Finance and has served in key management positions and boards in various industries. He also worked overseas for three years with PriceWaterhouseCoopers Dubai. He is a fellow of The Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants - UK, Certified Management Accountants - SL, Certified Global Management Accountant (CGMA) and a Fellow of the institute of Certified Professional Managers (FCPM-SL). Mr. Setukavalar was awarded scholarships by the British, Foreign and Commonwealth Office UK and the Colombo Plan Bureau to follow Senior Management Programmes in UK and South Korea and has also attended Senior Management training programmes at INSEAD - France, IBM - Rochester, USA and JICA - Japan.



Mr. John Hyun

Non-Executive Director

Mr. John Hyun joined the Board of Singer Finance (Lanka) PLC on 28th February 2011.

John Hyun is a 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 18 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 & 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. Gavin J. Walker

Non-Executive Director

Mr. Gavin Walker was appointed to the Board of Singer Finance (Lanka) PLC on 20th September 2010. Mr. Walker is the President and Chief Executive Officer of Singer Asia Ltd., and was appointed to this position in August 2005. Prior to joining the Company, Mr. Walker 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 a multi-brand retailer of electrical appliances and furniture with operations in 16 African countries and Australia (including SINGER® brand electrical appliances under license). Mr. Walker serves on the Boards of a number of Singer Asia Subsidiaries.



Joe Kan

Non-Executive Director

Mr. Kan was appointed to the Board of Singer Finance (Lanka) PLC on the 30th April 2013. Appointed as the Chief Financial Officer of Singer Asia Ltd. in September 2010 and as Controller of Retail Holdings N.V. in November 2011. Prior to joining the Company he was the Head of Finance of Octopus Cards Limited, the developer and operator of the largest smartcard payment system in the world. He has a Bachelor of Engineering degree in Electrical and Electronics Engineering from the University of Birmingham, UK, and an MBA from The Chinese University of Hong Kong. Mr. Kan is also a member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. He is currently a Director of Singer Asia Sourcing Limited and Singer Corporation Limited.



Mr. Priyath Salgado

Non-Executive Director

Mr. Salgado first joined the Board of Singer Finance (Lanka) PLC on 31st July 2008. After resigning, he was re-appointed to the Board of Singer Finance (Lanka) PLC on 30th April 2013 as a Non-Executive Director. He is also the Finance Director of Singer (Sri Lanka) PLC and an alternative Director of Singer (Sri Lanka) PLC.



Mr. R.S. Wijeweera

Executive Director/Chief Executive Officer

Mr. Shanthapriya Wijeweera has been functioning as the Chief Executive Officer of Singer Finance (Lanka) PLC since its inception in 2004 and joined the Board of Singer Finance (Lanka) PLC on 13th November 2008. He has a career spanning over 27 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 MBA (Banking & Finance) from Postgraduate Institute of Management of the University of Sri Jayewardenepura and MSc. (Management) National University of Ireland (UCD).



Mr. Shyamsunder Ramanathan

Alternate Director

Mr. Ramanathan first joined the Board of Singer Finance (Lanka) PLC on 13th November 2008 as an Alternate Director. After resigning, he was re-appointed to the Board of Singer Finance (Lanka) PLC on 30th April 2013. He currently functions as the Director Logistics of Singer (Sri Lanka) PLC. Mr. Ramanathan is a fellow of The Institute of Financial Accountants of London.



Mr. Janaka Mendis

Alternate Director

Joined the Board of Singer Finance (Lanka) PLC on 30th April 2013. Credit Director of Singer (Sri Lanka) PLC and holds a diploma in credit management from Sri Lanka Institute of Credit Management .



Mr. P.J.P. De Silva

Alternate Director

Joined the Board of Singer Finance (Lanka) PLC on 30th April 2013. He currently functions as the Director - Operations 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.

Management Team

Senior Management



Mr. Thushan Amarasuriya

Finance Manager

Thushan is an Associate Member of the Chartered Institute of Management Accountants - UK, an Affiliate Member of the Association of Chartered Certified Accountants - UK, Certified Global Management Accountant (CGMA) and a Member of the Chartered Institute of Marketing - UK. He has over 9 years experience in the field of Accounting and Finance and over 3 years experience in Sales, Marketing and Branding. Prior to joining Singer Finance, Thushan worked at Singer India Retail as its Financial Controller and at Singer (Sri Lanka) PLC as Manager - Financial Reporting.



Mr. Iman Perera

Business Development Manager

Holds an MBA from the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura and a BSc Business Administration (Special) Degree from the University of Sri Jayewardenepura. Iman counts 19 years of work experience in Retail Banking, Leasing and Microfinance 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 - Credit and Recoveries

Ruwan 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 over 10 years of experience in Operational and Credit Management in the Consumer Durables Industry working with the Parent Company, Singer (Sri Lanka) PLC and has been heading the credit and recoveries division of SFLP since the Company's inception.



Mr. Joe Wijeyegoonewardene

Head of Deposits

Joe, has considerable years of working experience both in the public and private sectors holding several positions of which over 31 years have been spent in the Finance Industry heading deposit departments. He is a Justice of Peace (All Island).



Mr. Chamara Gomis

Senior Manager

Chamara has over 17 years experience in the banking industry with specialisations in retail banking including credit card operations, electronic payments, loyalty schemes, fraud management and the BPO industry, both in Sri Lanka and overseas. Chamara joined Singer Finance in August 2011 and is responsible to manage new financial products for the organisation. He is a passed finalist of AAT (UK) with intermediate qualifications in banking.

Middle Management



Mr. Eraj Fernando

Manager - Financial Reporting

Has over 13 years experience in the field of Accounting, Auditing and Finance, he is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. Prior to joining Singer Finance, Eraj worked for Singer (Sri Lanka) PLC as Senior Accountant.



Mr. Jeevaka Jayawardena

Accountant

Jeevaka holds over 14 years experience in Accounting and Finance out of which he has served 8 years in the Financing and Leasing Industry.



Mr. Madhawa Thilakaratne

Manager Deposits

Has over 11 years experience in Retail Banking and over 8 years in Financing and Leasing Industry.



Mr. K.D.S. Manoj Kumara

Manager - Operations

Has over 11 years experience in the Retail Banking Industry and over 8 years in the Financing and Leasing industry. He holds a Diploma in Banking from the Institute of Bankers of Sri Lanka.



Mr. Niranjana Sethunga

Manager - Recoveries

Holds a B. Com (Sp) Hons. Degree from the University of Kelaniya, has been with Singer Finance since its inception and holds over 7 years management experience in Credit & Recovery.



Mr. Rajindra Gamage

Regional Manager - Kurunegala

Has over 11 years experience in retail banking and over 7 years experience in Financing and Leasing. Rajindra was selected as the best Executive of Singer Finance in 2011.



Mr. Pradeep Boange

Regional Manager - Kandy

Has over 18 years experience in the field of Financing and Leasing. Pradeep has a MBA from the University of Wales Institute - Cardiff.



Mr. Nishantha De Silva

Regional Manager - Matara

Has over 23 years experience in the Finance and Leasing industry, and has also covered two years in Life and General insurance. Nishantha has successfully completed a "Diploma in English for Employment" awarded by the Faculty of Humanities & Social Sciences of University of Ruhuna, and has completed three years in the Higher National Diploma in Commerce conducted by the Higher Education Ministry.



Mr. Roshan Ruwanpura

Manager - Group Sales

Roshan is presently heading the Group Sales Division of Singer Finance, his overall experience of sixteen years, covers Sales and Marketing, Recoveries, Credit Control, and Inventory Management. Holds a Diploma in Supplies and Material Management from the Institution of Supplies and Material Management - Sri Lanka.



Mr. Shanith Jeewantha

Accountant

Having worked for Singer Finance (Lanka) PLC during its formative years, Shanith revisited the drawing board by joining a reputed audit firm for a period of three years. After completing his articles Shanith re-joined Singer Finance in the year 2013. He is an Affiliate Member of the Association of Chartered Certified Accountants - UK, Passed finalist of the Chartered Accountants of Sri Lanka and hold a First Class Finance (Special) Degree from University of Sri Jayewardenepura.

Junior Management





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14



15



16



17



18

1. Mr. V.P. Wijeyesinghe
Operations Executive

2. Mr. H.C.K. Peiris
Assistant Branch Manager

3. Mr. G.R.N. Rathnasiri
Assistant Manager

4. Mr. H.R.A.B. Hewarathna
Assistant Manager

5. Mr. W.M.M. Wasala
Assistant Manager

6. Mr. S.B.N. De Silva
Assistant Branch Manager

7. Mr. A.G. Warna
Branch Manager

8. Mr. H. Premakumara
Marketing Executive

9. Mr. L.K.T.L. Perera
Assistant Manager

10. Mr. G.P. Vitharanage
Assistant Manager

11. Mr. Supun De Costa
Deposit Executive

12. Mr. H.M.S. Herath
Assistant Manager

13. Mr. P.T.S. Fernando
Recovery Executive

14. Mr. D. Samaranayake
Marketing Executive

15. Ms. Geeshani Sasheeka
Assistant Accountant

16. Ms. Ruchira Mendis
Confidential Secretary

17. Mr. Nadeesha Liyange
Marketing Executive

18. Mr. Muditha Gunawardena
Branch Manager

Management Discussion and Analysis

Our stakeholders are our most prized assets. Although it may not be justifiable to rank our stakeholders, it is only fair to mention that customers would rank high on the ladder

The Economic Overview

As per the Annual report of the Central Bank of Sri Lanka 'The Sri Lankan economy grew at 6.4% in 2012 while inflation was maintained at single digit for a fourth consecutive year, despite several global challenges'

In order to curb inflationary pressure fuelled by a high import demand and widening trade deficit, policy measures were introduced to decelerate credit to the private sector and as a result a credit ceiling was imposed. This resulted in cost of debt increasing and commercial banks imposing limits on their sector wise lending. Further, unfavourable weather conditions resulted in disruption to agricultural output and significantly reduced hydro power generation resulting in a negative impact on value addition and exerting pressure on prices. In the year under review the country experienced fuel price increases on more than two occasions, and this further resulted in cost of goods and services accelerating.

The Government budget 2012 introduced a few positive measures such as tax exemptions for listed debentures and relaxing the rules on dollar borrowing. It is important that entities move away from a high interest mindset in order to maximise on benefits, offered on the listed debentures so that the economy could bounce back on track.

Non-Bank Financial Institutions (NBFI) Sector

The NBFI sector comprised of 47 Licensed Financing Companies (LFC's) and 13 Specialised Leasing Companies (SLC 's) by end 2012. 206 new branches were added in 2012 taking the total count to 972. Of the branches opened in 2012, 155 branches were opened out side the Western province, the number of NBFI branches operating in the Northern and Eastern Provinces increased by 19 and 18 respectively.

The total asset base of the NBFI sector grew by 22% during 2012 to reach Rs. 597 billion, compared to a growth of 26% in 2011. Accommodations grew by 21% to Rs. 472 billion by end 2012. A significantly higher growth rate of 46% was recorded in respect of accommodations in 2011, signalling a drop in the growth momentum in the industry at large.

Deposits were the major source of funding for LFC's, while borrowings were the major source of funding for the SLC's.

The profitability of the industry was stifled compared to the prior year with profit after tax for 2012 being Rs. 15 billion Vs Rs. 19 billion for 2011. (Source: - CBSL Annual Report 2012)

Introduction

Singer Finance (Lanka) PLC (SFLP), a subsidiary of Singer (Sri Lanka) PLC (SSL), was incorporated on 19th April 2004 to carry out finance business within the provisions of the Finance Companies Act No. 78 of 1988 as amended by Act No. 23 of 1991 and subsequently replaced by Finance Business Act No. 42 of 2011. SFLP obtained the License from Central Bank of Sri Lanka to carry out Finance Leasing business and licensed as a registered 'Finance Company' in terms of section 2 of the Finance Companies Act No. 78 of 1988. The company's asset base currently exceeds Rs. 7 billion. SFLP was listed on the main board of the Colombo Stock Exchange in December 2010 and currently, 19.60% of Shares are held by the public.

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 13 regional branches and 6 service windows. Customers may also use our parent companies close to 400 locations to make a settlement which is of great convenience to all of our customers.

Singer Finance has established its place as a medium-sized Finance and Leasing Company harnessing the strength of its parent Singer (Sri Lanka) PLC. The Parent Company can afford to boast of a vast experience in the Hire Purchase product and the service element of the retail landscape, Singer Finance does not hesitate to practice and draw on this experience and also on the strong business ethics and prudential credit culture of Singer.

Performance Review

The year under review was challenging for the industry at large. A summary of key top performing Income and balance sheet items are summarised below. A detailed analysis of the performance is discussed in the financial review illustrated in page number 33 to 40.

Summary of Performance

	Rs. million		Var - %
	2013/12	2012/11	
Gross Income	1,748	1,275	37.1
Interest Income	1,652	1,199	37.8
Other Income	96	76	26.3
Profit Before Tax	323	286	13
Net Profit	256	216	18.5
Total Assets	7,257	6,747	7.5
Advances	6,569	6,161	6.6
Deposit Base	3,318	2,740	21.1
Capital Adequacy Ratio	25.26%	18.08%	7.2

As illustrated above, the Company's gross income performance was satisfactory. Growth in, Income was led by the Leasing segment, whilst in the other income category interest income from treasury bill investments contributed to growth. Growth in profit before tax was stifled by the increase in interest cost and provisioning for loan losses which increased at a considerably high rate compared to the prior year.

Growth in advances was low, due to decrease in vehicle imports due to the higher excise duty applicable to vehicles imported and the depreciation of the rupee during 2012 affecting the Leasing and Hire Purchase portfolios compared to the prior year. Also, the decision taken to discontinue financing parent company's locally manufactured products (SLMP) in the 3rd quarter of the financial year, and low demand for second hand vehicles resulted in growth being further stifled.

SFLP began to finance the Hire Purchase portfolio of Singer Mega, a channel of the parent company and also increased focus on group sales to bridge the receding advances portfolio in the loans category. As at 31st March 2013, we were present in 7 Mega Stores, and by the time you read this report we have ventured into 12 Mega Stores, leaving 3 more to which we will move in by end July 2013.

Rise in interest rates coupled with the fact that SFLP offered attractive gift schemes ensured that the deposit base increased by 21% over prior year.

The management consistently reviews credit policies to mitigate circumstances in which exposure to high risk sectors are lowered within a short time span. Company also monitors provisioning for bad debts on a more stringent policy for internal management purposes and for external reporting. Provisioning is carried out based on SLFRS/LKAS.

Growth

Rs. million

Indicator	2013	2012	2011	2010	2009	2008	CAGR
Income	1,748	1,275	1,001	697	456	297	42.5%
Profit After Tax	256	216	119	47	8	36	47.7%
Total Assets	7,257	6,748	4,396	3,256	2,078	1,414	38.7%
Advances	6,570	6,161	4,007	2,981	1,792	1,215	40.2%
Deposits from Customers	3,319	2,741	1,883	1,518	1,098	642	38.9%

CAGR - Compound Annual Growth Rate

The Growth rates illustrated above speaks volumes of the consistency in the Company's performance over the last six years. The strategy of SFLP has been, simple and straight forward, i.e. 'stick to the knitting' has been the order of the day, and it is this strategy that has paved the way to establish ourselves as a medium-sized Finance Company.

Our Stakeholders

Our stakeholders are our most prized assets. Although it may not be justifiable to rank our stakeholders, it is only fair to mention that customers would rank high on the ladder. The Company as a policy treats all its stakeholders with respect and care. Being a service organisation, SFLP draws a lot on the experience of the parent company which has a high reputation for superior customer service. The customer base of SFLP is the mass market and currently it is tilted towards more rural followed by urban. The deposit base constitutes high net worth, working class professionals. The Company engages its stakeholders often through media and other modes of communication.

Synergies with Parent Company

Customers of Singer Finance has the option of settling their rental dues from closer to 400 Singer Plus, Singer Mega, Singer Homes or Sisil showrooms islandwide. This option is presently unmatched by competition. Further, SFLP brand name is augmented by the strength and popularity of the brand Singer which has a high, share of voice, in the local advertising space. Company also benefits from access to lower cost of funds sourced by the Treasury of the Parent Company and also by many other support functions such as payroll administration, general administration and logistical support rendered by the parent Company.

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 SME's also grew. Singer Finance provides leasing facilities for brand new vehicles. The demand for vehicle leases has grown consistently throughout the year under review.

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. With exemptions on VAT for certain vehicle categories such as buses, we experienced a shift from Hire Purchase to Leasing. Further, the demand for second hand vehicles has dropped at an alarming pace as a result of duty increases.

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 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 the respective employee's salary and remitted to us by the organisations 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 monthly payments is taken on by the employee's organisation. We have established a dedicated unit with competent staff at head office to supervise this facility. A state of the art IT system supports the unit.

Deposits

SFLP is a registered Finance Company authorised to accept public deposits by the Central Bank of Sri Lanka. The head office of the deposit division is located in Colombo and all branches island wide are authorised to accept deposits. Attractive deposit promotions are carried out during April and December seasons where valuable consumer durables are offered to deposit holders willing to lock in their funds for an pre agreed period. Whilst SFLP offer very attractive rates the Company avoids engaging in the rate competition which in the past has affected the finance industry adversely. SFLP's deposit base has grown by 39% since 2008 on a cumulative basis, thus displaying the confidence of the public at large

“Singer Muthu” Savings Accounts

Muthu translated to English depicts a pearl, and aims to link childhood to the traits of a pearl. The brand Singer, introduced Hire Purchase to the world way back in 1851 and back then the beginnings were humble and small, although a Savings products is not an innovation, the Company's track record speaks of a high success rate and we remain optimistic that the simple beginning of 'Singer Muthu' savings is the beginning of a family of new products which will one day be a success story to be spoken about.

A new Channel is born Singer Mega

In the year under review Singer Finance began to take over the granting of Hire Purchase facilities to customers of Singer Mega, which is a premier distribution channel of the parent company thus widening our reach and opening the horizons to a new customer segment. This could be considered as a new channel in addition to the already existing branches and windows. As at the year end we have taken over 7 out of the 15 Mega locations and as per plan, the Company will reach out to the rest of eight locations within the course of this financial year.

Key Challenges facing our industry and SFLP's response

Key Challenges	How Singer Finance (Lanka) PLC will respond
Increasing in cost of funds	<p>SFLP has strong financials and a sound rating BBB+(Ika) Stable which enables to source funds at competitive rates.</p> <p>Parent Company Singer (Sri Lanka) PLC (SSL) continues to grow steadfastly and lends to SFLP at rates borrowed by SSL plus a premium which gives SFLP an advantage, as borrowing from SSL reduces its cost of funds.</p> <p>In the year under review SFLP launched a minor savings product, the growth of savings will enable the company to reduce its cost of funds in the future.</p>
Challenges in sustaining an optimal spread	<p>SFLP reviews its spread on a monthly basis and compares it with both prior year and plan and takes corrective action where appropriate.</p> <p>The Company plans to increase its portfolio of financing consumer durables. This product provides a high yield in a short term and are small ticket items, at present SFLP is the market leader in this segment and further consolidation in this space will enable the Company to maintain a healthy spread and also financing requirements shift to short term as the average period of a contract will be 12 to 15 months.</p>
Increase in loan losses	<p>In the year 2012 the finance industry as a whole experienced an increase in loan losses due to economic and environment factors affecting liquidity. SFLP identified sectors that were badly affected and made adjustments on its credit policies towards these sectors.</p>
Challenges faced in Information Technology	<p>IT processes are reviewed regularly by a specialist internal IT team and the partners SFLP invests in required changes /additions to the Information system in order to ensure that the Company's information systems are up to date and information required is available timely and efficiently.</p> <p>SFLP invests in training their staff on a continuous basis, by participating in both local and foreign training programs. Our staff also regularly participates in training conducted by the Centre for Banking Studies of the Central Bank of Sri Lanka</p> <p>The modern and highly effective ERP of SFLP's parent company enables synergies, where any customer of SFLP is able to make settlements through the vast branch network of the Parent Company. The capabilities of this ERP provides for many more synergies that will result in operational efficiencies.</p>

Opportunities and Threats relevant to our business

Opportunities	How Singer Finance (Lanka) PLC will respond
Market and product growth:- SFLP has opportunity to move into new markets and products hitherto untapped	<p>Several new product initiatives are in the pipeline and will be unleashed in due course.</p> <p>We are already present in the Eastern province, and have plans drawn up to move into the Northern segment.</p>
New Regulations imposed on Finance Companies	New regulations imposed have increased the confidence levels of the customers in the RFC's and along with this regulatory backing and the strength of SFLP we intend designing, communication campaigns to educate both existing and new customers on the benefits associated with investing their money with SFLP.
Threats	How Singer Finance (Lanka) PLC will respond
Competition	Competition in the industry is intensifying with existing players growing and the emergence of new competitors, SFLP will capitalise on the strength of their brand and will leverage on our superior service capabilities and core values to differentiate from our competitors
Capital Markets:- The ability to raise funds from capital markets may be jeopardised in the short-term due to the poor performance of the bourse and need for stricter regulatory requirements	Both SFLP and its parent company have provided attractive dividends and capital gains to their investors, the prevailing market prices do not project nor justify the year on year performance of SFLP which has been admirable. SFLP will continue to add value to their shareholders via growth and stability.
Data Protection Any business faces the challenge of protecting its data from theft or loss due to IT system failures	<p>Data theft is also far more of a threat than data loss as it's clearly malicious. SFLP regularly reviews its systems to protect data from theft. Access rights are reviewed on a quarterly basis and reviewed by Internal audit.</p> <p>Employee contracts legally bind employees to safeguard company data.</p> <p>SFLP replicates system data in an offsite disaster recovery site and conducts disaster recovery drills on an annual basis.</p>

Resources and Capabilities of Singer Finance

In diversifying into the Financial Sector, the Singer Group succeeded in exploiting and employing the resources and capabilities available to an organization with 160 plus years of exposure, experience and success. In an external environment which is subject to rapid change, internal resources offer a more secure basis for strategy than market focus. Resources and capabilities are primary sources of profitability. Firm specific strategic differences account for 50-70 percent of observed differences in firms profits.

Resources	Advantages
Financial	Rating of BBB+ (lka) Stable by Fitch Ratings Lanka Ltd. Ability to raise capital and access to funding at competitive rates,
Physical	Ability to expand (subject to relevant approvals) to reach customers island-wide. Facility for our customers to settle payments at close to 400 locations where the parent company is present.
Human	Skilled and experienced staff.
Technological	State of the art software capabilities. Trained and skillful IT staff.
Reputational	A heritage brand name which is 160 years old. Eminent and skilled board of Directors.
Capabilities	SFLP's ability to respond
Organisational capabilities: firm's capacity for undertaking a particular activity	SFLP has the ability to respond to rapidly changing market conditions, its dynamic Management is skilful and trained to undertake any activity, be it reaching new markets or introducing new products with a low lead time.
Distinctive Competence: things that an organisation does particularly well relative to competitors	Our customer service and understanding of the customer is far superior , customers ability to reach us is wide and far reaching.
Core Competence: capabilities that are fundamental to a firm's strategy and performance	Singer introduced Hire Purchase to the world back in 1851. Its ability to introduce innovative financial products is a core competency of the Singer Group.

Financial Review

The year under review was challenging in terms of economic and environmental factors affecting business. Despite this scenario Singer Finance (Lanka) PLC (SFLP) was equipped to manoeuvre these obstacles skilfully and emerge ahead of the preceding year. The credit ceiling imposed by the Central Bank as a macro economic measure resulted in an escalation of borrowing cost, squeezing net interest margins. This in turn affected some of our customers in the small to medium scale entrepreneur category, as they found it hard to raise working capital for their ventures due to sudden restrictions on overdraft and other banking facilities, hence we experienced poor paying-in ratios from this sector. In the 2nd and 3rd quarters. The weather was not favourable towards the agricultural sector, heavy flooding followed by a severe drought affected our customers in the North Central and Eastern Provinces and Singer Finance has a heavy presence in these provinces.

Quoting from the 2011/12 Annual report, quote "A negative shift was experienced in the latter part of the fourth quarter, in which macroeconomic factors began to move adversely as a result of price increases in fuel, electricity, imported food items, increase in vehicle duty and tariff. An over production of rice, vegetable and other commodities adversely affected the agricultural sector, resulting in depressed farm prices because of record crop production swelling the supply of commodities. Market interest rates began to rise sharply and the rupee depreciated Vs dollar significantly, we are hopeful that the recent adverse economic changes are short run and that the economy will bounce back on track" unquote, these factors spilled over to the year under review and except for the appreciation of the rupee Vs dollar, all other aforementioned factors continued to add inflationary pressure, as mentioned, the negative impact from the weather had a further impact on the agricultural sector and the economy at large. Cost of funds is a key and important variable in the finance industry and the high costs that were experienced throughout the year under review dampened growth. On a positive note Central Bank relaxed the control measures taken on credit from January 2013 and as a result, access to credit improved and towards the end of the period under review, borrowing costs began to slide downwards.

Despite the challenges mentioned Singer Finance (Lanka) PLC - SFLP achieved a 19% bottom line growth over the prior year and continued to consolidate its position as a medium sized finance company.

Basis of Preparation and Comparative Figures

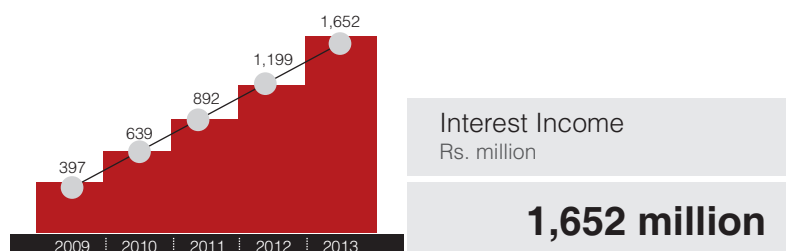
The Financial Statements for 2012/13 represent and include the Financial Statements of the Company. The basis of preparation of the Financial Statements are described under Note 1.2 to the Financial Statements. The accounting policies used are consistent with those used in the previous year, except as explained in Note 1.2.5, which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform to the current year's presentation. The financials for the prior year have been restated to take into account the impact the adaptation of SLFRs and LKASs.

Gross Income

Income of the company increased from Rs. 1,275 million to Rs. 1,748 million an increase of Rs. 473 million (37%) over the previous financial year. Income of the company constitutes mainly of Interest Income and other income.

Interest Income for the year under review increased from Rs. 1,199 million to Rs. 1,652 million an increase of Rs. 453 million (38%).

Growth in Interest Income



Components of Interest Income

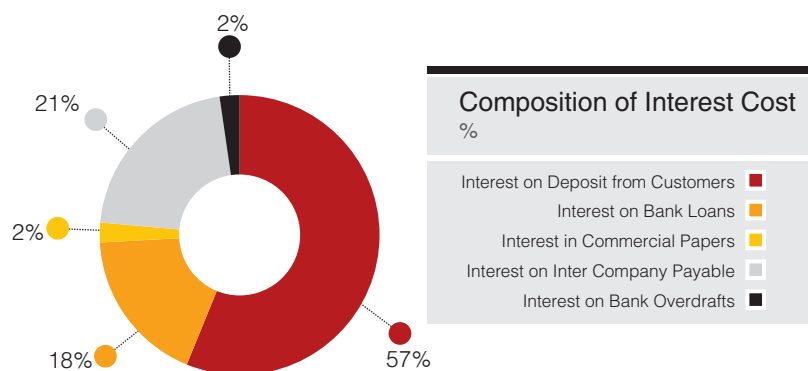
The Interest Income portfolio of the Company is made up of hire purchase, finance leases and loans

Interest Income from Hire Purchase grew by 10% to Rs. 477 million over the previous financial year, Interest Income from leasing increased by 115% to Rs. 660 million, this exponential growth in leasing interest income was fuelled by the tax benefits (Exemption of Value Added Tax) on three wheelers, lorries and buses which were given in the year 2012. Some products such as buses and Lorries which were previously taken on hire purchase agreements are now leased and this was a factor largely attributable to the low growth in hire purchase product, further, demand for secondhand vehicles in the market place too has receded, dampening the hire purchase product growth. Interest income on loans grew by 5% to Rs. 434 million over the prior year. Overdue interest income grew by 73% to Rs. 80.5 million. The lackluster growth in loans is due to the discontinuation of financing locally manufactured Singer products (SLMP). Loans category is considered to be of strategic importance to SFLP, looking into the future, company has adopted measures to grow this category, SFLP finances the hire purchase pack of Singer Mega, an upmarket channel of the Parent Company and in due course SFLP will be present in all Mega locations island-wide giving us a wider reach to promote other product categories and more importantly to develop a closer relationship with a new customer segment. Further, SFLP has made huge inroads to group sales category in which the Company is the market leader.

Other Operating Income

Other Operating Income grew by Rs. 20 million (27%) to Rs. 96 million and constitutes mainly of, interest income on treasury bill investments and income from service charges. Main growth contributor to other income was from income from Government Securities which grew by 72% YoY.

Interest Expenses

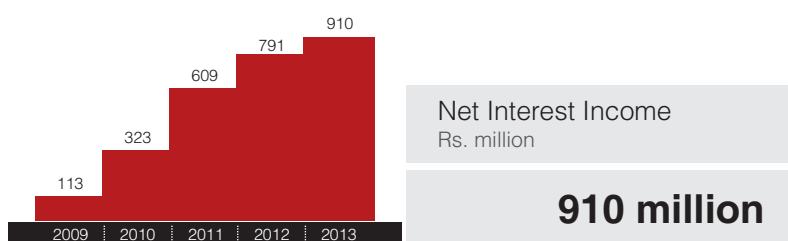


In the year under review interest costs increased by Rs. 334 million to Rs. 742 million year on year (YoY) an increase of 82%. This increase is mainly due to the escalation of cost of borrowing in the year under review.

Debt to capital ratio reduced to 2.7 times compared to 5 times in the prior year. This is due to the increase in capital resulting from the Rights Issue in August 2012.

SFLP's interest cover diminished by 16% to 1.44 due to the escalating cost of funds. The fact that earnings did not negatively affect the interest cover is evident by the exponential growth of 50% in earnings before interest and tax (EBIT) YOY. EBIT is the numerator of interest cover ratio.

Net Interest Income (NII)



The Companies NII grew by Rs. 119 million to Rs. 910 million over the previous year. This growth was possible due to the continuous monitoring of Net Interest Margins (NIM) of the Company and adjusting lending rates according to market conditions.

	2013	2012
Net Interest Income	909,898,110	790,940,796
Interest Income on Treasury Bills	35,955,854	20,952,224
Interest Income on Bank Deposits	7,166,570	759,452
Over Due Interest	80,545,171	46,534,313
Total Interest Income	1,033,565,705	859,186,785
Average Interest Earning Assets	6,754,425,180	5,351,019,348
(Total interest income as a % of total average assets)	15.30%	16.06%

Net Interest Margin (NIM) dropped by 66 basis points to 16.24%, this decrease, is mainly attributable to the high interest costs which took a huge pie out of our NIM's. It should be noted that given the adverse conditions, SFLP managed to sustain a NIM of over 10%, which is the benchmark of the Company. The portfolio of high yield short-term consumer durable loans is a factor that contributes a high NIM compared to the industry and competition.

Staff Cost

Staff costs increased by 33% to Rs. 153 million YoY. This increase is correlated to the increase in head count which stood at 200 Vs 155 as at 31st March 2012. The increase in the number of heads was to supplement income generating activities such as conversion of service windows to full-fledged branches and to staff the newly acquired Singer Mega operations, back end staff increases were to support the business expansions and for new business ventures in the pipeline. Revenue per employee of SFLP increased to Rs. 8.7 million in 2013 compared to Rs. 8.2 million in 2012. This is commendable compared to the competition in which revenue per employee varies between Rs. 3.5 million - Rs. 4 million.

Administration and Selling Expenses

Administration and selling expenses increased marginally by 5% to Rs. 451 million YoY. Main cost lines that increased compared to prior year are travelling and vehicle maintenance allowances, advertising, royalty payable to parent company, stationary and depreciation charged. Whilst there were significant cost savings from collecting commissions payable to parent companies branch managers for collecting rentals of Singer Locally Manufactured products that were financed by SFLP up to December 2012, further significant reductions were recorded in professional fees, security charges and selling commission. SFLP's non-interest expense to gross income was 36.15% Vs 44.75% in 2012, which reflects a very reasonable level of cost management.

Bad Debt Expenses

During the year under review, the Company provided Rs. 64.6 million for bad and doubtful debts this was an increase of Rs. 51.4 million over the prior year. This exponential increase in bad debts is mainly due to the following reasons; in the year under review the country's economy faced a credit squeeze that resulted in the paying-in ratios dropping at an accelerated rate, most small and medium scale businesses and entrepreneurs were facing liquidity issues. The agriculture sector was affected and was hit twice, first by severe floods and then by a drought that was unprecedented in recent years.

Value Added Tax on Financial Services

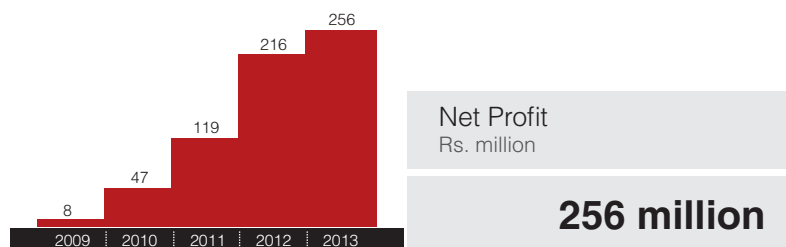
Value added tax expense for the year was Rs. 20.9 million compared to Rs. 26.5 million in the prior year. This decline is due to the significant drop in Hire Purchase and discontinuation of the SLMP business; both these categories attract value added tax on financial services.

Income Tax Expense

Income Tax Expense was Rs. 66.8 million as against Rs. 70 million in the previous financial year.

Singer Finance is currently liable for income tax at 28% on taxable profits with effect from 1st April 2011. The Company's effective tax rate for the year was 20.7% Vs 24.5% in the last Financial Year.

Profit for the Year



The Company recorded Rs. 256 million profits after tax, which is the highest in its 9 year history. Although profit growth was stifled, it should be noted the Singer Finance outperformed the NBFIs in terms of YoY growth in the year under review.

Earnings per Share

The Company's earnings per share for the year was Rs. 1.76 Vs Rs. 2.00 in 2012. In this context, it is to be noted that the number of shares issued and outstanding increased from 106,666,667 to 165,333,334 in the year under review.

Price Earnings Ratio

The price to earnings ratio of the Company as at 31st March 2013 was 7.18 times Vs 8.09 as at 31st March 2011. This decline in P/E ratio is due to the drop in Market price of the share (MPS) as at the financial year end to Rs. 12.60 per share compared to Rs. 16.20 as at 31st March 2012. The drop in the MPS is co-related to the drop in the All Share Price Index and Milanka Price Index of the Colombo Stock Market and cannot be attributable to the fundamentals of the Singer Finance (Lanka) PLC's financial performance or the sentiments for its share.

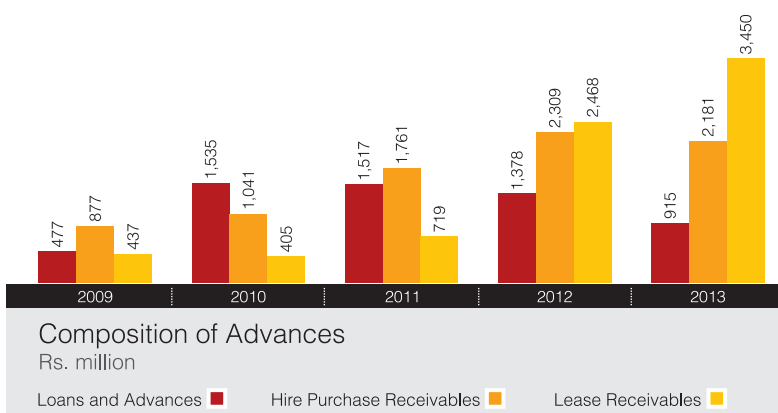
Solvency

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 dispatch of the dividend payment.

Return on Equity - (ROE)

Return on Equity for the year under review is 16.90%, whilst in the previous year it was 21.03%. Return on Equity has been computed by comparing the profits for the year and average total equity as at balance sheet date. The reason for the decline in ROE is due to the increase in stated capital resulting from the rights issue. Had the interest rates been more stable during the year under consideration, the return on equity would have been more favourable than reported.

Assets

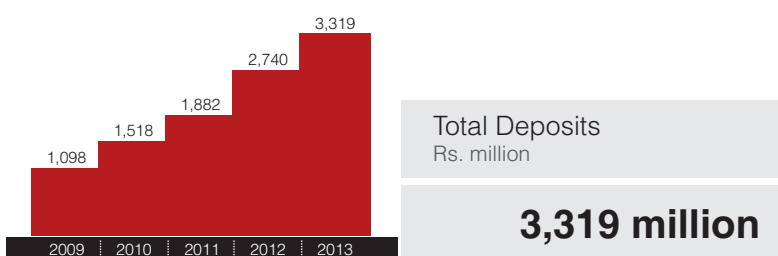


The Asset base increased by Rs. 509.4 million from Rs. 6.748 billion in 2012 to Rs. 7.257 billion in 2013. The main increase was from the lease rentals receivable which grew by Rs. 995 million to Rs. 3.4 billion, HP receivables decreased by Rs. 125 million to Rs. 2.2 billion and Loans and Advances decreased by Rs. 461 million to Rs. 916 million. This decline is due to the discontinuation of SLMP category in December 2012.

Liabilities

Total liabilities as at 31st March 2013 were Rs. 5.3 billion, which includes public deposits amounting to Rs. 3.3 billion. Interest bearing loans and borrowings amounting to Rs. 1 billion and amounts due to the Parent Company Rs. 661 million.

Deposit Base



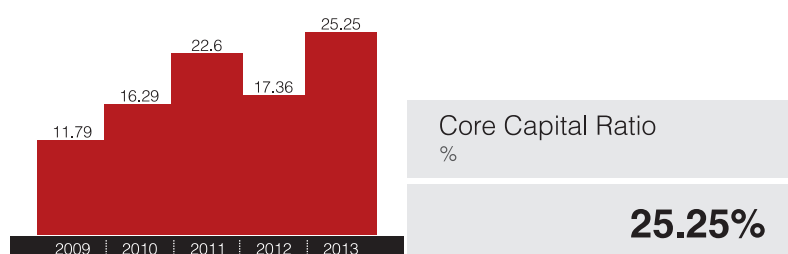
The public continues to be supremely confident of Singer Finance as they invest their savings with us for competitive returns. The YoY growth is Rs. 577 million (21%). The composition of customer deposits to the total borrowings of the Company increased by 14.4% to 66.6% and the advances to deposit ratio (ADR) declined favourably to 198% from 225% in 2012. The main reason for the drop in the ADR is due to the decline in hire purchase and loans portfolios and the shift in the composition of borrowings to a higher deposits value is due to the decline in lending, enabling us to lower borrowing requirements and strengthen the financial position overall.

In the year under review, SFLP introduced minor savings accounts to its portfolio and has a total base of Rs. 780,000/- as at 31st March 2013, although small in value at present, savings is a category that SFLP plans to promote aggressively in the long term. The company offered attractive gift schemes to promote fixed and minor savings accounts offering products from its Parent Company for free, plus an attractive interest rate ensuring that such rates did not breach the ceiling rates set by the Central Bank of Sri Lanka.

Total Equity

Equity increased by Rs. 811 million over the previous financial year and accrued from profit for the year Rs. 256 million less the Dividends paid Rs. 85 million and net proceeds from the Rights Issues amounting to Rs. 640 million.

Capital Adequacy



SFLP has maintained a capital adequacy which is well in advance of the minimum requirement of 10%. As at 31st March 2013 both core capital and capital base stood at Rs. 1.7 billion. This measure is one of the key factors that depositors and lenders of debt capital closely evaluate and the Company boasts of a sound capital base which is one of the highest in the sector.

Net Cash Flow from Operating Activities

During the year under review the Company recorded a negative Rs. 461 million net cash flow from operating activities. Compared to the previous year the net cash flows improved by Rs. 1,133 million. This was mainly due to the decline in business compared with 2011/12 which was a year in which high growth was experienced.

Net Cash Flow from Investing Activities

During the year under review the Company invested Rs. 37.9 million in acquiring Property, Plant & Equipment and incurred Rs. 14.2 Million in software development as a result, the net cash used in investing activities increased by 281% to Rs. 48.6 million in line with business expansion and expanding network.

**Cash Flow from
Financing Activities**

Net cash Inflow from financing activities was Rs. 576.1 million accrued mainly through Interest bearing loans and borrowings. The Company settled Rs. 1.575 billion worth of interest bearing loans and borrowings and borrowed Rs. 1.595 billion in the year under review, further net proceeds from rights issue amounted to Rs. 645 million. During the year under review, the Company paid dividends amounting to Rs. 85 million.

**Cash and Cash
Equivalents**

As at 31st March 2013 cash and cash equivalents of the Company increased by Rs. 66 million to a negative Rs. 216 million.

Accounting Policies

The Financial Statements contained in this report are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS's), the requirements of the Colombo Stock Exchange and the Companies Act No. 07 of 2007.

Corporate Social Responsibility

Singer Finance endeavour to protect our environment as we consider it is our duty to preserve it to our future generations

Brand “Singer” inherits a rich history in discharging its social responsibility to the masses of the nation. Throughout the 9 year existence of Singer Finance, it has joined its illustrious parent company in serving the society in numerous ways. We are passionate about making our stakeholders interests served, and have always remained true to its conscious in serving the varying needs of our stakeholders. A list of stakeholders to whom we discharge our social responsibility are summarised below:

Our Stakeholders

We engage only in ethical business with honesty, Integrity, care and courtesy, thus building lifelong relationships with all our stakeholders. The business philosophy of the Company epitomises the stability that Singer Finance is renowned for, throughout its brief history. Our stakeholders and how we engage them will be more fully described elsewhere in this chapter.

Our Communities

Being in the business of lending financial support, has indeed given us immense pleasure. We have always served the needy in their hour of need. We are serving the underserved rural economies and have been successful in helping them to develop their livelihood. Our stakeholders and how we engage them will be more fully described elsewhere in this chapter.

Our Environment

Singer Finance endeavour to protect our environment as we consider it is our duty to preserve it to our future generations. We, as a company have taken steps to reduce carbon foot print in the little way we could. We are striving to reduce the paper wastage by reusing the paper in all our locations and all the internal communications are made electronically. We also have taken steps to maximize the natural lighting to reduce the usage of electricity. All our branches use a standard temperature in order to save electricity and all our locations are equipped with energy saving bulbs with the computer screens being LED. All these minimise the environmental impact in generating electricity and save a considerable amount of KW hours of electricity.

Times are such that the macroeconomic landscape of the country is changing at a rate and the companies that are swift enough to seize the opportunity will survive. Singer Finance is very conscious about the environment when seizing such opportunities. When we set up our branches in new geographical locations we are much concerned about obtaining proper approvals from local environmental authorities and relevant bodies, and respect the livelihoods of the people, hence, we don't set up branches if it disrupts the livelihoods of the natives.

Engaging the Stakeholders

Any business organisation will engage with multifaceted stakeholders in doing business. We engage with such stakeholders and treat them with due respect. This very fact has helped the Company to grow year on year and is looked upon as an organisation that does business in an ethical and sustainable way.

Engaging Customers

Customers are always what organisations look for in any industry and we at Singer Finance are no different and they are the reason why we exist. We being a service organisation, are passionate about our service and we make the customer disbursement in a day which remains a critical success factor in our business. At Singer Finance, customers get the warmth that they have associated for generations with brand "Singer", and this fact is exemplified by the loyalty of our customers.

Our customers are always at ease with the connectivity of the branches and the payment options available, where they could make payments at approximately 400 branches of our parent company in addition to paying at our own branches. They also have the option of paying at any Commercial Bank. This convenience is certainly a huge benefit for our valued customers.

Service options and products available at the branches are designed according to the requirements of our customer. Tailor-made Leasing and Hire Purchase schemes are very popular among our customers, coupled with convenience in method of payment and the professional service provided to them, now Singer Finance has become a destination for the financial needs of our customers.

We are bound to protect the hard earned money of our valued customers Invested with us in the form of fixed deposits and savings. Our stability along with ethical and sustainable business practices have given our customers the faith to invest with us. In return, our fixed deposit holders will get a handsome return in the form of Interest along with peace of mind which stands above all.

Engaging Employees

Our parent company's legacy as an equal opportunity employer who looks after its employees is a legacy that Singer Finance embraced. Although Singer Finance existence is only 9 years, it has many employees who are with the Company since its inception. The Company has given them opportunity to grow with the organisation.

Singer Finance being an equal opportunity employer has given employees with correct attitudes and appetite for success, ample opportunity to develop themselves. The Company invests in training opportunities of its staff for their development and in turn, the Company benefits by the way of a well trained work force. Investments made on staff training have borne fruit as the Company has probably the best income per employee ratio in the industry.

Our well trained employees is a reason why the customers like to associate with Singer Finance. In fulfilling the link between employee engagement and customer engagement, our employees are trained to attract customers and to ensure that we maximise the value of our loyal customer.

Shareholders

Singer Finance has weathered the storms and stood firm even during most challenging times. During a period where more established finance companies were facing liquidity problems, Singer Finance withheld its promise to its shareholders not only by surviving in the difficult times but making profits and distributing part of such profits in the form of Dividend to its shareholders. Singer Finance pays out a consistent dividend to its shareholders and has maintained a steady Dividend pay-out ratio throughout its history.

Every decision that company takes is with the intention of maximising the shareholder wealth in an ethical and sustainable way. Shareholders of the Company are kept well informed with regard to the developments of the Company annually through a general meeting and through press releases from time to time. Also, the Company publishes the state of affairs through its annual report, and quarterly reports also are submitted to the CSE every quarter. The CSE is informed about developments according to the relevant rules and regulations.

We are open to direct communication if a shareholder needs our guidance. We don't restrict the access to management at any time and any member of the staff is directly accessible through telephone or in person. This openness extended to them have always worked to the betterment of the relationship between the management and the shareholders.

Community/Society

We have always maintained our steadfast commitment in serving the community by engaging them in our initiatives, thus building a sustainable business which develops with its stakeholders. In addition to providing direct employment to the people of the locality, we also provide indirect employment.

We have humbly noted that mere presence of Singer Finance have uplifted the lives and businesses of the locality. We have planned to increase the level of community service that we do at present by reaching out to, as many people as possible from the branch location.

Financiers

Our financiers form a very important part of our business. In fact we feel that they are the link that binds the finance industry together. It is with great trust that financiers queue up, to lend to us and to this date we have not let them down. We provide our financiers the information they need for their ease of decision making. The authenticity of the information we provide is highly regarded due to the high standards of corporate governance, high level of risk management and ethical business practices of the Company.

Government

As a corporate citizen, we have acted with responsibility throughout our existence. The Company has paid due taxes on time in discharging its responsibility to the Government. We have always abided by the rules and regulations set by the Government and have maintained a cordial relationship.

Through our financing products, we have helped citizens in taking onto self-employment and expanding businesses. Also, through expansion of the business we have created direct job opportunities to the youth of the locality. As noted earlier, we have also created indirect employment, thus contributing to the Government's objective of providing equal job opportunities and of furthering the economic interests of rural and suburban economies of Sri Lanka.

Legal and Regulatory Bodies

Financing industry needs to adhere to certain rules and regulations set by the Legal and Regulatory bodies. We work closely with the Central Bank, Securities & Exchange Commission and Colombo Stock Exchange apart from others.

We have provided necessary information to them when requested and have coupled with reporting requirements. These institutions act as a safety net to safeguard the customers and investors in the industry. Singer Finance engages these institutions regularly in discharging company's reporting obligations.

Pressure Groups/Media

Singer Finance has always maintained a strong relationship with Pressure Groups and Media. We have treated Pressure Groups and Media with equal respect. So far we have not had any negative experience with Pressure Groups. This we relate to our fair business practice regime. Our doors and communication lines have been open for any of these interest groups and will be so in future.

Industry Peers/Competitors

At Singer Finance we do not treat our competitors as a threat but a factor that makes us grow stronger. We treat our competition with due respect and at all times avoid antagonistic or anti-competitive behaviour. We engage our competitors and Industry at regular meetings held by the Leasing Association where certain non-confidential information is shared for the betterment of the industry and ultimately our customers.

Labour Practices and Decent Work

Our employees are our greatest asset. We believe our organization is as good as the people who work for us. We strive at all times to treat our employees as we want them to treat our customers.

We believe an organisation whose employees are happy is more productive, has higher morale and has a lower employee turnover. Treating our employees as family is a culture developed within the Singer Group, and we are no different, we treat our employees like extended members of our family. Singer Group is considered as one of the best employers in Sri Lanka. Though we have been in existence for only nine years, some of our staff has been with Singer for more than two decades. We always lay emphasis on equal opportunity, providing career development and training opportunities for all. We evaluate all employees on a regular basis assessing their skills, accomplishments, professional goals, training and other relevant factors. This approach has enabled us to design formal training programmes, informal mentoring and regular feedback.

**Total Work Force Based on
Category of Employment
as at 31st March 2013**

Category	No. of Employees	Percentage (%)
Key & Senior Management	6	3.0
Middle Management	10	5.0
Junior Management	19	9.5
Non-Management	165	82.5
	200	100

Staff Strength

Employee Category	No. of Employees				
	2012/13	2011/12	2010/11	2009/10	2008/09
Key & Senior Management	6	6	4	4	1
Middle Management	10	7	4	1	4
Junior Management	19	14	14	17	17
Non-Management	165	128	81	58	48
Total	200	155	103	80	70
Income per Employee (Rs. '000)	8,651	8,227	9,424	8,798	6,576
Profit per Employee (Rs. '000)	1,257	1,416	1,088	676	182
Assets per Employee (Rs. '000)	36,184	43,494	42,825	40,664	29,693

**Age Analysis
(As at 31st March 2013)**

Age (years)	Key & Senior Management	Middle Management	Junior Management	Non-Management	Total	Percentage (%)
Above 50	2	–	–	1	3	1.5
41 - 50	–	1	1	2	4	2
31 - 40	4	8	15	43	70	35
21 - 30	–	1	3	117	121	60.5
Below 20	–	–	–	2	2	1
Total	6	10	19	165	200	100

**Service Analysis
(As at 31st March 2013)**

Service (years)	Key & Senior Management	Middle Management	Junior Management	Non-Management	Total	Percentage (%)
6 - 8	4	9	10	18	41	20.5
Below 5	2	1	9	147	159	79.5
Total	6	10	19	165	200	100

Staff Turnover Ratio

	2012/13	2011/12	2010/11	2009/10	2008/09
Staff Turnover	8.02%	10.96%	7.74%	2.58%	9.67%

Our Rewards

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

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 percent of the vehicle valuation is granted as a loan.
Educational Support	<p>The Company has two schemes to help employees with their studies-</p> <ol style="list-style-type: none"> 1. 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 management grade staff.
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.
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 zero interest.
Lodging	Singer Finance reimburses all expenses incurred by field staff in staying at approved hotels while on official business.
Sports and Recreation Facilities	The Group Head Office has a state-of-the-art gym for the benefit of all employees.
Other Leisure Facilities	<p>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 of all faiths are organised regularly.</p> <p>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.</p>

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.

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 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 work is of free will. All employees are over the age of 18, in compliance with Sri Lankan Labour Laws.

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 year.

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.

Codes of Conduct

Our Parent Company has adopted the Code of Conduct devised by Singer Asia Ltd., which clearly sets out every employee's responsibilities with regard to compliance with national laws, refraining from bribes and political contributions made on behalf of the Company, divulging confidential information and engaging in insider trading, recording false, inaccurate or incomplete information and avoiding conflicts of interest.

Whistle-Blower Policy Grievance Handling

Our commitment to fairness has made us to implement a procedure for grievance handling. Every employee is provided 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 action were recorded during the year under review.

A problem amongst your staff is like a noise from your car's engine, or a cavity in your tooth. Sure, you can ignore it for a while. But the longer you do, the worse it gets. It's an unalterable truth of life that the sooner you address a problem, the easier it is to solve. As a responsible and caring organisation we think of our staff as a garden and problems within it as weeds. The sooner you get to them, the better. This has been our attitude towards grievance handling, which has paid great dividends in the form of happy, contented and motivated staff.

Occupational Health and Safety

Occupational health and safety is a priority in our Company. We ensure workplaces are hygienic and accident free. Employees are provided with highest forms of protection from work-related accidents.

Investment on Training and Number of People Trained

Training

The five steps in teaching an employee new skills are preparation, explanation, showing, observation and supervision. Employee training takes priority in our organisation.

Each 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.

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 programme 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 send 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.

Risk Management

“Risk is a function of how poorly a strategy will perform if the ‘wrong’ scenario occurs.”

- Michael Porter

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. 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, with delegation 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.

The Company continuously emphasise on good asset quality. Effectiveness of the Company's systems and controls for identifying, monitoring and addressing asset quality in a timely manner is evident from the improvement in Gross Non-Performing Advances Ratio over the years as given in the Financial Highlights of this Annual Report.

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 from pages 94 to 107 in this Annual Report.

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 market-related 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.

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.

Singer Finance is maintaining a data replication system in an external location on real time online basis. As a result, in the event of any unforeseen disability of the main system, the Company is in a position to operate the IT system in this remote location.

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 Senior 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.

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.

Corporate Governance

We are in the era of envisioning the Company vision of “To Be the Foremost Finance Company” and ensuring the development of a learning corporate culture where each and every employee is encouraged to create cross functional teamwork to deliver integral performance and long-term sustainability.

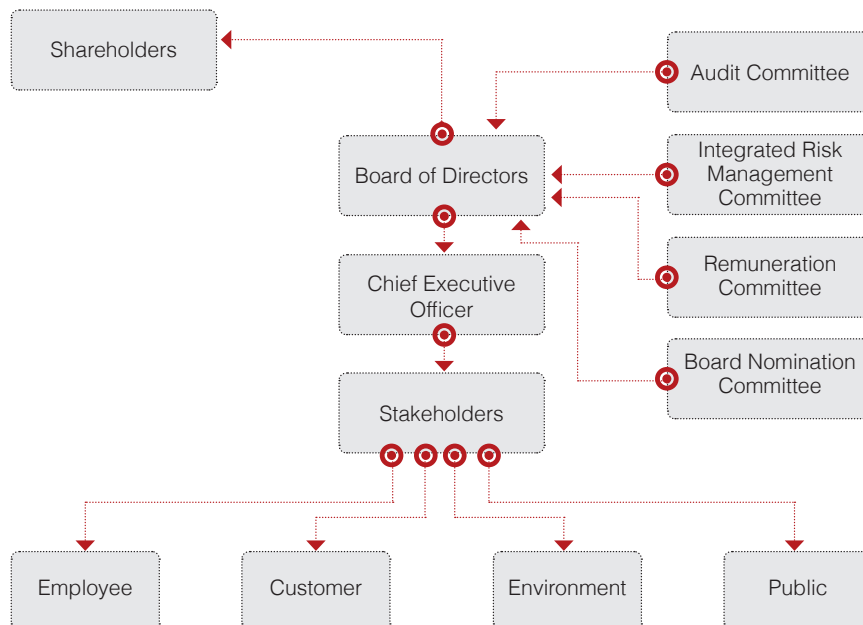
‘We are in the periphery of developing a corporate culture that interconnects every individual to deliver integral performance and long-term sustainability...’

Governance Policy

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

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

The diagram below shows the governance structure of the Company which ensures the integral performance and long-term sustainability:



Business Ethics

We are in the era of envisioning the Company vision of “To Be the Foremost Finance Company” and ensuring the development of a learning corporate culture where each and every employee is encouraged to create cross functional teamwork to deliver integral performance and long-term sustainability.

A precise system of governance is an indispensable requirement for a company to attract and maintain the public confidence by which the transparency of business activities is disclosed. Whistle-blowing policy is implemented to encourage employees to raise a concern about the wrongdoing at work and take necessary solutions.

All employees are bound by pertinent rules and regulations and the Company's written Code of Conduct to persuade them to be honest and avoid conduct which can reflect a bad image on the Company.

Directions on Corporate Governance

The Company is in compliance with the Directions on corporate governance issued by the following institutions:

Code of Best Practice on Corporate Governance

The Institute of Chartered Accountants of Sri Lanka is the pioneers in introducing the first code namely, “Code of Best Practice on Matters Related to Financial Aspects of Corporate Governance” issued in December 1997. Subsequently, this Code was revised in 2005 by the ICASL.

In 2008, a joint code was published by the ICASL and SEC with the view of providing more extensive best practice provisions that corporates are encouraged to adopt in discharging their corporate governance activities in following areas:

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

Central Bank of Sri Lanka

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

In order to ensure financial system stability, the Finance Companies Act No. 78 of 1988 empowers the Monetary Board to issue Directions, rules, determinations, notices and guidelines to finance companies.

The Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act has issued a set of guidelines namely, Finance Companies (Corporate Governance) Directions No. 03 of 2008 and Finance Companies (Corporate Governance - Amendment) Direction No. 04 of 2008, to be complied by the Registered Finance Companies.

Listing Rules of the Colombo Stock Exchange

Colombo Stock Exchange has issued Listing Rules to ensure the creation and maintenance of a market in which securities can be issued and traded in an orderly and fair manner and which secures efficiency and confidence of all stakeholders in the operation and conduct of the market. The CSE has issued rules on Corporate Governance under its Ruling 7.10 to be complied by the companies listed in the Exchange.

Compliance Statement of Corporate Governance Principles in Singer Finance

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
Section 1: The Company			
A. Directors			
A.1 The Board	Code A.1	Singer Finance is headed by an effective Board comprising both Executive and Non-Executive Directors to direct, lead and manage the Company.	Complied
1. Meetings of the Board	Code A.1.1	Board meetings were held in monthly intervals. The Board met 9 times during the financial year concerned. The Board was unable to meet 12 times as required by the code due to unavoidable circumstances. Individual participation of each Director at Board meetings is exemplified in the chart given under the heading of "Board Meetings".	Not Complied
	CBSL 3.1, 3.2, 3.3	Schedule of Items and matters to be discussed in the Board meeting are included in the agenda. Sufficient notice is given for all Board members to attend the regular Board meetings.	Complied
	CBSL 3.4	A Director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding three consecutive meetings held, shall cease to be a Director provided that participation at the Directors' meetings through an Alternate Director shall however, be acceptable as attendance.	Complied
2. Responsibilities of the Board	Code A.1.2	A sound business strategy crafted by the Board of Singer Finance guides the Company to success in all its endeavours. Responsible areas of the Board are as follows: <ul style="list-style-type: none"> • The formulation and implementation of a sound business strategy and proper follow up procedures. • Equipping the CEO and the management team with the required skills, experience and knowledge to make the Company vision a reality by following the correct strategic Direction required for a finance company. • Internal controls and risk management practices are two critical areas of Singer Finance while complying with laws, regulations and ethical standards. • Ensuring that Company values are set in accordance with the appropriate accounting policies and financial regulatory compliance. 	Complied
	CBSL 2.1	<ul style="list-style-type: none"> • Approving and overseeing strategic objectives and values are communicated throughout the Company network. • Approving the overall business strategy of the Company, including the risk policy to measure, monitor and control risks including strategic, market, operational and credit. • Approving and adopting a policy of communicating with shareholders, depositors, creditors and borrowers. • Reviewing the adequacy and the integrity of the Company's Internal Control Systems and Management Information Systems. • Identifying and designating Key Management Personnel, who are in a position to significantly influence policy; direct activities; and exercise control over business activities, operations and risk management. 	Complied

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> Defining the areas of authority and key responsibilities for the Board and for the Key Management Personnel Key management of the Company has appropriate oversight on Company affairs to ensure consistency with the Company policy. Succession plans for key management are developed to ensure the maximum utilisation of human capital. Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives. While understanding the regulatory environment, company guarantees to exercise due diligence in hiring and oversight of External Auditors. 	Complied
	CBSL 2.4	A Director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Not Applicable during the Financial Year
	CBSL 2.5	The Board has a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.	Complied
	CBSL 2.6	The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	Not Applicable
	CBSL 2.7	The Board shall include in the finance company's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	Complied
	CBSL 2.8	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	
3. Professional Advice to the Board	Code A.1.3, CBSL 2.3	Independent professional advice to be obtained according to a procedure agreed to by the Board of Directors at the Company's expense.	Complied
4. Company Secretary	Code A.1.4	All Directors should have access to the advice and services of the Company Secretary who ensures that the applicable rules and regulations are complied with.	Complied
	CBSL 3.5, 3.7, 3.8, 3.9	<p>Company Secretary handles secretarial service to the Board and shareholder meetings, and carry out other functions specified in the statutes and other regulations.</p> <p>Maintenance of minutes of the Board meetings by the Company Secretary and make such minutes available for inspection at any reasonable time, on reasonable notice by any Director.</p> <p>Recording of minutes of the Board in sufficient detail to gather from the minutes that the Board acted with due care and prudence in performing its duties.</p>	Complied

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
	CBSL 3.6	If the chairman has delegated to the Company Secretary the function of preparing the agenda for a Board meeting, the Company Secretary shall be responsible for carrying out such function.	
5. Independent Judgment of Directors	Code A.1.5	Directors bring independent judgment on strategic issues, performance and standards of conduct.	Complied
6. Adequate Time and Effort of Directors	Code A.1.6	Adequate time and effort is devoted by Directors on the matters of the Board and the Company to ensure that the duties and responsibilities of Directors are satisfactorily discharged.	Complied
7. Training for Directors	Code A.1.7	Directors receive appropriate orientation when first appointed to the Board and subsequently as necessary.	Complied
A.2 Chairman and Chief Executive Officer (CEO)	Code A.2	The Chairman's and CEO's roles are conducted separately.	Complied
	CBSL 7.1, 7.2, 2.2, 7.9, 7.11	<p>The Chairman's and CEO's roles are not performed by one person.</p> <p>The Chairman is a Non-Executive Director (not independent) and two Independent Non-Executive Directors are designated to the Board. Out of the two Independent Non-Executive Directors one is a Senior Director.</p> <p>Subject to the transitional provisions, the Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.</p> <p>The Chief Executive Officer functions as the apex executive-in-charge of the day-to-day management of the finance company's operations and business.</p> <p><i>(Details of the Board of Directors are given under CBSL 4.1)</i></p>	Complied
A.3 Chairman's Role	Code A.3.1	The Chairman conducts Board proceedings in a proper manner and ensures the effective participation of all Directors. A balance of power between Executive and Non-Executive Directors is maintained and the Board is in complete control of the Company's affairs and alert to its obligations to all stakeholders.	Complied
	CBSL 7.3, 7.4, 7.5, 7.6, 7.7, 7.8	<p>There is no relationship between the Chairman and the Chief Executive Officer nor is there a relationship among Directors of the Board.</p> <p>The Secretary draws up the agenda under the authority delegated by the Chairman.</p> <p>The Chairman is the leader of the Board who ensures the active contribution of each Director to the dealings of the Company and ensures that the Board is informed adequately and in timely manner of the issues arising at each Board meeting and ensures constructive relationship between Executive and Non-Executive Directors of the Board.</p>	Complied

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
A.4 Financial Acumen	Code A.4	<p>Sufficient financial acumen and knowledge is available in the Board.</p> <p>Former Chairman, Mr. Hemaka Amarasuriya who resigned on 30th April 2013 is a Fellow of The Institute of Chartered Accountants of Sri Lanka, Fellow of the Chartered Institute of Management Accountants UK and Fellow of the Chartered Institute of Marketing UK.</p> <p>Chairman is D.Phil.(Economics), Oxford University, UK.</p> <p>Group CEO, who resigned from the Board on 30th April 2013 is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and Fellow of the Chartered Institute of Management Accountants UK.</p> <p>CEO of Singer Finance holds an MBA (Banking and Finance) from Postgraduate Institute of Management of the University of Sri Jayawardenepura and MSc (Management) National University of Ireland (UCD).</p> <p>Further, the two Independent Non-Executive Directors of the Board are Fellows of The Institute of Chartered Accountants of Sri Lanka and One Non-Executive Director is a member of the Institute of Chartered Accountants of England and Wales.</p> <p>This blend of members enables the Board to provide proper guidance on financial matters of the Company.</p>	Complied
A.5 Board Balance	Code A.5.1, A.5.3, A.5.4, A.5.5	<p>The Board includes seven Non-Executive Directors and out of which two are Independent Non-Executive Directors.</p> <p>Non-Executive Directors have submitted the signed declaration of their independence. Independent Directors are listed under CBSL 4.1.</p>	Complied
	CBSL 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.10, 4.11	<p>A total of eight Directors are in the Board.</p> <p>The composition of the present Board is given below:</p> <p>Dr. Saman Kelegama (<i>Chairman/Non-Executive</i>)</p> <p>Mrs. Marina Tharmaratnam (<i>Independent Non-Executive</i>) - <i>Senior Director (appointed w.e.f. 07th August 2012)</i></p> <p>Mr. J.A. Setukavalar (<i>Independent Non-Executive</i>)</p> <p>Mr. John Hyun (<i>Non-Executive</i>)</p> <p>Mr. Gavin Walker (<i>Non-Executive</i>)</p> <p>Mr. Y.C. JoeKan (<i>Non-Executive</i>)</p> <p>Mr. Priyath Salgado (<i>Non-Executive</i>) (<i>appointed w.e.f. 30th April 2013</i>)</p> <p>Mr. Shantha Wijeweera (<i>Director/CEO</i>)</p> <p>Mr. S. Ramanathan - Alternate (<i>appointed w.e.f. 30th April 2013</i>)</p> <p>Mr. J. Mendis - Alternate (<i>appointed w.e.f. 30th April 2013</i>)</p> <p>Mr. P.J.P De Silva - Alternate (<i>appointed w.e.f. 30th April 2013</i>)</p> <p>Board has one Executive Director which is less than one-half of the number of Directors.</p> <p>Board comprises two Independent Non-Executive Directors which is one-fourth of the total number of Directors.</p> <p>All Non-Executive Directors have necessary skills and experience to give objective judgment towards the overall performance.</p>	Complied

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
		<p>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.</p> <p>With effect from three years from the date of the Direction No. 3 of 2008, 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.</p> <p>All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.</p> <p>If a Director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the Director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant Director's disagreement with the Board, if any.</p>	
A.6 Supply of Information	Code A.6.1	<p>The management provides relevant timely information to the Board, and Directors make additional inquiries where required on the information provided previously.</p> <p>Board papers normally contain monthly management accounts set, applicable ratios, branch operations, deposit mobilisations etc. to facilitate quality conduct of the Company.</p>	Complied
A.7 Appointments to the Board	Code A.7.1, A.7.2	<p>Board Nomination Committee recommends the new Board appointments. In recommending a new appointee to the Board, a special emphasis is made on the challenges ahead and the competency of the existing Board to face those challenges.</p> <p>Shareholders will be provided with a brief résumé of the newly appointed Directors in this Annual Report along with their expertise, names of the companies in which they hold directorships and their independence.</p>	Complied
	CBSL 4.9	<p>There is a formal transparent procedure for the appointments of new Directors.</p> <p>New Chairman, Dr. S. Kelegama appointed to fill the vacancy created after the resignation of Mr. H.D.S. Amarasuriya due to serving the Board for the maximum period allowed (9 years) under Finance Companies Direction No. 3 of 2008.</p> <p>Directors appointed will be forwarded to the shareholders for election in the Annual General Meeting.</p>	Complied
A.8 Re-Election	Code A.8.1, A.8.2	<p>All Directors are re-elected by shareholders at regular intervals in the Annual General Meeting.</p> <p>No member of the Board excluding the Chairman gets an automatic reappointment. All reappointments are through vote at the AGM. Shareholders are provided with résumé of such Directors submitted for election or re-election.</p>	Complied

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
A.9 Appraisal of Board Performance	Code A.9.1	Board makes appraisal of its member performance against the overall corporate plan.	Complied
A.10 Disclosure of Information in Respect of Directors	Code A.10.1 (CSE Listing Rule 7.10.3, 7.10.4)	Relevant details of each Director is given under each member's profile in the Annual Report. The number of Board meetings attended by each member of the Board is given in the Corporate Governance Section of this Annual Report.	Complied
A.11 Appraisal of Chief Executive Officer	Code A.11	Performance is evaluated in line with the overall corporate plan.	Complied
Criteria to assess the Fitness and Propriety of Directorship	CBSL 5.1, 5.2	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. A Director of a finance company shall not hold office as a Director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such Director shall not hold office of a Director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.	Complied
Management Functions Delegated by the Board	CBSL 6.1, 6.2	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. The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied
Board Appointed Committees	CBSL 8.1, 8.2 (a) - 8.2 (q), 8.3 (a) - 8.3 (h)	Every finance company shall have at least the two Board committees. 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. Audit Committee - Please refer page 72 for Audit Committee Report. Integrated Risk Management Committee Report - Please refer page 74 for Integrated Risk Management Committee Report.	Complied
Related Party Transactions	CBSL 9.1, 9.2, 9.3, 9.4,	Related Party transactions are disclosed in Note 32 to the Financial Statements of this Annual Report.	Complied
	10.2 (d), 10.2 (f), 10.2 (h), 10.2 (i), 10.2 (j)	No material non-compliance with the act, rules and regulations were communicated by the Director of the NBFIS Supervision.	Complied

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
B. Directors' Remuneration	Code B.1.1, B.1.2, B.1.3	Company has established formal procedure to develop policies on remuneration of Directors. The Remuneration Committee consists of two Independent Non-Executive Directors to provide astute recommendations on the subject area. Composition of the Remuneration Committee is described in the Annual Report on page 83.	Complied
B.2 The Level and Make-Up of Remuneration	Code B.2	The level and make-up of remuneration provides the basis to attract and retain the Directors needed to run the Company successfully. Remuneration is generally structured to identify individual and corporate performance.	Complied
B.3 Disclosure of Remuneration	Code B.3	The aggregate remuneration paid to Executive and Non-Executive Directors is set out in Note 33 to the Financial Statements	Complied
	CBSL 10.2.e, 10.2.g	The aggregate values of the transactions with the key management personnel are set out as deposits kept by key management or close family members, short-term employee benefits.	Complied
C. Relations with Shareholders			
C.1. Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings	Code C.1	Annual General Meeting (AGM) is the key method of communicating with shareholders where relevant matters are raised for constructive discussions. Annual Report is released prior to the AGM for shareholder reference.	Complied
C.2 Major Transactions	Code C.2	No major transactions occurred during the financial year concerned.	Complied
D. Accountability and Audit			
D.1 Financial Reporting	Code D.1	A balanced and understandable assessment of the Company's financial position, performance and prospects are presented in the Annual Report.	Complied
	Code D.1.1	Financial assessments are presented in accordance with the relevant Accounting Standards, Generally Accepted Accounting Principles and Laws and Regulations of the country.	Complied
	CBSL 10.1	Annual Audited Financial Statements are presented with the accepted formats by regulators and supervisory authorities. Such statements are published in the newspapers in an abbreviated form in Sinhala, Tamil and English.	Complied
	Code D.1.3 CBSL 10.2.a	Statement of Directors' Responsibility is given on page 88 and it sets out the Directors' endeavours towards the continuous operational existence of the Company. It ensures the Financial Statements are in accordance with the Accounting Standards, Directions of the Central Bank, Rules of Colombo Stock Exchange and all statutory obligations.	Complied
	Code D.1.4	Management Discussion and Analysis highlights the operational and financial status of the Company in the context of prevailing industry conditions. This Report is given on pages 26 to 40 of this Annual Report.	Complied

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
D.2 Internal Controls	Code D.2 CBSL 10.2.b	<p>The Company institutes a sound internal control system to safeguard the shareholders, wealth and Company assets.</p> <p>Group Internal Audit Department reviews the effectiveness of the customary controls and ensures to provide prudent comments where necessary.</p> <p>Operations are further subject to review by the Corporate Internal Audit Division of Singer Asia Ltd., the Ultimate Parent Company, in addition to subjecting the affairs of the Company for two external audits per branch per annum.</p>	Complied
	CBSL 10.2.c	External audit certification on the system of Company internal controls is obtained.	Complied
D.3 Audit Committee	Code D.3	Audit Committee provides guidance and supervision on Company's adherence to accounting policies, internal control, financial reporting framework, compliance with the laws and regulations and maintains appropriate relationship with Auditors of the Company in order for Auditors to discharge their duties effectively and independently.	Complied
	Code D.3.1, D.3.3 CBSL 8.2.a, 8.2.b, 8.2.c, 8.2.d	<p>The Audit Committee comprise of two Independent Non-Executive Directors, two Non-Executive Directors and the head of risk management functions as the Secretary to the Committee.</p> <p>CEO, Finance Manager, Manager Financial Reporting, Representatives of External Auditors and when necessary, the Chairman and the Group CEO attend by invitation.</p> <p>Audit Committees' authority and duties are formalised through an Audit Committee Charter.</p> <p>The Audit Committee is responsible for following matters as they should conduct themselves in vigilant and effective manner:</p> <ul style="list-style-type: none"> • Review all Company's' critical accounting policies, major changes to the accounting policies and decide the extent to which changes or improvements are reported. • Review financial reporting process and Financial Statements preparation and inquire into the integrity of the procedure. • Approve the appointment of External Auditors as per the consent of the shareholders at the AGM, and consider and report to the Board with regard to the independence and performance of the External Auditor. • Review reports from management, Internal and External Auditors with regard to the reliability and effective operation of the Company. • Review the mandate, budget, plan, changes in plan, organisation structure and the internal audit function. • Review the process for communicating the Company's Code of Business Conduct. <p>(Please refer the Audit Committee Report on page 72 of this Annual Report.)</p>	Complied
	Code D.3.4	<p>Names of the Audit Committee members are disclosed under the sub committee section of Corporate Governance in the Annual Report.</p> <p>Audit Committee report presented by the Chairman of the Committee is on page 72.</p>	Complied

Corporate Governance Principle	Reference to CBSL Regulation/SEC & ICASL Code and CSE Listing	Extent of Compliance	Status of Compliance
D.4 Code of Business Conduct & Ethics	Code D.4	Company has adopted and taken steps to disclose the adherence to Code of Business Conduct and Ethics in the Annual Report under the Corporate Governance Section.	Complied
D.5 Corporate Governance Disclosures	Code D.5	Corporate Governance Section discloses the level of compliance and adoption status of the Company to pursue as a good corporate citizenship.	Complied
Section 1: Shareholders			
E. Institutional Investors			
E.1 Shareholder Voting	Code E.1.1	Annual General Meeting (AGM) plays a vital role in conducting a regular and structured dialogue with shareholders. Voting of the shareholders is critical when carrying a resolution at AGM.	Complied
E.2 Evaluation of Governance Disclosures	Code E.2	Institutional investors have autonomy to give due weight on matters relating to the Board structure and composition.	Complied
F. Other Investors	Code F.1, F.2	Individual investors are encouraged to carry out adequate analysis and to participate in General Meeting to exercise voting rights.	Complied
	CBSL 7.10	Shareholder views are effectively communicated to the Board.	Complied

In addition to the above, the following section of the CSE Listing Rules is also complied with by the Company:

Rule No.	Corporate Governance Rule	Details of Compliance
7.10.5	Remuneration Committee	
7.10.5 (a)	Number of Independent Non-Executive Directors in the Committee to be - <ul style="list-style-type: none"> a minimum of two (where a company has only two Directors on the Board), or in all other instances majority of whom to be independent. 	Both Directors are Independent Non-Executive Directors.
	Separate committee to be formed for the Company or the Listed Parent's Remuneration Committee to be used.	A separate Remuneration Committee was formed for the Company.
	Chairman of the Committee to be a Non-Executive Director.	The Board of Directors has appointed a Non-Executive Director as the Chairman of the Committee.
7.10.5 (b)	Function of the Committee.	The Remuneration Committee Report sets out the functions of the Committee.

Rule No.	Corporate Governance Rule	Details of Compliance
7.10.1, 7.10.2	The Board of Directors of Singer Finance (Lanka) PLC includes seven Non-Executive Directors and three independent Directors including the Chairman, and which are 1/3 of Non-Executive Directors. Non-Executive Directors have submitted the signed declaration of their independence.	Complied
7.10.6	The Audit Committee comprised of two Independent Non-Executive Directors, one Non-Executive Director and the head of risk management functions as the Secretary to the Committee. CEO, Finance Manager, Manager Financial Reporting and Representatives of External Auditors and when necessary the Chairman and the Group CEO attend by invitation. Audit Committee's authority and duties are formalised through an Audit Committee Charter. Audit Committee functions and oversees the related matters that may arise from time to time and proper disclosures are made as stipulated in the CSE Listing Rule 7.10.6. The Audit Committee Report and the members of the Audit Committee are given on page 72 of the Annual Report.	Complied

Board Meetings and Circular Resolution

Board holds regular monthly meetings in order to ensure the effective direction of the Company objectives and identify possible existing gaps. During the financial year concerned, there were 9 Board meetings held at Singer Finance and 23 resolutions were passed.

Key areas to be discussed are included for the reference of all Board members in the Board meeting files and Directors have the liberty to incorporate matters in accordance to the nature of importance and urgency.

Meetings held during the financial year concerned are summarised below along with the attendance of each Director:

Name of the Director	Status of the Directorship	No. of Meetings Held	No. of Meetings Attended
Mr. H.D.S. Amarasuriya*	Non-Executive	9	9
Dr. S. Kelegama	Non-Executive	9	8
Mrs. M. Tharmaratnam**	Independent Non-Executive	5	5
Mr. J.A Setukavalalar	Independent Non-Executive	9	8
Mr. J. Hyun***	Non-Executive	9	4
Mr. Gavin Walker****	Non-Executive	9	7
Mr. H. A. Pieris*	Non-Executive	9	8
Mr. Y.C. Joe Kan*****	Non-Executive	–	–
Mr. R.S. Wijeweera	Executive	9	9
Mr. Priyath Salgado*****	Non-Executive	–	–

Note: * Resigned w.e.f. 30th April 2013.

** Mrs. M. Tharmaratnam appointed to the Board on 07th August 2012.

*** Mr. J. Hyun participated via tele conference for 3 meetings.

**** Alternative Directors – Mr. S. Ramanathan/Mr. J. Kan participated for 5 meetings and Mr. Gavin Walker participated via tele conference for 2 meetings.

***** Appointed w.e.f. 30th April 2013.

Board Sub Committees

The Board of the Company has the sole responsibility of managing the Company with a proper monitoring procedure towards its performance ensuring compliance with laws and regulations and reviewing strategic directions.

Subcommittees of the Board of Singer Finance are being delegated some responsibilities of the Board where each committee is headed by an Independent Non-Executive Director. Effective control and appropriate adherence to the governance practices are ensured through sub committees towards the achievement of overall company objectives in the setting of sustainable corporate citizenship.

1. Audit Committee

The Audit Committee has the authority to conduct investigations apposite to fulfilling its responsibilities on ensuring the quality of financial reporting and related communication to the shareholders and the public.

The Audit Committee comprises of two Independent Non-Executive Directors of the Board namely

Mr. J.A. Setukavalar - *Chairman*

Dr. Saman Kelegama (*resigned from the Audit Committee w.e.f 30th April 2013*)

Mrs. M. Tharmaratnam (*appointed w.e.f. 28th September 2012*)

Audit Committee Charter sets out the primary duties and responsibilities of the Audit Committee of Singer Finance Board which provides an unbiased review of the reports of Internal and External Auditors and findings and recommendations stated therein.

The Committee held nine meetings during the year under review and attendance of Directors are shown below:

Name of the Director	Status of the Directorship	No. of Meetings Held	No. of Meetings Attended
Mr. J.A. Setukavalar	Independent Non-Executive	9	8
Dr. S. Kelegama	Non-Executive	9	7
Mrs. M. Tharmaratnam*	Independent Non-Executive	5	5

* Mrs. M. Tharmaratnam joined the Audit Committee on 28th September 2012

2. Integrated Risk Management Committee (IRM)

The scope of the authority of the Committee highlights the following areas of responsibility:

- Review and oversight of the risk and compliance profile of the Company within the context of the Board determined risk parameters.
- Making recommendations to the Board concerning the Company's risk parameters and particular risk or compliance management practices of concern to the Committee.
- Review and oversight of management's plans for mitigation of the material risks faced by the various business units of the Company.
- Oversight of the implementation and review of risk management and regulatory compliance throughout the Company.

Integrated Risk Management Committee comprise of two Non-Executive Directors, an Executive Director and four Executives representing different risk areas of the Company. The Chief Risk Officer of the Group acts as the Secretary to the Committee.

Terms of Reference (TOR) governs the operations of the IRM Committee which elaborates the scope of the authority, membership, meetings to be held, duties and reporting responsibilities of the Committee.

Number of meetings held and attendance of individual Directors of the Committee is stated below:

Name of the Director	Status of the Directorship	No. of Meetings Held	No. of Meetings Attended
Dr. S. Kelegama - <i>Chairman</i>	Non-Executive	4	4
Mr. M.P.A. Salgado	Non-Executive	4	4
Mr. R.S. Wijeweera	Executive	4	4

3. Remuneration Committee

The Committee mainly aims at remuneration and perks of the Chairman, the Chief Executive Officer, Independent Directors and Executive Directors of the Company. Independent Non-Executive Director chairs the committee and it comprised of two Independent Directors, Group Chief Executive Officer and Non-Executive Director.

Committee reviews the policies affecting remuneration of Executives of the Company.

No. of meetings held and attendance of the each Director is given below:

Name of the Director	Status of the Directorship	No. of Meetings Held	No. of Meetings Attended
Mr. H.D.S. Amarasuriya	Non-Executive	1	1
Mr. H.A. Pieris	Non-Executive	1	1
Dr. S. Kelegama	Non-Executive	1	1
Mr. M.P.A. Salgado	Non-Executive	1	1
Mr. R.S. Wijeweera	Executive	1	1

4. Board Nomination Committee

The Committee mainly aims to proposing suitable charters for the appointment and reappointment of Directors to the Board and to act in accordance with such Charter in appointing Directors to the Board.

Non-Executive Director chairs the committee and comprise of three Non-Executive Directors, an Executive Director and the Secretary to the Board acts as the Secretary of the Committee.

Committee reviews the structure, size, Composition and competencies of the Board and makes recommendations to the Board where necessary.

No. of meetings held and attendance of the each Director is given below:

Name of the Director	Status of the Directorship	No. of Meetings Held	No. of Meetings Attended
Mr. H.D.S. Amarasuriya - <i>Chairman</i>	Non-Executive	1	1
Dr. S. Kelegama	Non-Executive	1	1
Mr. H.A. Pieris	Non-Executive	1	1
Mr. R.S. Wijeweera	Executive	1	1
Mr. K.K.L.P. Yatiwella	Secretary to the Board	1	1

Audit Committee Report

Preamble

The Committee is empowered to review and monitor the financial reporting process of Singer Finance (Lanka) PLC so as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective review. As such, the Audit Committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities on ensuring the quality of financial reporting and related communications to the shareholders and the public.

Composition of the Committee

The Board of Directors has established the Audit Committee in accordance with best practices on Audit Committees. As at year end, the Audit Committee comprised of two Independent Non-Executive Directors of the Board namely Mr. J.A. Setukavalar, Mrs. M. Tharmaratnam and two Non-Executive Directors, Dr. Saman Kelegama and Mr. M.P.A. Salgado The Head of Risk Management functions as the Secretary to the Committee. The CEO, Finance Manager/ Compliance Officer, Manager Financial Reporting, Audit Staff, representatives of External Auditors represents the Audit Committee. 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 and internal control risks.

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

The Committee along with the Board, Internal Auditors and external auditors 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, an audit is carried out at least once a year by Corporate Auditors.

The Compliance Officer monitors the Singer Finance (Lanka) PLC compliance with the applicable laws and regulations, including any internal policy Codes of Conduct of its employees. Thus the Committee ensures that a sound financial reporting framework, which is well-monitored to give accurate, appropriate and timely information to the Board of Directors, Management, Regulatory Authorities and shareholders is in place

Internal Audit

The internal audit function of the branches is outsourced to Messrs Ernst & Young and B.R. De Silva Chartered Accountants. The Head Office functions are audited by the Internal audit division of the Parent Company headed by the Head of Risk Management. The Internal Auditors are responsible to review and report on the efficacy of the internal control system and compliance with statutory and other regulations and the Company's accounting and operational policies.

Meetings of the Committee

During the year, nine 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 27th May 2013. The minutes of the meetings were tabled at the meeting of the Board of Directors for information and necessary action.

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company is well-monitored.

External Auditors

The Committee reviewed the non-audit services provided by the Auditors to ensure that the provision of these services do not impair their independence.

The Audit Committee recommended to the Board of Directors that Messrs KPMG Chartered Accountants be reappointed as the External Auditors for the year ending 31st March 2014, subject to the approval of the shareholders at the Annual General Meeting.

Conclusion

Finally, I thank all the members who served on the Audit Committee during the year for their valuable contribution to the deliberations of the Committee



Mr. J.A. Setukavalur

Chairman - Audit Committee

Colombo
30th May 2013

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. The Group Head of Risk Management functions as the secretary to the Committee.

The quorum of the Committee is two members.

The other members of the staff are invited to attend the meeting when the Committee requires their presence.

Meetings and Activities

The Committee met 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 minutes 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 a regular basis through appropriate risk indicators and management information.



Dr. S. Kelegama

Chairman - Integrated Risk Management Committee

Colombo
30th May 2013

Credit Committee Report

Purpose

The Credit Committee (the 'Committee') of Singer Finance (Lanka) PLC (the 'Company'), is responsible for exercising oversight of Senior Management's identification and management of the Company's credit exposures on an enterprise-wide basis and the Company's responses to trends affecting those exposures, and oversight of Management's actions to ensure the adequacy of the allowance for credit losses and the Company's credit-related policies.

Committee's Authority and Responsibilities

In performing its oversight responsibilities as set forth above, the Committee shall oversee Management's establishment of policies and guidelines, to be adopted by the Board, articulating the Company's tolerances with respect to credit risk, and shall oversee management's administration of, and compliance with, these policies and guidelines. The Committee shall oversee Management's establishment of appropriate systems (including policies, procedures and management committees), that support measurement and control of credit risk, and shall periodically review management's strategies, policies and procedures for managing credit risk, including credit quality administration, and the establishment and testing of allowances for credit losses.

The Committee shall oversee management's administration of the Company's credit portfolio, including Management's responses to trends in credit risk, credit concentration and asset quality, and shall receive and review reports from Management regarding compliance with applicable credit risk related policies, procedures and tolerances.

The members of the Committee were:

Mr. M.P.A. Salgado - *Chairman*

Mr. R.S. Wijeweera

Mr. Janaka Mendis

Mr. Thushan Amarasuriya

Mr. Ruwan Jayasuriya - *Secretary*

Mr. Iman Perera

Conclusion

The Committee is of the view that the Company has made progress towards meeting the challenges of credit evaluation and the management of the Company's credit exposures complying with best practices. Finally, I would like to thank all the members who served on the Credit Committee during the year for their valuable contribution to the deliberations of the Committee.

For and on behalf of the Credit Committee,



Mr. M.P.A. Salgado

Chairman - Credit Committee

Colombo

30th May 2013

Remuneration Committee Report

The Remuneration Committee consists of three Non-Executive Directors, Chairman, Group Chief Executive Officer and Chief Executive Officer who is also the Executive Director. The Committee is chaired by a Non-Executive Director. The Group Chief Executive Officer and Chief Executive Officer assist the Committee by providing the relevant information and participating in its analysis and deliberations.

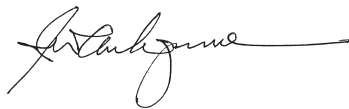
The scope of the Committee is to 'look into fees, remuneration and perquisites of the Chief Executive Officer, Independent Directors, Non-Executive Directors and Executive Director of the Board of the Company including Alternate Directors and approve recommendations made by the Group Chief Executive 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 performance. These compensation packages should provide compensation to commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long-term shareholder returns.

The Committee meets from time to time and reviews the Company's remuneration and fee structures to assure alignment with strategic priorities and with compensation offered by comparative companies. The Committee met once during the relevant period.

I wish to thank and place on record my appreciation of the invaluable services rendered by Mr. Hemaka Amarasuriya and Mr. Asoka Pieris who resigned from the Committee on 30th April 2013 and also thank the other members of the Committee, for their valuable contributions to the deliberations of the Committee.



Dr. S. Kelegama

Chairman - Remuneration Committee

Colombo
30th May 2013

Board Nomination Committee Report

Role of the Committee

The main role and responsibilities of the Committee are to propose a suitable Charter for the appointment and reappointment of Directors to the Board and to act in accordance with such Charter in proposing appointments and reappointments. Such Charter shall cover areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict *vis-à-vis* the business of the Company etc.

Further, the Committee reviews the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and makes recommendations to the Board with regard to any changes if necessary.

Composition and Quorum

During the year, three Non-Executive Directors and the executive director served in the committee with the Secretary to the board being the Secretary to the Committee. Due to the resignation of Mr. H.D.S. Amarasuriya from the board, he ceased to be the Chairman of the Committee, effective 30th April 2013. Also, Mr. H.A. Pieris ceased to be a member of the committee due to his resignation from the Board on 30th April 2013.

Meetings and Activities

The Committee met once during the year under review.

The Committee has nominated Mrs. M. Tharmaratnam to the Board as an Independent Non-Executive Director .

Conclusion

I wish to thank and place on record my appreciation of the invaluable services rendered by my predecessor, Mr. H.D.S. Amarasuriya and Mr. H.A. Pieris who resigned from the Committee on 30th April 2013 and to all the members who served in the Committee during the year for their contribution to the deliberations of the Committee.



Dr. S. Kelegama

Chairman- Board Nomination Committee

Colombo
30th May 2013

Financial Reports

Annual Report of the Board of Directors on the Affairs of the Company	080
Statement of Directors' Responsibility	088
Independent Auditors' Report	089
Statement of Comprehensive Income	090
Statement of Financial Position	091
Statement of Changes in Equity	092
Statement of Cash Flows	093
Notes to the Financial Statements	094

Financial Calendar - 2012/13

Annual Report 2011/12	5th June 2012
Fifth Annual General Meeting	29th June 2012
Final Dividend Payment	25th June 2012

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

1st Quarter

For the three months ended 30th June 2012 (unaudited)	7th August 2012
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2nd Quarter

For the six months ended 30th September 2012 (unaudited)	31st October 2012
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3rd Quarter

For the nine months ended 31st December 2012 (unaudited)	14th February 2013
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4th Quarter

For the twelve months ended 31st March 2013 (unaudited)	13th May 2013
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Annual Report & Annual General Meeting

Annual Report 2012/13 Approved on	30th May 2013
Sixth Annual General Meeting	27th June 2013
Final Dividend Payment	19th June 2013

Proposed Financial Calendar - 2013/14

1st Quarter Results

For the three months period ending 30th June 2013 (unaudited)	August 2013
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2nd Quarter Results

For the six months period ending 30th September 2013 (unaudited)	November 2013
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3rd Quarter Results

For the nine months period ending 31st December 2013 (unaudited)	February 2014
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4th Quarter Results

For the twelve months period ending 31st March 2014 (unaudited)	May 2014
Annual Report and Accounts for 2013/14 (audited)	June 2014
Seventh Annual General Meeting	June 2014

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 2013.

Review of the Year

The Former Chairman's Letter (pages 2 to 5), The Chairman's Letter (pages 6 and 7), the Group Chief Executive Officer's Review (pages 8 to 11), Chief Executive Officer's Review (Pages 12 to 15) and Management Discussion and Analysis (pages 26 to 32), describes 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 33 to 40 elaborates the financial results of the Company. These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

Principal Activities

The principal activities of the Company consist of finance leasing, hire purchase financing, financing of consumer durables under loan schemes, 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.

Independent Auditors Report

The Independent Auditors' Report on the Financial Statements is given on page 89 of this Annual Report.

Financial Statements

The Financial Statements for the year ended 31st March 2013 are the first the Company has prepared in accordance with SLFRS/LKAS, the accounting standards issued by The Institute of Chartered Accountants of Sri Lanka converged with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The Financial Statements are duly signed by the Directors are provided on page 91.

Accounting Policies

The accounting policies resulting from the convergence to accounting standards issued by The Institute of Chartered Accountants of Sri Lanka (SLFRS/LKAS's) are provided in detail in the notes to the Financial Statements on pages 94 to 107.

Property, Plant & Equipment

During the year under review, the Company invested a sum of Rs. 37.9 million (2011/12, Rs. 9.8 million) in Property, Plant & Equipment. Rs. 16.9 million was spent on renovating and upgrading leasehold premises. Further Rs. 5.3 million, Rs. 4.1 million, Rs. 6.9 million and Rs. 4.6 million were spent on purchasing of EDP equipment, furniture & fittings, motor vehicles and office equipment respectively.

Details of Property, Plant & Equipment and their movement is given in Note 18 to the Financial Statements.

Intangible Assets

During the year under review, the Company acquired Rs. 14.2 million worth of software to develop the IT infrastructure of the Company. Total investment in software as at Balance Sheet date was Rs. 41.9 million. Details of intangible assets are given under Note 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' Responsibilities is given on page 88.

Corporate Governance

The Company has complied with Corporate Governance Rules laid down under the Listing Rules of Colombo Stock Exchange and the Finance Companies Corporate Governance Direction No. 3 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No. 4 of 2008 issued by the Central Bank of Sri Lanka. The corporate governance section on pages 56 to 71 describes the good corporate governance principles adopted by the Company.

Profit and Appropriations

	2012/13 Rs.	2011/12 Rs.
Company profit before tax for the year ended 31st March after deducting all expenses, known liabilities and depreciation amounts to	323,391,341	285,739,147
From this has to be deducted the provision for income tax cost	66,856,716	70,057,801
Making a profit after tax for the year of	256,534,625	215,681,346
To this has to be added a balance brought forward from the previous year	246,972,789	118,129,131
Final dividend of Rs. 0.65 per share (2012/13) - (Rs. 0.80 per share in 2011/12)	85,333,333	42,666,667
Direct cost on share issue	4,826,954	—
Leaving a total available for appropriation of	413,347,127	291,143,810
The following appropriations have been proposed:		
Transfer to reserve fund	12,826,700	11,278,000
Transfer to investment fund	29,879,341	32,893,021
Transfer to NIT reserve	570,302	—
Final dividend proposed	85,333,333	42,666,667
Making a total appropriation of	128,609,676	86,837,688
Leaving a balance on Company basis to be carried forward of	370,070,784	246,972,789

Dividends

In terms of Article 7 of the Articles of Association of the Company and in line with Direction No. 1 of 2013 issued by the Central Bank of Sri Lanka, a final dividend of Rs. 0.65 per share has been approved by the Directors for the financial year ended 31st March 2013 for payment on 19th June 2013. 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 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 Equity before appropriation as at 31st March 2013 amounted to Rs. 478.5 million vs Rs. 312.1 million as at 31st March 2012. The break-up and movement are shown in the Statement of Changes in Equity in the Financial Statements.

Stated Capital

As per the terms of the Companies Act No. 07 of 2007, the stated capital of the Company was Rs. 1,445,333,342/- as at 31st March 2013 and Rs. 800,000,005/- as at 31st March 2012. The Company has carried out a rights issue in the month of August 2012 and issued 11 number of ordinary shares for every 20 shares held totaling to 58,666,667 number of shares thus increasing stated capital from Rs. 800,000,005/- to Rs. 1,445,333,342/-. Details and movement of the stated capital are given in Note 24 to the Financial Statements on page 120.

Events Occurring after the Reporting Period

No circumstances have arisen since the Reporting date, which would require adjustment or disclosure except for the following event:

- a. The Board of Directors has approved a final dividend of Rs. 0.65 per ordinary share for the year ended 31st March 2013, for payment on 19th June 2013.

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors' Responsibility on page 88.

Directors Interests and Interest Register

Details of transactions with Director-related entities are disclosed in Note 32 to the Financial Statements on pages 126 to 127 and have been declared at the Board Meetings, pursuant to the Section 192 (2) of the Companies Act No. 07 of 2007.

Interest in Shares

Share transactions by the Directors, in terms of Section 200 of the Companies Act in respect of the Company are as follows:

Name of the Director	Nature of Share Dealings
Mr. H.D.S. Amarasuriya	Purchased 10,000 shares on 25th September 2012 at Rs. 16.20/- per share Purchased 3 shares on 6th August 2012 at Rs. 11/- per share
Mr. H.A. Pieris	Purchased 51,000 shares on 6th August 2012 at Rs. 11/- per share Sold 10,000 shares on 24th August 2012 at Rs. 14/- per share Sold 10,000 shares on 13th September 2012 at Rs. 15/- per share
Mr. M.P.A. Salgado	Purchased 800 shares on 15th May 2012 at Rs. 13.50/- per share Purchased 4,000 shares on 23rd May 2012 at Rs. 13.50/- per share Purchased 43,640 shares on 6th August 2012 at Rs. 11/- per share
Mr. R.S. Wijeweera	Purchased 11,001 shares on 6th August 2012 at Rs. 11/- per share

Board Committees

Audit Committee

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

Mr. J.A. Setukavalar - *Chairman*
Mrs. M. Tharmaratnam (*Appointed w.e.f. 28th September 2012*)
Mr. M.P.A. Salgado (*Appointed w.e.f. 30th April 2013*)
Dr. S. Kelegama (*Resigned w.e.f. 30th April 2013*)
Mr. M.M.C. Priyanjith - *Secretary*

The Report of the Audit Committee on pages 72 and 73 set out the manner of compliance by the Company in accordance with the requirements of Finance Companies (Corporate Governance) Direction No. 3 of 2008 and Finance Companies (Corporate Governance - Amendment) Direction No. 4 of 2008, issued by the Central Bank of Sri Lanka and the Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

Integrated Risk Management Committee

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

Dr. S. Kelegama - *Chairman (Resigned on 30th April 2013)*
Mrs. M. Tharmaratnam - *Chairperson (Appointed on 30th April 2013)*
Mr. J.A. Setukavalur - *(Appointed on 30th April 2013)*
Mr. R.S. Wijeweera
Mr. M.P.A. Salgado
Mr. K.K.L.P. Yatiwella
Mr. M.M.C. Priyanjith - *Secretary*
Mr. T.A. Amarasuriya - *Finance Manager*
Mr. R.I. Jayasuriya - *Credit & Recovery Manager*
Mr. I. Perera - *Business Development Manager*

The Report of the Integrated Risk Management Committee on pages 74 and 75 sets out the manner of compliance by the Company in accordance with the requirements of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No. 04 of 2008 issued by the Central Bank of Sri Lanka.

Remuneration Committee

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

Dr. S. Kelegama - *Chairman (Appointed w.e.f. 30th April 2013)*
Mr. H.D.S. Amarasuriya - *(Resigned w.e.f. 30th April 2013)*
Mrs. M. Tharmaratnam - *(Appointed w.e.f. 30th April 2013)*
Mr. J. Setukavalur - *(Appointed w.e.f. 30th April 2013)*
By invitation Mr. H.A. Pieris
Mr. M.P.A. Salgado - *Secretary*

The Report of the Remuneration Committee on page 77 contains a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the Financial Year are given in Notes 7 and 33 to the Financial Statements on pages 108 and 127.

Board Nomination Committee

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

Mr. H.D.S. Amarasuriya - *Chairman (Resigned w.e.f. 30th April 2013)*
Dr. S. Kelegama - *Chairman*
Mr. H.A. Pieris - *(resigned w.e.f. 30th April 2013)*
Mrs. M. Tharmaratnam - *(Appointed w.e.f. 30th April 2013)*
Mr. J.A. Setukavalur - *(Appointed w.e.f. 30th April 2013)*
Mr. R.S. Wijeweera
Mr. K.K.L.P. Yatiwella - *Secretary*

The Report of the Board Nomination Committee on page 78 sets out the manner of compliance by the Company in accordance with the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and The Securities and Exchange Commission of Sri Lanka.

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 ultimate 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 and record of Share Issue are given on pages 136 to 137 in this Annual Report. Earnings per share, dividend per share, dividend payout and net assets value per share are given in the Financial Highlights of the Annual Report.

Directorate and Shareholdings

The names of Directors of the Company as at 31st March 2013 and their brief profiles are shown on pages 16 to 19 and Inner Back Cover.

In order to comply with the Central Bank Regulation No. 3 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No. 04 of 2008 issued by the Central Bank of Sri Lanka, Mr. H.D.S. Amarasuriya completed maximum eligible period serving as the Chairman and Director of the Company and resigned from the Board with effect from 30th April 2013. The Directors place on record their appreciation for the invaluable service rendered by Mr. H.D.S. Amarasuriya during his tenure as the Chairman and Director of the Company.

In order to comply with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No. 4 of 2008 issued by the Central Bank of Sri Lanka, Mr. H.A. Pieris completed maximum eligible period serving as a Director of the Company and resigned from the Board with effect from 30th April 2013. Directors place on record their appreciation for the invaluable service rendered by Mr. H.A. Pieris during his tenure as a Director of the Company.

In term of Article D24 (1) and D24 (9) of Articles of Association of the Company, Mrs. M. Tharmaratnam was appointed to the Board as an Independent Non-Executive Director with effect from 7th August 2012. She is being recommended for election at the Annual General Meeting to be held on 27th June 2013. Profile of Mrs. M. Tharmaratnam is given on page 16 of this Annual Report.

In term of Article D24 (1) and D24 (9) of Articles of Association of the Company, Mr. J. Kan was appointed to the Board as a Non-Executive Director to fill the casual vacancy created due to the resignation of Mr. H.D.S Amarasuriya. Mr. J. Kan joined the Board on 30th April 2013. He is being recommended for election at the Annual General Meeting to be held on 27th June 2013. Profile of Mr. J. Kan is given on page 17 of this Annual Report.

In term of Article D24 (1) and D24 (9) of Articles of Association of the Company, Mr. M.P.M. Salgado was appointed to the Board as a Non-Executive Director to fill the casual vacancy created due to the resignation of Mr. H.A. Pieris. Mr. M.P.A. Salgado joined the Board on 30th April 2013. He is being recommended for election at the Annual General Meeting to be held on 27th June 2013. Profile of Mr. M.P.M. Salgado is given on page 18 of this Annual Report.

As per the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No. 4 of 2008 issued by the Central Bank of Sri Lanka, Mr John Hyun was reappointed to the Board as a Non-Executive Director with effect from 30th April 2013. He is being recommended for election at the Annual General Meeting to be held on 27th June 2013. Profile of Mr. John Hyun is given on page 17 of this Annual Report.

In terms of Article 24 (4) of the Articles of Association of the Company Mr. G.J. Walker who retires by rotation and being eligible, is recommended for re-election.

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

Name of the Director	Shareholding 31.03.2013 No. of shares	Shareholding 01.04.2012 No. of shares
Mr. H.D.S. Amarasuriya (<i>Resigned w.e.f. 30th April 2013</i>)	10,009	6
Dr. S. Kelegama	–	–
Mrs. M. Tharmaratnam	–	–
Mr. J.A. Setukavalar	–	–
Mr. J. Hyun	–	–
Mr. Gavin Walker	–	–
Mr. H.A. Pieris (<i>Resigned w.e.f. 30th April 2013</i>)	51,002	20,002
Mr. Y.C.J. Kan	–	–
Mr. M.P.A. Salgado	68,442	20,002
Mr. R.S. Wijeweera	31,003	20,002
Mr. S. Ramanathan	–	–
Mr. J. Mendis	42,000	35,700
Mr. P.J. De Silva	45,000	27,700

Senior Independent Director

As per the requirement of Finance Companies (Corporate Governance) Direction No. 03 of 2008 section 7(2), Finance Companies (Corporate Governance Amendment) Direction No. 04 of 2008, Mrs. M. Tharmaratnam was appointed as Senior Independent Director with effect from 30th April 2013.

Employment

The number of persons employed by the Company as at 31st March 2013 was 200 (2011/12 - 155).

Details of human resource initiatives are detailed in the employees' section of the sustainability report.

Independence of Directors

In accordance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, Finance Companies (Corporate Governance Amendment) Direction No. 04 of 2008, Section A 5.4 of Code of Best Practice on Corporate Governance and Rule 7.10.2 (b) of the Colombo Stock Exchange (CSE) Listing Rules, Dr. Saman Kelegama, Mrs. M. Tharmaratnam and Mr. J.A. Setukavalar 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. Saman Kelegama has not met the criteria mentioned in the Finance Companies (Corporate Governance) Direction No. 3 of 2008 Section 4.4 (e), Finance Companies (Corporate Governance Amendment) Direction No. 04 of 2008, Section A 5.5 of Code of Best Practice on Corporate Governance 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 Board Remuneration Committee and Board Nomination Committee of the Company.
- (d) He does not participate in executive decision making

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

Corporate Governance

Director's Declaration

The Directors declare that having considered having all information and explanations made available to them that:

- (a) the Company complied with all applicable laws and regulations in conducting its business;
- (b) the Directors have declared all material Interest in contracts involving the Company and refrained from voting on matters in which they were materially interested;
- (c) the Company has made all endeavours to ensure the equitable treatment of shareholders;
- (d) the business is a going concern with supporting assumptions or qualifications as necessary, and
- (e) have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The Corporate Governance report is given under the governance section of the Annual Report.

Donations

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

Auditors

The Financial Statements for the period under review were audited by Messrs KPMG, Chartered Accountants who offer themselves for re-appointment for the ensuing year. The Directors propose the re-appointment of Messrs KPMG, Chartered Accountants as Auditors of the Company for the year 2013/14.

The audit and non-audit fees paid to the Auditors by the Company is disclosed in Note 7 on page 108 in this Annual Report.

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company.

The Audit Committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditors. Details on the work of the Audit Committee are set out in the Audit Committee Report.

Notice of Meeting

The 6th Annual General Meeting will be held at The Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 7 on Thursday, 27th June 2013 at 10.00 a.m.

The Notice of the Annual General Meeting of the shareholders is given on page 140.

For and on behalf of the Board,



Mrs. M.A. Tharmaratnam
Senior Independent Director



R.S. Wijeweera
Director/CEO



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

Singer Finance (Lanka) PLC
Colombo

30th May 2013

Statement of Directors' Responsibility

The Companies Act No. 07 of 2007 requires Directors to ensure that the Company keeps accounting records, which correctly record and explain the Company's transactions and prepare Financial Statements that give a true and fair view of the state of the Company's affairs as at the Reporting date and of the profit for the year.

The Directors are also required to ensure that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards SLFRS/LKAS, the Directions issued by the Monetary Board of the Central Bank of Sri Lanka, under the Finance Business Act No. 42 of 2011 and the Rules of the Colombo Stock Exchange. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of Internal Controls with a view to the prevention and detection of fraud and other irregularities.

The Directors are of the view that these Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards SLFRS/LKAS as laid down by The Institute of Chartered Accountants of Sri Lanka.

The Directors endeavour to ensure that the Company maintains sufficient records to be able to disclose, with reasonable accuracy, the financial position of the Company and to be able to ensure that the Financial Statements of the Company meet with the requirements of the Companies Act, Sri Lanka Accounting Standards SLFRS/LKAS, the Directions issued by the Monetary Board of the Central Bank of Sri Lanka, Finance Business Act No. 42 of 2011 and the Rules of the Colombo Stock Exchange.

The Directors have a reasonable expectation, that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore, have continued to adopt the going concern basis in preparing the accounts.

As required by Section 56 (2) of the Companies Act Direction No. 01 of 2013 issued by the Central Bank of Sri Lanka and in terms of Article 7 (2) of the Articles of Association of the Company, the Board of Directors have authorised the payment of dividends, being satisfied based on information available to it that the Company would satisfy the Solvency Test after such distributions in accordance with Section 57 of the Companies Act No. 07 of 2007. Accordingly, the Board of Directors has signed the Certificate of Solvency.

Board of Directors has obtained the Certificate of Solvency from the Auditors in respect of the dividends paid. In respect of the authorised final dividend, the Company shall forward to CSE, prior to the date of dispatch of the dividend payment, a certificate by the Auditors to the effect that the Company is able to satisfy the Solvency Test immediately after the distribution.

Messrs KPMG, Chartered Accountants the Auditors of the Company, have examined the Financial Statements made available by the Board of Directors together with all relevant financial records, related data, minutes of Shareholders' and Directors' meetings and express their opinion in their Report on page 89 of the Annual Report.

Compliance Report

Based on the Report of the Compliance Officer, the Directors confirm that to the best of their knowledge and belief, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the Reporting date have been paid, or were provided.

By Order of the Board,



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

Singer Finance (Lanka) PLC
Colombo
30th May 2013

Independent Auditors' Report



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF SINGER FINANCE (LANKA) PLC

We have audited the accompanying financial statements of Singer Finance (Lanka) PLC ("the Company"), which comprise the statement of financial position as at March 31, 2013, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 90 to 132 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 misstatement.

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 March 31, 2013 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2013, and of its financial performance and its cash flow 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.

KPMG

Chartered Accountants
Colombo

30th May 2013

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

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

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

Statement of Comprehensive Income

For the year ended 31st March

	Note	2013 Rs.	2012 (Restated) Rs.
Gross Income	3	1,748,387,742	1,274,897,197
Interest Income	4	1,651,911,547	1,198,741,801
Less: Interest Expense	5	742,013,437	407,774,005
Net Interest Income		909,898,110	790,940,796
Other Income	6	96,476,195	76,182,396
		1,006,374,305	867,123,192
Less - Operating Expenses			
Personnel Cost	7.1	153,413,298	114,935,357
Administrative and Selling Expenses		451,233,132	429,110,633
Operating Profit before Impairment for Loan Losses and Tax		401,727,875	323,077,202
Less: Impairment charges for Loan and Other Losses	7.2	64,641,197	13,205,294
Loan Loss Recoveries		7,212,842	2,462,379
Profit from Ordinary Activities before VAT on Financial Services and Tax	7	344,299,520	312,334,287
Less: Value Added Tax on Financial Services		20,908,179	26,595,140
Profit before Tax		323,391,341	285,739,147
Less: Income Tax Expense	8	66,856,716	70,057,801
Profit for the Year		256,534,625	215,681,346
Other Comprehensive Income		–	–
Total Comprehensive Income		256,534,625	215,681,346
Basic Earnings per Share	9	1.76	2.00
Dividend per Share	25	0.65	0.80

The Notes on pages 94 through 132 form an integral part of these Financial Statements.

Colombo.
30th May 2013

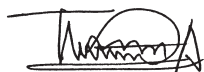
Statement of Financial Position

As at 31st March

	Note	2013 Rs.	2012 Rs. (Restated)	1st April 2011 Rs. (Restated)
ASSETS				
Cash and Cash Equivalents	10	14,630,366	11,199,856	30,083,810
Financial Instruments - Held-to-Maturity	11	338,075,152	263,884,392	181,057,001
Placement with Banks		50,267,123	50,759,452	–
Hire Purchase Receivables	12.1	2,187,555,985	2,313,416,533	1,766,171,208
Lease Rental Receivables	12.2	3,464,663,418	2,469,838,881	722,548,272
Loans and Advances	12.3	916,577,904	1,377,895,268	1,518,695,859
Financial Instruments - Available-for-Sale	13	41,300	41,300	41,300
Inventories	14	–	12,433,200	7,630,990
Other Debtors and Prepayments	15	173,160,868	184,156,357	116,571,571
Deferred Tax Assets	16.1	33,779,901	11,858,450	13,419,719
Income Tax Receivable		–	9,287,866	–
Intangible Assets	17	25,262,484	13,650,479	12,346,158
Property, Plant & Equipment	18	53,460,525	29,554,225	27,992,976
Total Assets		7,257,475,026	6,747,976,259	4,396,558,864
LIABILITIES AND EQUITY				
Liabilities				
Other Financial Liabilities Due to Customers	19	3,318,927,336	2,740,998,093	1,882,620,164
Interest Bearing Loans & Borrowings	20	1,009,275,562	1,223,337,537	81,967,926
Trade & Other Payables	21	293,728,023	359,292,636	224,383,746
Due to Related Companies	22	661,650,852	1,299,855,825	1,187,515,182
Income Tax Liabilities		3,775,505	–	71,394,530
Deferred Tax Liabilities	16.2	34,755,331	4,879,488	3,986,062
Retirement Benefit Obligations	23	11,520,831	7,478,769	5,572,322
Total Liabilities		5,333,633,440	5,635,842,348	3,457,439,632
Equity				
Stated Capital	24	1,445,333,342	800,000,005	800,000,005
Statutory Reserves	26	108,437,460	65,161,117	20,990,096
Retained Earnings		370,070,784	246,972,789	118,129,131
Total Equity		1,923,841,586	1,112,133,911	939,119,232
Total Liabilities & Equity		7,257,475,026	6,747,976,259	4,396,558,864

The Notes on pages 94 through 132 form an integral part of these Financial Statements.

I certify that the Financial Statements of the Company comply with the requirement of the Companies Act No. 07 of 2007.



T.A. Amarasuriya
Chief Financial Officer

The Board of Directors is responsible for the preparation of these Financial Statements.

Signed for on behalf of the Board,



M.A. Tharmaratnam
Director

Colombo
30th May 2013



R.S. Wijeweera
Director/Chief Executive Officer

Statement of Changes in Equity

	Note	Attributable to Equity Holders of the Company					Total Rs.
		Stated Capital Rs.	Reserve Fund Rs.	Investment Fund Rs.	NIT Reserve Fund Rs.	Retained Earnings Rs.	
Balance as at 1st April 2011, as previously reported		800,000,005	16,350,118	4,639,978	–	110,708,818	931,698,919
Effects of Change in Accounting Policy	34	–	–	–	–	10,850,121	10,850,121
Effects of Adjusting Prior Period Errors	34	–	–	–	–	(16,605,899)	(16,605,899)
Balance as at 1st April 2011 - Restated		800,000,005	16,350,118	4,639,978	–	104,953,040	925,943,141
Effects of transition to SLFRS/LKAS	35.3.9	–	–	–	–	13,176,091	13,176,091
Adjusted SLFRS Balance as at 1st April 2011		800,000,000	16,350,118	4,639,978	–	118,129,131	939,119,232
Transferred to/(from) during the Year		–	11,278,000	32,893,021	–	(44,171,021)	–
Transactions with Owners recorded directly in Equity Contributions by and Distributions to Owners							
Dividends	25	–	–	–	–	(42,666,667)	(42,666,667)
Total Transactions with Equity Owners		–	–	–	–	(42,666,667)	(42,666,667)
Total Comprehensive Income for the Year							
Profit for the Year Restated		–	–	–	–	215,681,346	215,681,346
Other Comprehensive Income		–	–	–	–	–	–
Total Comprehensive Income for the Year		–	–	–	–	215,681,346	215,681,346
Balance as at 31st March 2012		800,000,005	27,628,118	37,532,999	–	246,972,789	1,112,133,911
Transferred to/(from) during the year		–	12,826,700	29,879,341	570,302	(43,276,343)	–
Transactions with Owners recorded directly in Equity Contributions by and Distributions to Owners							
Issue of Shares		645,333,337	–	–	–	–	645,333,337
Direct Cost on Right Issue		–	–	–	–	(4,826,954)	(4,826,954)
Dividends	25	–	–	–	–	(85,333,333)	(85,333,333)
Total Transactions with Equity Owners		–	–	–	–	(85,333,333)	(85,333,333)
Total Comprehensive Income for the Year							
Profit for the Year		–	–	–	–	256,534,625	256,534,625
Other Comprehensive Income		–	–	–	–	–	–
Total Comprehensive Income for the Year		–	–	–	–	256,534,625	256,534,625
Balance as at 31st March 2013		1,445,333,342	40,454,818	67,412,340	570,302	370,070,784	1,923,841,586

The Notes on pages 94 through 132 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31st March

	Note	2013 Rs.	2012 (Restated) Rs.
Cash Flows from/(used in) Operating Activities			
Interest Received		1,122,100,972	943,191,406
Interest Payments		(418,986,920)	(315,722,544)
Recoveries on Loans Previously Written-Off		7,212,842	2,462,379
Receipts from Other Operating Activities		198,816,452	171,269,465
Cash Payments to Employees & Suppliers		(543,244,101)	(417,566,427)
Operating Profit before Changes in Operating Assets and Liabilities	A	365,899,245	383,634,279
(Increase)/Decrease in Operating Assets and Liabilities			
Financial Instruments - Held-to-Maturity		(74,190,760)	(82,827,391)
Placements with Banks		492,329	(50,759,452)
Funds Advanced to Customers		(471,481,277)	(2,165,254,726)
Deposits from Customers		577,929,243	858,377,929
Amounts due to Related Companies		(809,855,825)	(377,659,357)
		(777,106,290)	(1,818,122,997)
Cash Generated from/(used in) Operations		(411,207,045)	(1,434,488,718)
Retiring Gratuity Paid		(890,000)	(135,000)
ESC Paid		(3,508,758)	(11,889,064)
Income Tax Paid		(45,838,953)	(148,285,502)
		(50,237,711)	(160,309,566)
Net Cash Generated used in Operating Activities		(461,444,756)	(1,594,798,284)
Cash Flows from/(used in) Investing Activities			
Acquisition of Property, Plant & Equipment		(37,959,316)	(9,831,897)
Proceeds from Disposal of Property, Plant & Equipment		3,465,438	42,274
Incurred on Software Development		(14,202,163)	(2,999,292)
Net Cash Flows used in Investing Activities		(48,696,041)	(12,788,915)
Cash Flows from/(used in) Financing Activities			
Proceeds from Issuance of Rights		645,333,337	–
Direct Cost on Right Issue		(4,826,954)	–
Cash Inflows from Interest-Bearing Loans and Borrowings		172,100,000	975,000,000
Cash Inflows from Interest-Bearing Loans - Related Party		1,423,000,000	490,000,000
Re-payment of Interest-Bearing Loans and Borrowings		(323,596,379)	(70,429,196)
Re-payment of Interest-Bearing Loans - Related Party		(1,251,349,148)	–
Dividends Paid		(84,523,953)	(42,666,667)
Net Cash Flows from Financing Activities		576,136,903	1,351,904,137
Net Increase in Cash and Cash Equivalents		65,996,106	(255,683,062)
Cash and Cash Equivalents at the beginning of the Year		(282,140,204)	(26,457,142)
Cash and Cash Equivalents at the end of the Year	10	(216,144,098)	(282,140,204)
A. Reconciliation of Profit before Tax with Cash Inflow from Operating Activities			
Profit before Income Tax		323,391,341	285,739,147
Depreciation/Amortisation		14,064,084	9,928,489
Provision for Define Benefit Plans - Gratuity		4,932,062	2,041,447
(Profit)/Loss on sale of Property, Plant & Equipment		(886,347)	(5,145)
Impairment for Loan Losses		64,641,197	13,205,294
(Increase)/Decrease in Inventory		12,433,200	(4,802,211)
(Increase)/Decrease in Other Receivables		8,697,701	(57,381,632)
Increase/(Decrease) in Other Payables		(66,373,993)	134,908,890
		365,899,245	383,634,279

The Notes on pages 94 through 132 form an integral part of these Financial Statements.

Notes to the 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. 80, Nawam Mawatha, Colombo 2, and the principal place of business is situated at the above address.

1.1.2 Principal Activities and Nature of Operations

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 fixed deposits.

In addition to the above, the Company launched a savings product for children under the name 'Singer Muthu' during the year under operation.

1.1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Singer (Sri Lanka) PLC.

The Company's ultimate parent undertaking and controlling party is Retail Holdings NV, which is incorporated in the Netherlands, Antilles.

1.1.4 Number of Employees

The number of employees of the Company as at the end of the year was 200 (2011/12 - 155).

1.1.5 Date of Authorisation for Issue

The Financial Statements of Singer Finance (Lanka) PLC for the year ended 31st March 2013 were authorised for issue by the Board of Directors on 30th May 2013.

1.2 Basis of Preparation

1.2.1 Statement of Compliance

The Financial Statements have been prepared in compliance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS) 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.

These are the Company's first Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS), with the application of SLFRS 1 - First-time Adoption of Sri Lanka Accounting Standards.

The Statement of Financial Position as at 1st April 2011 (date of transition to SLFRS) and 31st March 2012, the Statements of Income, Comprehensive Income, Changes in Equity and the Cash Flows for the year ended 31st March 2012, were retrospectively prepared based on the Sri Lanka Accounting Standards (SLFRS) effective from 1st January 2012 as required by SLFRS 1 - First-time Adoption of Sri Lanka Accounting Standards.

The effect of the transition to SLFRS on previously reported financial positions, financial performances and cash flows of the Company is given in Note 35 to the Financial Statements.

1.2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for certain investments, and are measured at fair value and Defined Benefit Plans which are measured at the present value of the Retirement Benefit Obligations as explained in the respective Notes to the Financial Statements.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods effected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes:

- Note 23 - Measurement of retirement benefit obligations
- Note 30 - Commitments and Contingencies

**1.2.5
Changes in
Accounting Policies**

**Revenue Recognition -
Service Fee**

The Company changed its method of recognising service fee income on hire purchase, lease transactions and Loans from deferring and amortising over the period of contract, to recognising the Income upfront when the Company enters in to contract keeping in line with LKAS 18.

In accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, Service Fee recognised as Income in the Statement of Comprehensive Income for the current period is Rs. 1.9 million and the periods prior are restated accordingly.

**2. Significant
Accounting Policies**

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements and in preparing the opening SLFRS Statement of Financial Position at 1st April 2011 for the purpose of the transition to SLFRS, unless otherwise indicated. The accounting policies used are consistent with those used in the previous year, except as explained in Note 34, which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform to the current year's presentation.

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

**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 re-translated using the exchange rates as at the dates of the initial transactions. Foreign exchange differences arising on translation are recognised in profit or loss.

2.2 Property, Plant & Equipment

Items of Property, Plant & Equipment are measured at costless accumulated depreciation and impairment losses.

2.2.1 Cost and Valuations

Cost includes expenditure directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of Property, Plant & Equipment have different useful lives, they are accounted for as separate component of Property, Plant & Equipment.

All items of Property, Plant & Equipment are initially recognised at cost. A revaluation is carried out when there is a substantial difference between the fair value and the carrying amount of the property, and is undertaken by professionally qualified valuers. When items of Property, Plant & 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 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 or loss.

2.2.2 Subsequent Costs

The cost of replacing part of an item of Property, Plant & Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of Property, Plant & Equipment are recognised in profit or loss as incurred.

2.2.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of Property, Plant & Equipment.

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.

2.2.4 Derecognition

An item of Property, Plant & Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses arising on derecognition of the asset are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant & Equipment and are recognised net within 'Other Income' in profit or loss.

2.3 Intangible Assets

An intangible asset is recognised if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

2.3.1 Subsequent Expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied in that part will flow to the Company and its cost can be measured reliably. All other expenditure is recognised in profit or loss as incurred.

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 Reporting date. 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 or 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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.4 Financial Instruments

2.4.1 Non-derivative Financial Assets

The Company recognises a financial asset or financial liabilities in its Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or a liability (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial asset or liability, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Company has following non-derivative financial assets: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

**2.4.1.1
Loans and
Receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of HP and lease receivable, and loans to customers and staff.

**2.4.1.2
Held to Maturity
Financial Assets**

A non-derivative financial asset with fixed or determinable payments with fixed maturity where the Company intends to hold-to-maturity is classified under this category.

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise of Treasury Bills and Bonds.

**2.4.1.3
Available-for-Sale
Financial Assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities .

**2.4.1.4
Cash and
Cash Equivalents**

Cash and cash equivalents comprise 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.

**2.4.1.5
Derecognition of
Financial Assets**

The Company derecognises a financial asset when the rights to receive cash flows from the asset have expired or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor substantially all risks and rewards of ownership and it does not retain control of the financial asset.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.4.2 Non-Derivative Financial Liabilities

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise financial liabilities due to customers, interest-bearing borrowings, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

2.4.2.1 Derecognition of Financial Liability

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset or settle the liability simultaneously.

2.4.3 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.4.4 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments and any impairment and plus/minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

2.4.5 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

2.4.6
Impairment

2.4.6.1
Impairment of
Non-derivative Financial Assets

Financial assets other than those measured at fair value are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash from the asset have been affected.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

*(a) Impairment Losses on Financial
Assets carried at Amortised Cost*

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*(b) Impairment Losses on
Available-for-Sale Financial Assets*

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

2.4.6.2
Impairment of
Non-Financial Assets

The carrying amount of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.5 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.

2.6 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2.6.1 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Company are disclosed in the respective Notes to the Financial Statements.

2.7 Employee Benefits

2.7.1 Defined Benefit Plan

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 LKAS 19 - Employee Benefits.

The actuarial valuation involves making assumptions about discount rates, salary increment rate, 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.

All actuarial gains and losses arising from defined benefit plans are recognised immediately in profit or loss.

2.7.2 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 the 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.

2.7.3
Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

2.8 Discontinued Operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held-for-sale, or is a subsidiary acquired with a view to resale. Classification as discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative Statement of Comprehensive Income is represented as if the operation had been discontinued from the start of the comparative period.

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 returns, trade discounts and turnover taxes. The following specific criteria are used for the purpose of recognition of revenue:

2.9.1.1
Hire Purchase, Lease and Loans & Advances

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 revenue as it is earned, using the effective interest rate method.

(a) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Statement of Comprehensive Income includes:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- Interest on available-for-sale financial instruments calculated on an effective interest basis

<i>(b) Fees and Commission</i>	<p>Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.</p> <p>Other fees and commission income, including account servicing fees, are recognised as the related services are performed.</p> <p>Other fees and commission expense relate mainly to transactions and service fees, which are expensed as the services are received.</p>
<i>(c) Dividends</i>	<p>Dividend income is recognised when the right to receive income is established.</p>
<i>(d) Others</i>	<p>Other income is recognised on an accrual basis.</p>
<p>2.9.2 Expenditure Recognition</p>	<p>(a) Expenses are recognised in profit or 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 maintaining the Property, Plant & Equipment in a state of efficiency has been charged to comprehensive income in arriving at the profit for the year.</p> <p>(b) For the purpose of presentation of the Statement of Comprehensive Income, the Directors are of the opinion that 'function of expenses method' presents fairly the elements of the Company's performance and hence such presentation method is adopted.</p>
Lease Payments	<p>Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.</p>
<p>2.9.3 Taxation</p>	<p>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, or in other comprehensive income.</p>
<p>2.9.3.1 Current Taxes</p>	<p>The current 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. Current tax payable also includes any tax liability arising from the declaration of dividends.</p>
<p>2.9.3.2 Deferred Taxation</p>	<p>Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.</p> <p>The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.</p> <p>Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax laws that have been enacted or substantively enacted by the reporting date.</p>

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.9.4 Borrowing Costs

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

2.10 Events After the Reporting Period

All material events after the reporting date have been considered and where necessary adjustments made in these Financial Statements.

2.11 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.

2.12 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions regarding resources to be allocated to the segments and to assess its performance and for which discrete finance information is available. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire Property, Plant & Equipment and intangible assets other than goodwill. Segment information is presented in the respective Notes to the Financial Statements.

2.13 Cash Flow Statement

The cash flow statement has been prepared using the direct method.

2.14 First-Time Adoption of SLFRS/LKAS

The Financial Statements, for the year ended 31st March 2013, are the first Financial Statements prepared in accordance with SLFRS/LKAS. For period up to and including the year ended 31st March 2012, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS) that existed immediately prior to 1st January 2012.

2.14.1 The Company has applied the Following Mandatory Exceptions: Significant Accounting Judgement, Estimates and Assumptions

Significant accounting judgment, estimates and assumptions at 1st April 2011 and at 31st March 2012 are consistent with those made for the same dates in accordance with SLAS effective up to 31st March 2012 (after adjustment to reflect any difference in accounting policies).

The estimates used by the Company to present these amounts in accordance with SLFRS/LKAS effective from 1st April 2012 reflect conditions at 1st April 2011, the date of transition to SLFRS/LKAS and as of 31st March 2012

2.14.2
Explanations for
Transition to SLFRS/LKASs

In preparing SLFRS/LKAS Statement of Financial Position for previously reported financial periods, required adjustments have been made, in accordance with the respective SLFRS/LKAS. The effect of the transition from SLAS to SLFRS/LKASs has been presented in the reconciling statements and accompanying notes the material reconciliation items.

2.15 New Accounting
Standards Issued
but Not yet Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these Financial Statements. The Company expects that these standards when applied will have substantial impact to the financial performance, financial position and disclosures. The Company will be adopting these standards when they become effective.

SLFRS 9 - Financial Instruments
SLFRS 13 - Fair Value Measurement

2.16 Determination of
Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

2.16.1
Non-derivative
Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated, based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements

2.17 Financial Risk
Management

2.17.1
Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these Financial Statements.

**2.17.2
Risk Management
Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Directors are assisted in their oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Directors.

**2.17.3
Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables.

2.17.3.1 Treasury Bills

The Company invests not less than 7.5% of the public deposits in Treasury Bills to comply with the Central Bank of Sri Lanka Direction No. 1 of 2009.

**2.17.3.2 Loans and Advances
to Customers**

The Company's exposure to credit risk relates to sale of products on installment credit/hire purchase which is an integral part of the business of the Company.

The Company's exposure to credit risk on instalment credit/hire purchase contracts is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base has a lesser influence on credit risk. Geographically, there is no concentration of credit risk. Goods are sold, subject to collateral undertakings so that in the event of non-payment, the Company can have a secured claim.

The company assesses the impairment for Loans and Advances to customers on collective basis. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of losses incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data. Default rates, loss rates and expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

**2.17.4
Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**2.17.5
Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, Government duties and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

2.17.6
Interest Rate Risk

Interest Rate Risk is the risk to which the Company is exposed to due to uncertain and adverse movements in future interest rates. Interest rate risk is monitored through regular review of net interest yields by product to ensure interest rate margins and spreads are maintained and revisiting asset and liability pricing in line with the expectations on the interest yield curve. Further, Company manages the interest rate risk on borrowings by using a combination of fixed and floating rates.

2.17.7
Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from operations of the Company.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Company. This responsibility is supported by the development of Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, senior management of the Company and the Board of Directors.

3. Income**3.1 Summary**

Gross Income	1,748,387,742	1,274,897,197
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3.2 Analysis of Gross Income

Interest Income (Note 4)	1,651,911,547	1,198,714,801
Other Income (Note 6)	96,476,195	76,182,396
	1,748,387,742	1,274,897,197

4. Interest Income

Interest Income on Hire Purchase	476,583,851	430,972,339
Interest Income on Lease	660,319,243	307,556,922
Interest Income on Loans	434,463,282	413,651,227
Over Due Interest	80,545,171	46,534,313
	1,651,911,547	1,198,714,801

5. Interest Expense

Interest on Other Financial Liabilities Due to Customers	415,415,804	278,943,923
Interest on Bank Loans	134,584,809	41,188,457
Interest on Commercial Papers	17,377,277	–
Interest on Inter Company Payable	157,255,467	72,373,795
Interest on Bank Overdrafts	17,380,080	15,267,830
	742,013,437	407,774,005

6. Other Income

Commission Income	3,298,991	3,067,611
Income on Financial Instruments - Held-to-Maturity	35,955,854	20,952,224
Interest Income on Placements with Banks	7,166,570	759,452
Service Charge	23,485,606	27,677,151
Insurance Commission	13,714,904	10,769,579
Gain on disposal of Property, Plant & Equipment	886,347	5,145
Others	11,967,923	12,951,234
	96,476,195	76,182,396

7. Profit from Ordinary Activities before VAT on Financial Services and Tax

Stated after charging all expenses including the following:

Directors' Emoluments	10,740,895	12,049,699
Auditors' Remuneration - Statutory Audit	625,000	375,436
- Audit - Related Services	570,900	65,688
- Non-Audit Services	821,946	453,602
Amortisation of Intangible Assets	2,590,159	1,694,971
Depreciation on Property, Plant & Equipment	11,473,925	8,233,518
Legal Expense	2,609,779	1,036,655
Personnel Costs (Note 7.1)	153,413,298	114,935,357
Operating Lease Rentals	22,662,350	19,543,223

	2013 Rs.	2012 Rs.
7.1 Personnel Costs		
Staff Cost	136,751,326	104,690,966
Defined Benefit Plan Costs - Retiring Gratuity	4,932,062	2,041,447
Defined Contribution Plan Costs - EPF and ETF	11,729,910	8,202,944
	153,413,298	114,935,357
7.2 Impairment Charge for Loan and Other Losses		
Impairment Charge on Hire Purchase Receivable	16,627,562	2,456,630
Impairment Charge on Lease Receivable	34,026,052	2,090,788
Impairment Charge on Loans and Advances	13,181,037	6,971,966
Impairment Charge on Other Receivable	806,546	1,685,910
	64,641,197	13,205,294
8. Income Tax Expense		
Current Year Income Tax Expense		
Current Year Income Tax Expense on Ordinary Activities - (Note 8.1)	58,905,742	67,582,823
(Over)/Under Provision of Taxes in respect of previous year	(3,418)	20,283
	58,902,324	67,603,106
Deferred Tax		
Expense (Note 8.2)	7,954,392	2,454,695
	66,856,716	70,057,801
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	323,391,341	285,739,147
Aggregate Disallowable Expenses	954,770,329	658,101,751
Aggregate Tax Deductible Expenses	(1,067,784,019)	(702,473,674)
Taxable Profit	210,377,651	241,367,224
Income Tax at 28%	58,905,742	67,582,823
Current Income Tax Expense	58,905,742	67,582,823
8.2 Deferred Tax Expense/(Income)		
Deferred Tax Expense arising due to Origination/(Reversal) of Temporary Differences (Note 16.1 and 16.2)	7,954,392	2,454,695
	7,954,392	2,454,695

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.

For the year ended 31st March

	2013 Rs.	2012 Rs.
Amount Used as the Numerator		
Net Profit Attributable to Equity Holders of the Company	256,534,625	215,681,346
Number of Ordinary Shares Used as the Denominator		
Weighted Average Number of Ordinary Shares in Issue (Note 9.1)	146,115,915	107,681,076
Basic Earnings per Share	1.76	2.00

9.1 Weighted Average Number of Ordinary Shares

Issued Ordinary Shares at the beginning of the Year	106,666,667	106,666,667
Effect of Rights issued in August 2012	39,449,248	1,014,409
Number of Ordinary Shares at the end of the Year	146,115,915	107,681,076
Weighted Average Number of Ordinary Shares at the end of the Year	146,115,915	107,681,076

10. Cash and Cash Equivalents

Components of Cash & Cash Equivalents

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
10.1 Favourable Cash & Cash Equivalent Balances			
Cash in Hand	1,232,117	812,159	560,613
Balances with Banks	13,398,249	10,387,697	29,523,197
Total	14,630,366	11,199,856	30,083,810
10.2 Unfavourable Cash & Cash Equivalent Balances			
Bank Overdrafts (Note 20)	(230,774,464)	(293,340,060)	(56,540,953)
Total Cash & Cash Equivalents for the Purpose of Cash Flow Statement	(216,144,098)	(282,140,204)	(26,457,143)

11. Financial Instruments - Held-to-Maturity

Investment in Treasury Bills	338,075,152	263,884,392	181,057,001
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12. Loans and Receivables from Customers

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
12.1 Hire Purchase Receivables			
Rentals Receivable	2,944,040,144	3,045,564,419	2,341,606,327
Unearned Interest Income	(745,707,684)	(729,122,494)	(569,115,468)
	2,198,332,460	2,316,441,925	1,772,490,859
Allowance for Impairment on Hire Purchase Receivables (Note 12.1.4)	(10,564,253)	(2,794,892)	(5,932,093)
Rentals Received in Advance	(212,222)	(230,500)	(387,558)
Net Receivables	2,187,555,985	2,313,416,533	1,766,171,208

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
12.1.1 Hire Purchase Rentals Receivable within One Year from Reporting Date			
Rentals Receivable	1,245,305,410	1,198,886,457	964,912,071
Unearned Interest Income	(396,096,956)	(383,018,000)	(329,645,794)
Rentals Received in Advance	(212,222)	–	(157,058)
Allowance for Impairment on Hire Purchase Receivables	(9,502,221)	(2,770,329)	(3,780,929)
	839,494,011	813,098,127	631,328,290
12.1.2 Hire Purchase Rentals Receivable after One Year but before Five Years from Reporting Date			
Rentals Receivable	1,698,631,311	1,846,505,378	1,376,694,256
Unearned Interest Income	(349,608,583)	(346,100,866)	(239,469,674)
Rentals Received in Advance	–	(230,500)	(230,500)
Allowance for Impairment on Hire Purchase Receivables	(1,062,032)	(24,563)	(2,151,164)
	1,347,960,696	1,500,149,450	1,134,842,918
12.1.3 Hire Purchase Rentals Receivable after Five Years from Reporting date			
Rentals Receivable	103,423	172,584	–
Unearned Interest Income	(2,145)	(3,628)	–
	101,278	168,956	–
12.1.4 Movement in Allowance for Impairment on Hire Purchase Receivables			
Balance at the beginning of the Year	2,794,892	5,932,093	5,130,047
Charge for the Year	17,776,878	3,385,699	5,294,265
Reversals during the Year	(1,149,316)	(929,069)	(663,319)
Written-off during the Year	(8,858,201)	(5,593,831)	(3,828,900)
	10,564,253	2,794,892	5,932,093
12.2 Lease Rentals Receivable			
Rentals Receivable	4,838,716,679	3,397,493,529	985,545,563
Unearned Lease Interest Income	(1,345,655,905)	(924,152,496)	(255,990,182)
	3,493,060,774	2,473,341,033	729,555,381
Allowance for Impairment on Lease Rentals Receivables (Note 12.2.4)	(27,218,986)	(2,308,505)	(5,564,535)
Rentals Received in Advance	(1,178,370)	(1,193,647)	(1,442,574)
Net Receivables	3,464,663,418	2,469,838,881	722,548,272

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
12.2.1 Lease Rentals Receivable within One Year from the Reporting Date			
Rentals Receivable	1,815,422,641	1,164,965,811	404,499,637
Unearned Interest Income	(675,014,908)	(444,743,104)	(142,794,797)
Rentals Received in Advance	(1,178,370)	(166,499)	(718,491)
Allowance for Impairment on Lease Rentals Receivables	(24,716,440)	(2,289,663)	(3,950,674)
	1,114,512,923	717,766,545	257,035,675
12.2.2 Lease Rentals Receivable after One Year but before Five Years from the Reporting Date			
Rentals Receivable	3,022,488,374	2,231,802,620	581,045,926
Unearned Interest Income	(670,615,932)	(479,395,605)	(113,195,385)
Rentals Received in Advance	–	(1,027,148)	(724,083)
Allowance for Impairment on Lease Rentals Receivables	(2,502,546)	(18,842)	(1,613,861)
	2,349,369,896	1,751,361,025	465,512,597
12.2.3 Lease Rentals Receivable after Five Years from Reporting date			
Rentals Receivable	805,664	725,098	–
Unearned Interest Income	(25,065)	(13,787)	–
	780,599	711,311	–
12.2.4 Movement in Allowance for Impairment on Lease Rentals Receivables			
Balance at the beginning of the Year	2,308,505	5,564,535	6,346,766
Charge for the Year	35,338,394	2,765,338	3,784,608
Reversal during the Year	(1,312,342)	(674,550)	(484,148)
Written-off during the Year	(9,115,571)	(5,346,818)	(4,082,691)
	27,218,986	2,308,505	5,564,535
12.3. Loans and Advances			
Loans and Advances Receivable	1,049,242,214	1,606,393,751	1,750,398,197
Unearned Loan Interest Income	(187,481,330)	(266,499,871)	(267,933,822)
Receivables on Loans against Fixed Deposits	75,816,594	50,042,134	45,510,864
Net Receivable	937,577,478	1,389,936,014	1,527,975,239
Allowance for Impairment on Loans and Advances (Note 12.3.4)	(20,999,574)	(12,030,041)	(9,141,764)
Rentals Received in Advance	–	(10,705)	(137,616)
Net Receivables	916,577,904	1,377,895,268	1,518,695,859

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
12.3.1 Loans and Advances Receivable within One Year from the Reporting Date			
Loans and Advances Receivable	901,363,788	1,416,132,879	1,583,272,426
Receivables on Loans against Fixed Deposits	75,816,594	50,042,134	45,510,864
Unearned Interest Income	(160,039,465)	(231,196,571)	(247,661,184)
Rentals received in Advance	–	(10,705)	(126,911)
Allowance for Impairment on Loans and Advances	(17,791,182)	(9,562,004)	(8,253,314)
	799,349,735	1,225,405,733	1,372,741,881
12.3.2 Loans and Advances Receivable after One Year but before Five Years from the Reporting Date			
Loans and Advances Receivable	146,522,880	188,210,435	167,125,771
Unearned Interest Income	(27,376,879)	(34,897,377)	(20,272,638)
Rentals Received in Advance	–	–	(10,705)
Allowance for Impairment on Loans and Advances	(3,208,392)	(2,468,037)	(888,450)
	115,937,609	150,845,022	145,953,978
12.3.3 Loans and Advances Receivable after Five Years from Reporting Date			
Loans and Advances Receivable	1,355,546	2,050,437	–
Unearned Interest Income	64,986	(405,923)	–
	1,290,560	1,644,513	–
12.3.4 Movement in Allowance for Impairment on Loans & Advances			
Balance at the beginning of the Year	12,030,041	9,141,764	29,977,308
Charge for the Year	15,671,168	13,562,604	8,706,092
Reversals during the Year	(2,490,131)	(6,590,638)	(18,273,705)
Written-off during the Year	(4,211,504)	(4,083,689)	(11,267,931)
	20,999,574	12,030,041	9,141,764
12.4 Allowance for Impairment			
12.4.1 Movement in Allowance for Impairment			
Balance at the beginning of the Year	20,169,573	21,988,617	42,854,190
Charge for the Year	72,242,377	21,399,551	17,784,812
Reversals during the Year	(7,601,180)	(8,194,257)	(19,471,018)
Written-off during the Year	(22,185,276)	(15,024,338)	(19,179,367)
	62,625,494	20,169,573	21,988,617
12.4.2 Allowance for Impairment consist of Provisioning Against			
Lease Receivable	27,218,986	2,308,505	5,564,535
Hire Purchase Receivables	10,564,253	2,794,892	5,932,093
Loans and Advances	20,999,574	12,030,041	9,141,764
Others	3,842,681	3,036,135	1,350,225
	62,625,494	20,169,573	21,988,617

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:

	2013 Rs. '000	%	2012 Rs. '000	%	2011 Rs. '000	%
Agriculture	1,131,937	17.3	674,998	11.0	309,806	7.8
Tourism	33,648	0.5	39,328	0.6	29,761	0.7
Transport	1,073,547	16.4	278,777	4.5	52,304	1.3
Construction	41,053	0.6	40,678	0.7	16,265	0.4
Services	1,081,009	16.5	807,161	13.1	172,269	4.3
Individual	3,207,603	48.7	4,320,209	70.1	3,427,011	85.5
	6,568,797	100.0	6,161,151	100.0	4,007,415	100.0

	2013 No. of Ordinary Shares	Cost of Investment Rs.	2012 No. of Ordinary Shares	Cost of Investment Rs.	1st April 2011 No. of Ordinary Shares	Cost of Investment Rs.
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13. Financial Instruments - Available-For-Sale

Non-Quoted

Credit Information Bureau of Sri Lanka	100	41,300	100	41,300	100	41,300
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14. Inventories

Trading Vehicle Stock	–	12,433,200	7,630,990
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15. Other Debtors and Prepayments

Loans to Employees (Note 15.1)	31,774,572	28,800,765	19,234,827
VAT Receivables	58,120,565	82,267,383	37,945,868
Notional Tax Receivable	3,585,829	2,092,507	4,552,536
ESC Receivable	–	9,194,944	11,357,765
Financial Vat Receivable	–	7,110,740	–
Prepayments	53,476,607	31,882,913	13,276,586
Insurance Receivable	22,184,993	19,952,932	15,062,285
Advances and Other Receivables	7,860,983	5,890,308	16,491,929
Allowance for Impairment - Other Receivables	(3,842,681)	(3,036,135)	(1,350,225)
	173,160,868	184,156,357	116,571,571

15.1 Loans to Employees

Balance at the beginning of the year	28,800,765	19,234,827	19,034,547
Loans granted during the year	16,638,000	26,850,000	15,680,000
Loan recoveries during the Period	(13,664,193)	(17,284,062)	(15,479,720)
Balance at the end of the Period	31,774,572	28,800,765	19,234,827
Due within one Year	5,695,354	8,458,311	5,877,165
Due after one Year	26,079,218	20,342,454	13,357,662

As at

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
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16. Deferred Tax Assets & Liabilities

16.1 Deferred Tax Assets

Balance as at the beginning of the Year	11,858,450	13,419,719	8,581,480
Adjustment due to Change in Tax Rate - Recognised in Statement of Comprehensive Income	–	–	(2,556,137)
Origination & Reversal of Temporary Differences - Recognised in Statement of Comprehensive Income	21,921,451	(1,561,269)	7,394,376
Balance as at the end of the Year	33,779,901	11,858,450	13,419,719

16.2 Deferred Tax Liabilities

Balance as at the beginning of the Year	4,879,488	3,986,062	2,904,380
Adjustment due to Change in Tax Rate - Recognised in Statement of Comprehensive Income	–	–	(759,250)
Origination & Reversal of Temporary Differences - Recognised in Statement of Comprehensive Income	29,875,843	893,426	1,840,932
Balance as at the end of the Year	34,755,331	4,879,488	3,986,062

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.

16.4 Composition of Deferred Tax

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:

	2013		2012		1st April 2011	
	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.
Property, Plant & Equipment	–	2,845,694	–	1,057,354	–	767,720
Intangible Assets	–	5,434,666	–	3,822,134	–	3,218,342
Retirement Benefit Obligation	3,225,833	–	2,094,055	–	1,560,250	–
Brought forward Losses from Leasing Business	30,554,068	–	–	–	–	–
Finance Lease Rental Receivables	–	26,474,971	9,764,395	–	11,859,469	–
	33,779,901	34,755,331	11,858,450	4,879,488	13,419,719	3,986,062
Net Deferred Tax		975,430		6,978,962		9,433,657

	Balance as at 01st Apr 2011 Rs.	Additions/ Transfers/ Acquisitions Rs.	Balance as at 31st Mar 2012 Rs.	Additions/ Transfers/ Acquisitions Rs.	Balance as at 31st Mar 2013 Rs.
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17. Intangible Assets

17.1 Gross Carrying Amount

At Cost

EDP Software	24,751,327	2,999,292	27,750,619	14,202,163	41,952,782
	24,751,327	2,999,292	27,750,619	14,202,163	41,952,782

17.2 Accumulated Amortisation

EDP Software	(12,405,169)	(1,694,971)	(14,100,140)	(2,590,158)	(16,690,298)
	(12,405,169)	(1,694,971)	(14,100,140)	(2,590,158)	(16,690,298)

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
17.3 Carrying Amount			
At Cost	25,262,484	13,650,479	12,346,158
Total Carrying Amount of EDP Software	25,262,484	13,650,479	12,346,158

17.4 During the financial year, the Company acquired Software to the aggregated value of Rs. 14,202,163/- (2011/12 - Rs. 2,999,292/-).

17.5 There are no fully amortised assets in gross carrying amount in 2012/13 - (2011/12 - Nil).

	Balance as at 1st April 2011 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposal/ Transfers Rs.	Balance as at 31st Mar 2012 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposal/ Transfers Rs.	Balance as at 31st Mar 2013 Rs.
18. Property, Plant & Equipment							
18.1 Gross Carrying Amounts							
At Cost							
Improvement on Leasehold Premises	25,348,257	4,695,560	–	30,043,817	16,982,723	–	47,026,540
Equipment	4,659,062	1,488,066	–	6,147,128	4,552,626	(108,231)	10,591,523
EDP Equipment	10,866,540	1,838,818	–	12,705,358	5,271,385	–	17,976,743
Motor Vehicles	3,801,026	–	–	3,801,026	6,980,000	(3,801,026)	6,980,000
Furniture & Fittings	7,403,253	1,809,453	(56,400)	9,156,306	4,172,582	–	13,328,888
Total Gross Carrying Amount	52,078,138	9,831,897	(56,400)	61,853,635	37,959,316	(3,909,257)	95,903,694

18.2 Accumulated Depreciation

Improvement on Leasehold Premises	(12,549,482)	(4,755,188)	–	(17,304,670)	(6,542,713)	–	(23,847,383)
Equipment	(1,816,677)	(532,660)	–	(2,349,337)	(839,225)	69,448	(3,119,114)
EDP Equipment	(6,497,579)	(1,757,595)	–	(8,255,174)	(2,188,029)	–	(10,443,203)
Motor Vehicles	(870,496)	(360,205)	–	(1,230,701)	(759,684)	1,260,718	(729,667)
Furniture & Fittings	(2,350,928)	(827,870)	19,270	(3,159,528)	(1,144,274)	–	(4,303,802)
Total Depreciation and Impairment Losses	(24,085,162)	(8,233,518)	19,270	(32,299,410)	(11,473,925)	1,330,166	(42,443,169)

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
18.3 Carrying Amounts			
Improvement on Leasehold Premises	23,179,157	12,739,147	12,798,775
Equipment	7,472,409	3,797,791	2,842,385
EDP Equipment	7,533,540	4,450,184	4,368,961
Motor Vehicles	6,250,333	2,570,325	2,930,530
Furniture & Fittings	9,025,086	5,996,778	5,052,325
Total Carrying Amount of Property, Plant & Equipment	53,460,525	29,554,225	27,992,976

18.4 During the financial year, the Company acquired Property, Plant & Equipment to the aggregated value of Rs. 37,959,316/- (2011/12 - Rs. 9,831,897/-).

18.5 Property, Plant & Equipment included fully-depreciated assets having a gross carrying amount of Rs. 16,081,509/- (2011/12 - Rs. 6,328,902/-).

18.6 Depreciation charges for the year Rs. 11,473,925/- (2011/12 - Rs. 8,233,518/-) is included in Administration and Selling Expenses of the Income Statement.

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
19. Other Financial Liabilities Due to Customers			
Fixed Deposits at Amortised Cost			
Balance at the beginning of the Year	2,740,998,093	1,882,620,164	1,518,043,087
New Deposits	1,343,599,806	1,441,040,015	836,267,912
Capitalisation of Interest	169,942,173	119,447,604	154,601,092
	4,254,540,072	3,443,107,783	2,508,912,091
Repaid Deposits	(935,612,736)	(702,109,690)	(626,291,927)
Balance at the end of the Year	3,318,927,336	2,740,998,093	1,882,620,164
1 to 90 Days	1,005,762,768	766,232,382	560,044,840
91 to 365 Days	1,632,898,651	1,520,917,631	1,027,773,066
More than 365 Days	680,265,917	453,848,080	294,802,258
	3,318,927,336	2,740,998,093	1,882,620,164

20. Interest-Bearing Loans and Borrowings

	2013 Amount Repayable within 1 Year Rs.	2013 Amount Repayable after 1 Year Rs.	2013 Total Rs.	2012 Amount Repayable within 1 Year Rs.	2012 Amount Repayable after 1 Year Rs.	2012 Total Rs.	1st April 2011 Amount Repayable Within 1 Year Rs.	1st April 2011 Amount Repayable After 1 Year Rs.	1st April 2011 Total Rs.
Bank Loans (Note 20.1)	526,792,285	200,020,000	726,812,285	604,985,477	325,012,000	929,997,477	3,957,437	1,046,864	5,004,301
Loan on Securitisation (Note 20.2)	–	–	–	–	–	–	–	20,422,372	20,422,372
Commercial Papers (Note 20.3)	51,688,813	–	51,688,813	–	–	–	–	–	–
Bank Overdraft (Note 10.2)	230,774,464	–	230,774,464	293,340,060	–	293,340,060	56,540,953	–	56,540,953
	809,255,562	200,020,000	1,009,275,562	898,325,537	325,012,000	1,223,337,537	60,498,390	21,469,236	81,967,626

	As at 01st Apr 2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31st Mar 2012 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31st Mar 2013 Rs.
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20.1 Bank Loans

(a) Movement of Bank Loans

Sampath Bank	–	600,000,000	(22,771,281)	577,228,719	–	(51,005,201)	526,223,518
Commercial Bank	–	300,000,000	(23,325,971)	276,674,029	–	(76,085,262)	200,588,767
Nations Trust Bank	–	75,000,000	–	75,000,000	–	(75,000,000)	–
Bank of Ceylon	5,004,301	–	(3,909,572)	1,094,729	–	(1,094,729)	–
	5,004,301	975,000,000	(50,006,824)	929,997,477	–	(203,185,192)	726,812,285

(b) Bank Loan Repayable after One Year

Lender/Rate of Interest (p.a.)	Repayment	Security	31st March 2013 Rs.	31st March 2012 Rs.	1st April 2011 Rs.
BOC AWPLR +2.5% Rate (floor Rate 12.50%) Reviewed Monthly	Monthly Payment	Lease Debtors	–	–	1,046,864
Sampath Bank AWPLR +2.0% Rate Reviewed Monthly	Monthly Payment	Lease Debtors	75,020,000	125,012,000	–
Commercial Bank AWPLR +1.0% Rate Reviewed Monthly	Monthly Payment	Hire Purchase/ Lease Receivables	125,000,000	200,000,000	–
			200,020,000	325,012,000	1,046,864

	As at 1st April 2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31st March 2012 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31st March 2013 Rs.
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20.2 Loan on Securitisation

(a) Movement of Loan on Securitisation

Loan on Securitisation	20,422,372	–	(20,422,372)	–	–	–	–
	20,422,372	–	(20,422,372)	–	–	–	–

(b) Loan on Securitisation Repayable after One Year

Lender/Rate of Interest (p.a.)	Repayment	Security	31st March 2013 Rs.	31st March 2012 Rs.	1st April 2011 Rs.
Loan on Securitisation Fixed Rate 25.75%	Monthly Payment	Hire Purchase Receivable	–	–	20,422,372
			–	–	20,422,372

	As at 1st April 2011 Rs.	New Issues Rs.	Redemption Rs.	As at 31st March 2012 Rs.	New Issues Rs.	Redemption Rs.	As at 31st March 2013 Rs.
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20.3 Commercial Papers

Commercial Papers	–	–	–	–	172,100,000	(120,411,187)	51,688,813
	–	–	–	–	172,100,000	(120,411,187)	51,688,813

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
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21. Trade and Other Payables

Trade Payable	167,409,418	260,842,000	151,941,135
VAT on Financial Services	118,409	3,761,853	1,561,777
Accrued Expenses	43,673,399	34,652,670	19,880,567
Insurance Payable	34,453,122	34,777,041	24,251,730
Dividend Payable	809,380	–	–
Other Payables	47,264,295	25,259,072	26,748,537
	293,728,023	359,292,636	224,383,746

	Relationship	2013 Rs.	2012 Rs.	1st April 2011 Rs.
22. Amount due to Related Companies				
22.1 Trade				
Singer (Sri Lanka) PLC	Parent Company	–	432,202,058	871,304,534
22.2 Non-Trade				
Singer (Sri Lanka) PLC	Parent Company	–	377,653,767	316,210,648
22.3 Loan from Related Party				
Singer (Sri Lanka) PLC	Parent Company	661,650,852	490,000,000	–
		661,650,852	1,299,855,825	1,187,515,182

	As at 1st April 2011 Rs.	Loans Obtained Rs.	Repayments/ Transfer Rs.	As at 31st Mar 2012 Rs.	Loans Obtained Rs.	Repayments/ Transfer Rs.	As at 31st Mar 2013 Rs.
22.3.1 Movement of Loan from Related Party							
Singer (Sri Lanka) PLC	–	490,000,000	–	490,000,000	1,423,000,000	(1,251,349,148)	661,650,852
	–	490,000,000	–	490,000,000	1,423,000,000	(1,251,349,148)	661,650,852

22.3.2 The management intends to pay the above loans within one year from the Reporting date. Interest is payable at the rate 0.5% to 1% above the Singer (Sri Lanka) PLC's effective rate. The aforesaid loans are not secured.

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
23. Retirement Benefit Obligations			
Present Value of Unfunded Gratuity	11,520,831	7,478,769	5,572,322
Total Present Value of the Obligation	11,520,831	7,478,769	5,572,322
Provision for Retiring Gratuity			
At the beginning of the year	7,478,769	5,572,322	3,751,233
Actuarial Gain/(Loss) on obligation	730,146	233,869	458,498
Current Service Cost	2,099,740	1,259,239	989,555
Interest on obligation	2,102,176	548,339	373,036
	12,410,831	7,613,769	5,572,322
Benefits Paid during the Year	(890,000)	(135,000)	–
At the end of the Year	11,520,831	7,478,769	5,572,322

The Company maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees expressed in terms of final monthly salary and service.

The gratuity liability was actuarial 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+ 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 with 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 Statement of Comprehensive Income.

24. Stated Capital

24.1 Issued and Fully Paid

	At the beginning of the year 01st Apr 2011 Number	Issued for Cash during the Year Number	Issued for Non –Cash Consideration Number	At the end of the Year 31st Mar 2012 Number	Issued for Cash during the Year Number	Issued for Non –Cash Consideration Number	At the end of the period 31st Mar 2013 Number
Number of Shares - Ordinary Shares	106,666,667	–	–	106,666,667	58,666,667	–	165,333,334
	106,666,667	–	–	106,666,667	58,666,667	–	165,333,334
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rupees – Ordinary Shares	800,000,005	–	–	800,000,005	645,333,337	–	1,445,333,342
	800,000,005	–	–	800,000,005	645,333,337	–	1,445,333,342

24.2 During the financial year 2012/13, the Company issued Rights of 11 Shares for every 20 ordinary shares amounting to 58,666,667 number of shares to a Value of Rs. 645,333,337/-

25. Dividends

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
Ordinary Shares			
Proposed Final Dividend 2012/13 - Rs. 0.65 (2011/12 - Rs.0.80)	107,466,667	85,333,334	42,666,667
	2013 Rs.	2012 Rs.	1st April 2011 Rs.

26. Statutory Reserves

(a) Reserve Fund

Reserve Fund (Note 26.1)	40,454,818	27,628,118	16,350,118
	40,454,818	27,628,118	16,350,118

The balance in the reserve fund will be used only for the purpose specified in the Central Bank Direction No. 1 of 2003.

The reserve Fund is maintained in compliance with Direction No. 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies.

As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve funds out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on the following basis:

Capital Funds to Deposit Liabilities	% of transfer to Reserve Fund
Not less than 25 %	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

Accordingly, company has transferred 5 % of its net profit after the taxation to the Reserve Fund as Company's Funds to Deposit Liabilities, belongs to not less than 25%.

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
(b) Investment Fund			
Investment Fund (Note 26.2)	67,412,340	37,532,999	4,639,978
	67,412,340	37,532,999	4,639,978

The Company is required to transfer 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services to a fund identified as a 'Investment Fund Account' as per the proposal made in the Government Budget 2011. The guidelines has also been issued by the Central Bank of Sri Lanka on utilisation of funds in this account.

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
(c) National Insurance Fund			
Investment Fund (Note 26.3)	570,302	—	—
	570,302	—	—

As stipulated in the National Budget of 2013, a special levy of 1% on profits, transferred to the National Insurance Trust Fund in order to establish an insurance scheme for farmers.

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
26.1 Reserve Fund			
Balance at the beginning of the year	27,628,118	16,350,118	10,748,118
Amount Transferred during the year	12,826,700	11,278,000	5,602,000
Balance at the end of the year	40,454,818	27,628,118	16,350,118

26.2 Investment Fund			
Balance at the beginning of the year	37,532,999	4,639,978	—
Amount Transfer during the year	29,879,341	32,893,021	4,639,978
Balance at the end of the year	67,412,340	37,532,999	4,639,978

26.3 National Insurance Fund			
Balance at the beginning of the year			
Amount Transferred during the year	570,302	—	—
Balance at the end of the year	570,302	—	—

27. Financial Reporting by Segments

The primary business 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:

27.1 Business Segments

For the year ended 31st March	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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	660,319	307,557	476,584	430,972	515,008	460,186	–	–	–	–	1,651,912	1,198,715
Other	16,525	18,611	5,007	6,495	5,210	5,670	43,122	21,712	26,612	23,694	96,476	76,182
Total Revenue	676,844	326,168	481,591	437,468	520,218	465,855	43,122	21,712	26,612	23,694	1,748,388	1,274,897
Profit before Tax	133,217	76,225	94,226	105,127	95,949	104,387	–	–	–	–	323,391	285,739
Taxation	–	–	–	–	–	–	–	–	–	–	(66,857)	(70,058)
Profit after Tax	–	–	–	–	–	–	–	–	–	–	256,534	215,681
Segment Assets	3,464,663	2,482,272	2,187,556	2,313,417	916,578	1,377,895	388,384	314,685	300,294	259,707	7,257,475	6,747,976
Segment Liabilities	2,967,260	2,304,290	1,805,583	2,075,092	368,712	1,078,912	–	–	192,078	177,547	5,333,633	5,635,842

28. Maturity Analysis of Assets and Liabilities

An analysis of the Interest bearing assets and liabilities employed by the Company as at 31st March 2013, based on the remaining period at the Reporting date to the respective contractual maturity date is given below:

	Less than 3 Months Rs.	3-12 Months Rs.	1-3 Years Rs.	3-5 Years Rs.	Over 5 Years Rs.	2012 Total Rs.
Interest Earning Assets						
Cash and Cash Equivalents	14,630,366	–	–	–	–	14,630,366
Financial Instruments Held-to-Maturity	338,075,152	–	–	–	–	338,075,152
Placements with Banks	–	50,267,123	–	–	–	50,267,123
Hire Purchase Receivables	281,924,040	557,569,971	1,146,004,891	201,955,804	101,278	2,187,555,985
Lease Rental Receivables	379,151,593	735,361,330	1,910,280,650	439,089,246	780,599	3,464,663,418
Loans and Advances	321,169,395	478,180,340	107,654,210	8,283,399	1,290,560	916,577,904
Total Interest-Bearing Assets	1,334,950,546	1,821,378,764	3,163,939,751	649,328,448	2,172,438	6,971,769,948
Percentage (%)	19.1	26.1	45.4	9.3	0.0	100.0
Interest Bearing Liabilities						
Other Financial Liabilities due to Customers	1,108,299,860	1,519,532,104	381,221,127	309,874,245	–	3,318,927,336
Due to related Companies	661,650,852	–	–	–	–	661,650,852
Interest-Bearing Loans & Borrowings	662,022,464	145,432,813	201,820,285	–	–	1,009,275,562
Total Interest-Bearing Liabilities	2,431,973,176	1,664,964,917	583,041,412	309,874,245	–	4,989,853,750
Percentage (%)	48.7	33.4	11.7	6.2	–	100.0

29. Financial Instruments

Credit Risk

Exposure to Credit Risk

Carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was

	Carrying Amount Company (Net of Impairment)		
	2013 Rs.	2012 Rs.	1st April 2011 Rs.
Loans & receivables to Customers	6,741,958,175	6,345,307,039	4,123,986,910
	6,741,958,175	6,345,307,039	4,123,986,910

The maximum to credit risk for receivables at the reporting date by type of counter party was

	Carrying Amount Company (Net of Impairment)		
	2013 Rs.	2012 Rs.	1st April 2011 Rs.
Individual Customers	6,694,916,741	6,286,436,497	4,082,502,195
Corporate Customers	47,041,434	58,870,542	41,484,715
Total	6,741,958,175	6,345,307,039	4,123,986,910

Impairment Losses

The aging of receivables at the reporting date was

	Gross 2013 Rs.	Impairment 2013 Rs.	Gross 2012 Rs.	Impairment 2012 Rs.	Gross 01st April 2011 Rs.	Impairment 01st April 2011 Rs.
Not past due	3,700,274,155	2,304,104	4,386,848,493	3,145,482	3,126,190,079	2,217,354
Past due 0-30 days	1,334,317,631	3,243,242	1,141,100,732	3,921,399	368,791,530	554,819
Past due 31-120 days	1,567,019,622	8,127,397	790,344,222	3,294,876	605,206,672	2,030,684
Past due 121-180 days	74,265,765	5,434,045	20,166,745	1,813,464	20,123,516	1,211,546
Past due 181-360 days	96,061,879	10,872,089	22,090,708	3,068,640	11,378,041	1,688,525
Past due more than 360 days	32,644,617	32,644,617	4,925,711	4,925,711	14,285,689	14,285,689
	6,804,583,669	62,625,494	6,365,476,611	20,169,572	4,145,975,527	21,988,617

Liquidity Risk

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements

	Carrying Amount Rs	Contractual Cash Flows Rs	6 months or less Rs	6-12 Months Rs	1-2 Years Rs	2-5 Years Rs	More than 5 Years Rs
<i>31st March 2013</i>							
Non-Derivative Financial Liabilities							
Secured Bank Loans	726,812,285	794,563,301	486,946,593	81,093,538	147,422,432	79,100,738	—
Unsecured Commercial Papers	51,688,813	52,764,952	52,764,952	—	—	—	—
Trade and Other Payables	293,728,023	293,728,023	293,728,023	—	—	—	—
Other Financial Liabilities Due to Customers	3,318,927,336	3,736,864,123	1,912,354,221	929,076,926	382,884,006	512,548,969	—
Bank Overdrafts	230,774,464	230,774,464	230,774,464	—	—	—	—
	4,621,930,921	5,108,694,863	2,976,568,253	1,010,170,464	530,306,438	591,649,707	—

31st March 2012	Carrying Amount Rs	Contractual Cash Flows Rs	6 months or Less Rs	6-12 Months Rs	1-2 Years Rs	2-5 Years Rs	More than 5 Years Rs
Non-Derivative Financial Liabilities							
Secured Bank Loans	851,050,864	965,537,072	493,404,196	87,269,780	161,692,874	223,170,221	–
Unsecured Bank Loans	75,000,000	75,685,616	75,685,616	–	–	–	–
Trade and Other Payables	359,292,636	359,292,636	359,292,636	–	–	–	–
Other Financial Liabilities Due to Customers	2,740,998,093	2,911,244,550	1,476,573,154	904,647,788	333,456,950	196,566,658	–
Bank Overdrafts	293,340,060	293,340,060	293,340,060	–	–	–	–
	4,319,681,653	4,605,099,935	2,698,295,663	991,917,569	495,149,824	419,736,879	–

01st April 2011	Carrying Amount Rs	Contractual Cash Flows Rs	6 months or Less Rs	6-12 Months Rs	1-2 Years Rs	2-5 Years Rs	More Than 5 Years Rs
Non-Derivative Financial Liabilities							
Secured Bank Loans	25,426,673	42,924,322	30,458,812	12,287,114	178,396	–	–
Trade and Other Payables	224,383,746	224,383,746	224,383,746	–	–	–	–
Other Financial Liabilities Due to Customers	1,882,620,164	1,965,343,990	1,028,551,271	591,424,039	210,277,747	135,090,934	–
Bank Overdrafts	56,540,953	56,540,953	56,540,953	–	–	–	–
	2,188,971,536	2,289,193,011	1,339,934,782	603,711,152	210,456,143	135,090,934	–

Interest Rate Risk

Profile

At the reporting date, the interest rate profile of the Company interest-bearing financial instruments was

	2013 Rs.	2012 Rs.	1st April 2011 Rs.
Fixed Rate Instruments			
Financial Assets	6,971,769,948	6,486,994,382	4,218,556,150
Financial Liabilities	3,771,827,667	3,143,222,812	1,882,620,164
	10,743,597,615	9,630,217,194	6,101,176,314
Variable Rate Instruments			
Financial Assets			
Financial Liabilities	1,218,026,083	2,120,968,643	1,269,482,808
	1,218,026,083	2,120,968,643	1,269,482,808

Fair Value

Fair Values Versus Carrying Amounts

The fair value of financial assets and liabilities, together with the carrying amounts in the Statement of Financial Position, are as follows:

Company

<i>31st March 2013</i>	Loans and Receivables Rs.	Other Financial Liabilities Rs.	Total Carrying Amount Rs.	Fair Value Rs.
Loans & Receivables to Customers	6,741,958,175	4,621,930,921	4,621,930,921	4,621,930,921
	6,741,958,175	4,621,930,921	4,621,930,921	4,621,930,921
Secured Bank Loans	–	726,812,285	726,812,285	726,812,285
Unsecured Commercial Papers	–	51,688,813	51,688,813	51,688,813
Trade and Other Payables	–	293,728,023	293,728,023	293,728,023
Other Financial Liabilities Due to Customers	–	3,318,927,336	3,318,927,336	3,318,927,336
Bank Overdrafts	–	230,774,464	230,774,464	230,774,464
	–	4,621,930,921	4,621,930,921	4,621,930,921

<i>31st March 2012</i>	Loans and Receivables Rs.	Other Financial Liabilities Rs.	Total Carrying Amount Rs.	Fair Value Rs.
Loans & Receivables to Customers	6,345,307,039	4,523,628,266	4,323,628,266	4,323,628,266
	6,345,307,039	4,523,628,266	4,323,628,266	4,323,628,266
Secured Bank Loans	–	854,997,477	854,997,477	854,997,477
Unsecured Bank Loans	–	75,000,000	75,000,000	75,000,000
Trade and Other Payables	–	359,292,636	359,292,636	359,292,636
Other Financial Liabilities Due to Customers	–	2,740,998,093	2,740,998,093	2,740,998,093
Bank Overdrafts	–	293,340,060	293,340,060	293,340,060
	–	4,323,628,266	4,323,628,266	4,323,628,266

<i>01st April 2011</i>				
Loans & Receivables to Customers	4,123,986,910	2,188,971,536	2,188,971,536	2,188,971,536
	4,123,986,910	2,188,971,536	2,188,971,536	2,188,971,536
Secured Bank Loans	–	25,426,673	25,426,673	25,426,673
Trade and Other Payables	–	224,383,746	224,383,746	224,383,746
Other Financial Liabilities Due to Customers	–	1,882,620,164	1,882,620,164	1,882,620,164
Bank Overdrafts	–	56,540,953	56,540,953	56,540,953
	–	2,188,971,536	2,188,971,536	2,188,971,536

Capital Management

The Board's policy is to maintain a strong capital base to maintain confidence of the investors, deposit holders, creditors and the market while sustaining future development of the business capital consists to total equity. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between higher returns facilitated through a higher level of borrowings and the benefits and security afforded by a sound capital position.

The capital structure of the Company consists of debt and equity of the Company. The Capital structure of the Company is reviewed by the Board of Directors.

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 2013, is as follows:

Within One Year	Rs. 11.1 million
Between One to Five Years	Rs. 42.8 million
Over Five Years	Rs. 21.5 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 the Note 20 to the Financial Statements.

Funding Institute	Nature of Assets	Nature of Liability	Value of Assets Pledged 2013 Rs.	Included Under
Sampath Bank	Lease Receivable	Bank Overdraft & Long & Short-Term Borrowings	303,766,215	Rentals Receivable
Commercial Bank	Hire Purchase/Lease Receivables	Bank Overdraft & Long & Short-Term Borrowings	315,240,715	Rentals Receivable

31. Events after the Reporting Period

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

(i) On 30th May 2013, the Board of Directors approved a Final Dividend of Rs. 0.65 per share amounting to Rs. 107.5 million for the year ended 31st March 2013. This dividend will be paid on 19th June 2013.

32. Related Party Transactions

32.1 Identity of Related Parties

The Company has a related party relationship 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 (Sri Lanka) PLC

Singer (Sri Lanka) B.V.

Singer Asia Holdings N.V.

Singer Asia Ltd.

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	2013 Rs. million	2012 Rs. million
Singer (Sri Lanka) PLC (Parent Company)	Mr. H.D.S. Amarasuriya [Resigned from Singer Finance (Lanka) PLC Board w.e.f. 30th April 2013]	Payments to Singer (Sri Lanka) PLC on behalf of customers	933.5	1,516.1
	Dr. G.C.B. Wijeyesinghe	Sales Financed to purchase goods from Singer (Sri Lanka) PLC	835.9	1,876.2
	Mr. H.A. Pieris [Resigned from Singer Finance (Lanka) PLC Board w.e.f. 30th April 2013]	Administrative Fees Paid	67.4	79.2
	Dr. S. Kelegama	Loans Obtained during The Year	1,423.0	490.0
	Mr. M.P.A. Salgado	Loans Settled During The Period	1,251.0	–
	Mr. G.J. Walker	Purchase of Assets	1.5	–
	Mr. J. Hyun	Dividend Paid (Gross)	64.0	32.0
		Interest Expense	157.3	72.4
		Rental Collections through Singer (Sri Lanka) PLC	2,647.0	2,750.8
		Collection Commission Paid	17.8	11.9
		Royalty Paid Through Singer (Sri Lanka) PLC	17.8	13.1
		Rent Reimbursed	12.6	14.0
		Expenses Paid Through Singer (Sri Lanka) PLC	159.2	114.5
		Balance Payable	661.7	1,299.9
Singer Industries (Ceylon) PLC (Affiliate Company)	Mr. H.D.S. Amarasuriya [Resigned from Singer Finance (Lanka) PLC Board w.e.f. 30th April 2013]	Invested Fixed Deposits	3.4	163.9
	Dr. G.C.B. Wijeyesinghe	Deposits Capital Repayment	54.4	55.1
	Mr. H.A. Pieris [Resigned from Singer Finance (Lanka) PLC Board w.e.f. 30th April 2013]	Deposits Interest Payment (Gross)	10.2	4.6
	Mr. G.J. Walker			

32.4 The amounts due to Singer (Sri Lanka) PLC as at 31st March 2013, 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

	2013 Rs. million	2012 Rs. million
Deposits kept by Key Management Personnel or their close family members	49.0	40.8

(ii) Compensation of Key Management Personnel

Short-Term Employee Benefits	10.7	12.0
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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 been taken place during the year with the parties/entities in which Key Management Personnel or their close family members have control, joint control or significant influence other than disclosed above.

(b) The amounts due to above related parties as at 31st March 2013, are disclosed in Note 22 of the Financial Statements.

34. Restated Financial Statements

34.1 Service Charges

Previously the Company recognises service charges collected from hire purchase, lease and loan facilities on a deferred basis. This fee is a reimbursement of cost incurred for servicing a loan. Under LKAS 18 "fees charged by an entity for [processing] a loan are recognised as revenue as the services are provided accordingly, the Company has restated the Financial Statements with retrospective effect applicable for the accounting period starting from 1st April 2011. The effect of the restatement is summarised below:

	Year 31st March 2013 Rs. '000	Year 31st March 2012 Rs. '000	Periods Prior to 01st April 2011 Rs. '000
Statement of Financial Position			
Decrease in Deferred Revenue	(24,175)	(22,310)	(14,565)
Increase in Income Tax payable	7,184	6,364	3,714
Statement of Comprehensive Income			
Increase in Other Income	1,865	7,745	–
Increase in Income Tax Expense	820	2,650	–
Statement in Change in Equity			
Increase in Retained Earnings	1,045	5,095	10,851
Retained Earnings Brought Forward	15,946	10,851	–
	16,991	15,946	10,851

34.2 Value Added Tax (VAT)

Input VAT is disallowed to be claimed proportionately on Interest Income on VAT exempt turnover to total turnover basis. However, the Company has not recognised the disallowed Input VAT in the Statement of Comprehensive Income due to an error. The Financial Statements are re-stated in order to rectify the aforementioned error with retrospective effect. The effect of the restatement is summarised below:

	Year 31st March 2013 Rs. '000	Year 31st March 2012 Rs. '000	Periods Prior to 01st April 2011 Rs. '000
Statement of Financial Position			
Decrease in VAT Receivables	(68,231)	(40,730)	(24,917)
Decrease in Income Tax payable	(20,438)	(12,738)	(8,311)
Statement of Comprehensive Income			
Increase in Administration and Selling Expenses	27,501	15,813	–
Decrease in Income Tax Expense	(7,700)	(4,427)	–
Statement in Change in Equity			
Decrease in Retained Earnings	(19,801)	(11,386)	(16,606)
Retained Earnings Brought Forward	(27,992)	(16,606)	–
	(47,793)	(27,992)	(16,606)

35. Reconciliation of Transition to SLFRS

As stated in Note 1.2, these are the Company's first Financial Statements prepared in accordance with new Sri Lanka Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL). The Accounting Policies set out in Note 2 have been applied in preparing the Financial Statements for the year ended 31st March 2013, the comparative information presented in these Financial Statements for the year ended 31st March 2012 and in the preparation of an opening Statement of Financial Position as at 1st April 2011 (the Company's date of transition).

In preparing its opening SLFRS Statement of Financial Position, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with previous SLAS. An explanation of how the transition from previous SLASs has affected the Company's financial position and financial performance is set out in the following tables and notes that accompany the tables.

35.1 Reconciliation of Comprehensive Income for the Year ended 31st March 2012

For the year ended 31st March 2012

	Note	As per SLAS (Restated) Rs.	Effect of SLFRS/LKAS Rs.	As per SLFRS/LKAS Rs.
Gross Income		1,271,062,130	3,835,067	1,274,897,197
Interest Income	35.3.1	1,199,124,892	(410,091)	1,198,714,801
Interest Expense	35.3.2	(408,138,496)	364,491	(407,774,005)
Net Interest Income		790,986,396	(45,600)	790,940,796
Other Income	35.3.3	71,937,238	4,245,158	76,182,396
		862,923,634	4,199,558	867,123,192
Less: - Operating Expenses				
Personnel Cost		110,690,199	4,245,158	114,935,357
Administrative & Selling Expenses		429,110,633	-	429,110,633
Operating Profit before Impairment Charges for Loan Losses and Tax		323,122,802	(45,600)	323,077,202
Less: - Impairment Charge for Loans and Other Losses	35.3.4	(9,209,779)	(3,995,515)	(13,205,294)
Loan Loss Recoveries		2,462,379	-	2,462,379
Profit from Ordinary Activities before VAT on Financial Services and Tax		316,375,402	(4,041,115)	312,334,287
Less: - Value Added Tax on Financial Services		26,595,140	-	26,595,140
Profit Before Tax		289,780,262	(4,041,115)	285,739,147
Less: - Income Tax Expense		70,057,801	-	70,057,801
Profit for the Year		219,722,461	(4,041,115)	215,681,346

35.2 Reconciliation of Equity

	Note	Equity as at 31st March 2012			Equity as at 1st April 2011 (date of transition to SLFRS/LKAS)		
		As per SLAS (Restated) Rs.	Effect of SLFRS/ LKAS Rs.	As per SLFRS/LKAS Rs.	As per SLAS (Restated) Rs.	Effect of SLFRS/ LKAS Rs.	As per SLFRS/LKAS Rs.
Assets							
Cash and Cash Equivalents		11,199,856	-	11,199,856	30,083,810	-	30,083,810
Financial Instruments -							
Held-to-Maturity		263,884,392	-	263,884,392	181,057,001	-	181,057,001
Placement with Banks		50,759,452	-	50,759,452	-	-	-
Hire Purchase Receivables	35.3.5	2,309,364,097	4,052,436	231,341,653	1,761,151,344	5,019,864	1,766,171,208
Lease Rental Receivables	35.3.5	2,467,588,925	2,249,956	2,469,838,881	719,009,874	3,538,398	722,548,272
Loans and Advances	35.3.5	1,378,116,000	(220,732)	1,377,895,268	1,516,766,855	1,929,004	1,518,695,859
Financial Instruments -							
Available-for-Sale		41,300	-	41,300	41,300	-	41,300
Inventories		12,433,200	-	12,433,200	7,630,990	-	7,630,990
Other Debtors, and Prepayments		184,156,357	-	184,156,357	116,571,571	-	116,571,571
Deferred Tax Assets		11,858,450	-	11,858,450	13,419,719	-	13,419,719
Income Tax Receivable		9,287,866	-	9,287,866	-	-	-
Intangible Assets		13,650,479	-	13,650,479	12,346,158	-	12,346,158
Property, Plant & Equipment		29,554,225	-	29,554,225	27,992,976	-	27,992,976
Total Assets		6,741,894,599	6,081,660	6,747,976,259	4,386,071,598	10,487,266	4,396,558,864

		Equity as at 31st March 2012			Equity as at 1st April 2011 (date of transition to SLFRS/LKAS)		
	Note	As per SLAS (Restated) Rs.	Effect of SLFRS/ LKAS Rs.	As per SLFRS/LKAS Rs.	As per SLAS (Restated) Rs.	Effect of SLFRS/ LKAS Rs.	As per SLFRS/LKAS Rs.
Liabilities & Equity							
Liabilities							
Other Financial Liabilities							
Due to Customers	35.3.6	2,645,168,932	95,829,161	2,740,998,093	1,815,116,989	67,503,175	1,882,620,164
Interest Bearing Loans & Borrowings	35.3.7	1,219,390,924	3,946,613	1,223,337,537	80,885,777	1,081,849	81,967,626
Trade & Other Payables		462,121,726	(102,829,090)	359,292,636	295,657,595	(71,273,849)	224,383,746
Due to Related Companies		1,299,855,825	–	1,299,855,825	1,187,515,182	–	1,187,515,182
Income Tax payable		–	–	–	71,394,530	–	71,394,530
Deferred Tax Liabilities		4,879,488	–	4,879,488	3,986,062	–	3,986,062
Retirement Benefit Obligations		7,478,769	–	7,478,769	5,572,322	–	5,572,322
Total Liabilities		5,638,895,666	(3,053,316)	5,635,842,348	3,460,128,457	(2,688,825)	3,457,439,632
Equity							
Stated Capital		800,000,005	–	800,000,005	800,000,005	–	800,000,005
Statutory Reserves		65,161,117	–	65,161,117	20,990,096	–	20,990,096
Retained Earnings	35.3.9	237,837,813	9,134,976	246,972,789	104,953,040	13,176,091	118,129,131
Total Equity		1,102,998,935	9,134,976	1,112,133,911	925,943,141	13,176,091	939,119,232
Total Liabilities & Equity		6,741,894,599	6,081,660	6,747,976,259	4,386,071,598	10,487,266	4,396,558,864

35.3 Explanations of Transition to SLFRS

35.3.1 Revenue Recognition

In accordance with LKAS 39 - Financial Instruments: Recognition and Measurement, the Company subsequently measure the lease, hire purchase and loans receivables at amortised cost using effective interests. Accordingly, the Company has reversed the interest in suspense made in accordance with a regulation of Central Bank of Sri Lanka, to comply with SLFRS 1- First-Time Adoption of Sri Lanka Accounting Standards.

Further, the Company has recognised the corresponding gain or (loss) on fair value adjustment relating to restructured loans due to changes in timing or amount of estimated future cash flows (Other than due to impairment) are recognised in the Statements of Comprehensive Income. The impact of this implication is given below:

	31st March 2012 Rs.
Interest Income as Reported as per SLAS	1,199,124,892
Reversal of Interest in Suspense	(354,921)
Fair Value Adjustment to Restructured Loans	(55,170)
Interest Income Reported as per SLFRS	1,198,714,801

35.3.2 Interest Expense

The interest expenses on other financial liabilities due to customers calculated based on Effective Interest Rate (EIR) in line with LKAS 39 - Financial Instruments: Recognition and Measurement.

	31st March 2012 Rs.
Interest Expense as Reported as per SLAS	408,138,496
Adjustment to Interest Expense	(364,491)
Interest Expense Reported as per SLFRS	407,774,005

35.3.3 Other Income

Staff loans granted at reduced interest rates are measured at fair value, based on the market interest rates that prevailed at the time of granting the loan. Accordingly, interest income accruing due to subsequent measurement staff loans at effective interest rate is accounted in the Comprehensive Income. The impact arising from the change is summarised as follows:

	31st March 2012 Rs.
Other Income as Reported as per SLAS	71,937,238
Unwinding of Interest Income on Staff Loans at Market Interest Rate	4,245,158
Other Income Reported as per SLFRS	76,182,396

Remeasured prepaid employee benefit amounting Rs. 4,245,158/- adjusted in personnel cost.

35.3.4 Impairment on Trade and Other Receivables

The Company charged an impairment on loans and advances in accordance with LKAS 39 - Financial Instruments: Recognition and Measurement. The provisions made in accordance with regulations of Central Bank of Sri Lanka were reversed.

	31st March 2012 Rs.
Impairment as Reported as per SLAS	9,209,779
Adjustment on Impairment of Leasing, Hire Purchase, Loan Receivables	3,995,515
Impairment Reported as per SLFRS	13,205,294

35.3.5 Lease Receivable, Hire Purchase Receivables and Loans & Advances Receivable

	31st March 2012 Rs.	1st April 2011 Rs.
Trade Receivable as Reported as per SLAS	6,155,069,022	3,996,928,073
Fair Value Adjustment to Restructured Loans	178,369	233,539
Reversal of Interest in Suspense	7,293,581	7,648,502
Impairment on Trade and Other Receivables	(1,390,290)	2,605,225
Interest Expense Reported as per SLFRS	6,161,150,682	4,007,415,339

35.3.6 Other Financial Liabilities due to Customers

Company has classified the public deposits as other financial liabilities and accordingly, measured at amortised cost at effective interest rates. Accordingly, the Company has reclassified interest payable accounted under trade and other payable to the other financial liabilities due to customers.

	31st March 2012 Rs.	1st April 2011 Rs.
Other Financial Liabilities due to Customers as Reported as per SLAS	2,645,168,932	1,815,116,989
Fair Value Adjustment on Other Financial Liabilities Due to Customers	(3,053,316)	(2,688,825)
Reclassification of Interest Payable	98,882,477	70,192,000
Other Financial Liabilities due to Customers Reported as per SLFRS	2,740,998,093	1,882,620,164

35.3.7 Interest Bearing Loans and Borrowings

Company has reclassified interest payable accounted under Trade and other payable to the Interest-Bearing Loans and Borrowings.

	31st March 2012 Rs.	1st April 2011 Rs.
Interest-Bearing Loans and Borrowings as Reported as per SLAS	1,219,390,924	80,885,777
Reclassification of Interest Payable	3,946,613	1,081,849
Interest-Bearing Loans and Borrowings Reported as per SLFRS	1,223,337,537	81,967,626

35.3.8 Employee Loans Recognised at Fair Value

Staff loans granted at reduced interest rates are measured at fair value, based on the market interest rates that prevailed at the time of granting the loan. Accordingly the interest benefit accruing to the staff member is treated as a prepaid staff cost. The prepaid staff cost is amortised to the Statement of Comprehensive Income over the tenor of the loan.

35.3.9 Retained Earnings Reconciliation

The impact arising due to SLFRS adjustments are summarised as follows:

	31st March 2012 Rs.	1st April 2011 Rs.
Retained Earnings Reported as per SLAS	237,837,813	104,953,040
Transitional Adjustments:		
Revenue Recognition	7,471,950	7,882,041
Interest Expense	3,053,316	2,688,825
Other Income	4,245,158	8,136,018
Personal Cost	(4,245,158)	(8,136,018)
Impairment	(1,390,290)	2,605,225
Retained Earnings as per SLFRS/LKAS	246,972,789	118,129,131

35.3.10 Reconciliation of Statement of Cash Flows

There are no material differences in statement of cash flows presented under SLFRS and the cash flows presented under SLAS.

36. Penalties Imposed by the Central Bank of Sri Lanka

CBSL has imposed a penalty under Finance Companies (Reporting Requirements) Direction No. 2 of 2011 as illustrated in the table below

Name of Return	Type of Return	Due Date	Date of Submission	Penalty Rs.
Deposit Liability	Weekly	08/02/2012	09/02/2012	100,000
Liquid Assets and Deposit Liability	Weekly	13/02/2012	14/02/2012	100,000
Liquid Assets and Deposit Liability	Weekly	09/04/2012	10/04/2012	100,000
Total				300,000

The Company has submitted an appeal for the above fines imposed.

Five Year Summary

Year ended 31st March

	2013 SLFRS Rs. '000	2012 SLFRS Rs. '000	2011 SLAS Rs. '000	2010 SLAS Rs. '000	2009 SLAS Rs. '000
Operating Results					
Gross Income	1,748,388	1,274,897	1,001,247	697,175	455,709
Interest Expense	742,013	407,774	283,008	316,422	283,228
Non-Interest Expense	625,555	570,641	496,234	271,354	140,160
Profit before Tax	323,391	285,739	224,826	80,279	11,737
Provision for Taxation	66,857	70,058	105,371	32,900	3,691
Profit after Tax	256,535	215,681	119,456	47,378	8,046
Dividends	107,466	85,333	42,667	20,000	10,000

As at 31st March

Assets					
Liquid Assets	402,973	325,844	211,141	174,094	171,710
Investments	41	41	41	41	41
Advances	6,568,797	6,161,151	4,007,415	2,981,079	1,791,804
Other Assets	173,161	196,590	124,203	61,954	81,397
Property, Plant & Equipment	53,461	29,554	27,993	22,928	24,566
Intangible Assets	25,262	13,650	12,346	7,314	8,978
Deferred Tax Assets	33,780	11,858	13,420	8,581	–
Income Tax Receivable	–	9,288	–	–	–
Total Assets	7,257,475	6,747,976	4,396,559	3,255,992	2,078,496
Liabilities					
Interest-Bearing Loans and Borrowings	1,009,276	1,223,338	81,968	40,017	362,126
Other Financial Liabilities due to Customers	3,318,927	2,740,998	1,882,620	1,518,043	1,097,979
Amount due to Related Companies	661,651	1,299,856	1,187,515	997,250	223,781
Retirement Benefit Obligations	11,521	7,479	5,572	3,751	2,843
Deferred Tax Liability	34,755	4,879	3,986	2,904	8,654
Other Liabilities	297,504	359,293	295,778	228,246	161,451
Total Liabilities	5,333,633	5,635,842	3,457,440	2,790,213	1,856,835
Equity					
Stated Capital	1,445,333	800,000	800,000	400,000	200,000
Statutory Reserves	108,438	65,161	20,990	10,748	8,042
Retained Earnings	370,071	246,973	118,129	55,031	13,618
Total Equity	1,923,842	1,112,134	939,119	465,779	221,661
Total Liabilities & Equity	7,257,475	6,747,976	4,396,559	3,255,992	2,078,496

Investor Information					
Gross Dividend (Rs.)	107,466	85,333	42,667	20,000	10,000
Dividend per Share - (Rs.)	0.74	0.79	0.40	0.25	0.25
Dividend Cover (Times)	2.39	2.53	2.80	2.37	0.80
Net Assets per Share - (Rs.)	13.19	10.33	8.80	5.82	5.54
Market Price per Share (Rs.) - Maximum	18.50	44.20	55.70	–	–
Market Price per Share (Rs.) - Minimum	10.90	15.20	35.00	–	–
Price as at Year End (Rs.)	12.60	16.20	36.50	–	–
Price Earnings Ratio (Times)	7.16	8.09	19.35	–	–
Earning per share - (After Tax)	1.76	2.00	1.89	0.84	0.40

	2013	2012 (Restated)	2011 (Restated)	2010	2009 (Restated)
Ratios					
Gross Non-Performing Advances Ratio (%) (Net of Interest in Suspense)	1.78	0.47	0.50	1.70	2.74
Net Non-Performing Advances Ratio - CBSL (%) (Net of Interest in Suspense and Provisions)	0.94	0.21	0.40	1.35	1.86
Non-Interest Expense to Gross Income (%)	36.15	44.75	49.94	38.55	30.45
Gross Interest Margin (%)	55.08	65.98	69.61	50.49	28.57
Return on Average Shareholders' Fund (%)	16.90	21.03	17.01	15.75	5.44
Net Interest Margin (NIM) (%)	14.27	15.28	18.30	14.75	10.53
Interest Cover (Times)	1.44	1.70	1.79	1.28	1.06
Return on Assets - (Before Tax) (%)	4.62	5.13	5.88	3.26	0.94
Financial Leverage	4.01	6.89	5.69	5.38	4.60
Personnel Cost: Total Income (Times)	0.09	0.09	0.08	0.06	0.09
Annual Income Growth (%)	37.81	28.74	45.68	61.19	55.91
Growth in Interest Expenses (%)	81.97	44.09	(10.56)	11.72	93.17
Growth in Non-Interest Expenses (%)	9.62	14.99	82.87	93.60	67.46
Growth in Profit after Tax (%)	18.94	80.55	120.73	325.10	(65.04)
Net Income to Net Turnover (%)	15.53	17.99	12.83	8.47	3.21
Equity: Interest-Bearing Liabilities (Times)	0.39	0.21	0.30	0.18	0.13
Non-Performing Loans Net of Provision to Equity (%)	0.03	0.01	0.02	0.09	0.15
Deposits: Total Liabilities (Times)	1.61	2.06	1.84	1.84	1.69
Growth in Hire Purchase, Leases, Loans & Advances (%)	6.62	53.74	34.43	66.37	47.46
Growth in deposits (%)	21.08	45.59	24.02	38.26	70.97
Growth in Shareholders' Funds (%)	72.99	18.42	101.62	110.13	(10.06)

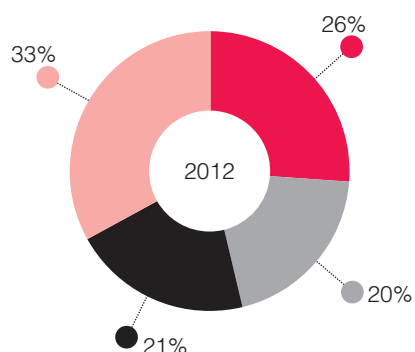
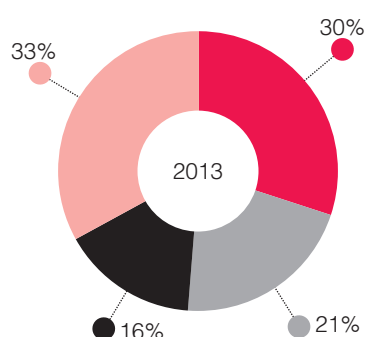
Value Added Statement

For the Year Ended 31st March

	2013		2012	
	Rs.	%	Rs.	%
Value Added				
Income Earned by Providing Financial Services	1,651,911,547	–	1,198,714,801	–
Cost of Services	(1,179,179,068)	–	(826,976,431)	–
Value Added by Financial Services	472,732,479	–	371,738,370	–
Non-Financial Income	96,476,195	–	76,182,396	–
Impairment Charges for Loans and Other Losses	(57,428,355)	–	(10,732,915)	–
	511,780,319	–	431,177,851	–

Distribution of Value Added

To Employees as Remuneration	153,413,298	30	114,935,357	26
To Shareholders as Dividend	107,466,667	21	85,333,334	20
To Government as Taxes				
- Income Tax	58,905,742	12	67,582,823	15
- VAT on Financial Services	20,908,179	4	26,595,140	6
To Business Expansion and Growth				
- as Depreciation	14,064,083	3	9,928,490	2
- as Retained Earnings	149,067,958	29	130,348,012	30
- as Deferred Taxation	7,954,392	1	2,454,695	1
	511,780,319	100	437,177,851	100



Value Distribution

%

To Employees as Remuneration ■ To Government as Taxes ■
To Shareholders as Dividend ■ To Expansion and Growth ■

Share Information

1. Stated Capital

	31st March 2013	31st March 2012
Issued and Fully-Paid Capital (Rs.)	1,445,333,342	800,000,005
No. of Shares - Ordinary Shares	165,333,334	106,666,667
Class of Shares	Ordinary Shares	
Voting Rights	One Vote per Ordinary Share	

2. Stock Exchange Listing

The issued Ordinary Shares of Singer Finance (Lanka) PLC are listed with the Colombo Stock Exchange of Sri Lanka.

3. Directors' Shareholdings

Name of Directors	31st March 2013 No. of Shares	31st March 2012 No. of Shares
Mr. H.D.S. Amarasuriya (<i>Resigned w.e.f. 30th April 2013</i>)	10,009	6
Dr. S. Kelegama	—	—
Mrs. M.A. Tharmaratnam (<i>Appointed w.e.f. 7th August 2012</i>)	—	—
Mr. J.A. Setukavalar	—	—
Mr. J. Hyun	—	—
Mr. G.J. Walker	—	—
Mr. H.A. Pieris (<i>Group Chief Executive Officer</i>) - (<i>Resigned w.e.f. 30th April 2013</i>)	51,002	20,002
Mr. J. Kan (<i>Appointed w.e.f. 30th April 2013</i>)	—	—
Mr. R.S. Wijeweera (<i>Chief Executive Officer</i>)	31,003	20,002
Mr. M.P.A. Salgado (<i>Appointed w.e.f. 30th April 2013</i>)	68,442	20,002
Mr. S. Ramanathan (<i>Alternate Director to Mr. J.J. Hyun</i>) (<i>Appointed w.e.f. 30th April 2013</i>)	—	—
Mr. J. Mendis (<i>Alternate Director to Mr. G.J. Walker</i>) (<i>Appointed w.e.f. 30th April 2013</i>)	42,000	35,700
Mr. P.J.P. De Silva (<i>Alternate Director to Mr. Y.C.J. Kan</i>) (<i>Appointed w.e.f. 30th April 2013</i>)	45,000	27,700

4. Analysis of Shareholders According to the Number of Shares as at 31st March 2013

No. of Shareholders: 31st March 2013 - 9,536 (31st March 2012 - 9,809)

	Resident Shareholders			Non-Resident Shareholders			Total Shareholders		
	No. of Holders	Total Holdings	%	No. of Holders	Total Holdings	%	No. of Holders	Total Holdings	%
1 - 1,000 Shares	6,779	3,182,797	1.93	17	10,400	0.01	6,796	3,193,197	1.93
1,001 - 10,000 Shares	2,281	7,801,762	4.72	12	55,400	0.03	2,293	7,857,162	4.75
10,001 - 100,000 Shares	408	11,496,656	6.95	2	40,000	0.02	410	11,536,656	6.98
100,001 - 1,000,000 Shares	34	8,091,269	4.89	1	173,996	0.11	35	8,265,265	5.00
Over 1,000,000 Shares	2	134,481,054	81.34	—	—	0.00	2	134,481,054	81.34
Total	9,504	165,053,538	99.83	32	279,796	0.17	9,536	165,333,334	100.00

5. Analysis of Shares

Categories of Shares	31st March 2013		31st March 2012	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares
Individuals	9,327	24,073,864	9,590	18,230,477
Institutions	209	141,259,470	219	88,436,190
Total	9,536	165,333,334	9,809	106,666,667

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

	2013		2012	
	Rs.	Date	Rs.	Date
Highest Value per Share during the Year	18.50	2nd April 2012	44.20	1st September 2011
Lowest Value per Share during the Year	10.90	25th July 2012	15.20	15th February 2012
Closing Price	12.60	28th March 2013	16.20	30th March 2012

7. Dividends

Interim Dividend 2012/13 - Nil (2011/12 - Nil).

Final Dividend 2012/13 - Rs. 0.65 (2011/12 - Rs. 0.80).

8. Twenty Largest Shareholders as at 31st March

Name	2013	
	No. of Shares	%
1. Singer (Sri Lanka) PLC	132,931,054	80.40
2. Associated Electrical Corporation Ltd.	1,550,000	0.94
3. Mr. Shakir Asgerally Lukmanjee	565,000	0.34
4. NDB Aviva Wealth Management Ltd. S/A Hatton National Bank	476,704	0.29
5. Nageah (Pvt) Ltd.	443,589	0.27
6. DPMC Assetline Holdings (Pvt) Ltd. Account No. 02	409,600	0.25
7. Mercantile Investments and Finance PLC	400,000	0.24
8. A E C Properties (Pvt) Ltd.	360,000	0.22
9. Mrs. Shivanthi Sandamalee De Fonseka	359,400	0.22
10. Pan Asia Banking Corporations PLC/Nuwara Eliya Property Developers (Pvt) Ltd.	353,300	0.21
11. Seylan Bank Ltd./Ruwan Prasanna Sugathadasa	325,656	0.20
12. National Development Bank of Sri Lanka Ltd.	319,950	0.19
13. Seylan Bank PLC/Mr. Duleep Nissanka Daluwatte	301,800	0.18
14. Mrs. Wisnaka Mohotti Mudiyanseelage Anulawathi	295,000	0.18
15. Navara Capital Ltd.	250,000	0.15
16. Acuity Partners (Pvt) Ltd./Mr. S. Paramanathan	215,300	0.13
17. Richard Pieris Financial Services (Pvt) Ltd./Fortune One (Pvt) Ltd.	214,300	0.13
18. Miss Galahiti Mudiyanseelage Buddhika Damayanthi	212,898	0.13
19. Mr. Periyasaami Pillai Thevarajah	208,680	0.13
20. Mr. Seyed Hamid Akram Ahamed	200,673	0.12
	140,392,904	84.92
Others	24,940,430	15.08
Total	165,333,334	100.00

Name	2012	
	No. of Shares	%
1. Singer (Sri Lanka) PLC	79,999,988	75.00
2. Associated Electrical Corporation Ltd.	1,510,000	1.42
3. PCH Holdings (Pvt) Ltd.	668,300	0.63
4. First Capital Markets Ltd./Mr. S.H.M. Rishan	567,834	0.53
5. Seylan Bank PLC/W.D.N.H. Perera	466,900	0.44
6. DPMC Assetline Holdings (Pvt) Ltd. Account No. 02	409,600	0.38
7. Mercantile Investments and Finance PLC	400,000	0.37
8. Mr. Shakir Asgerally Lukmanjee	400,000	0.37
9. A E C Properties (Pvt) Ltd.	360,000	0.34
10. Pan Asia Banking Corporations PLC/Nuwara Eliya Property Developers (Pvt) Ltd.	353,300	0.33
11. Nageah (Pvt) Ltd.	335,900	0.31
12. First Capital Markets Ltd./Mrs. S.S. De Fonseka	250,000	0.23
13. Navara Capital Ltd.	250,000	0.23
14. Richard Pieris Financial Services (Pvt) Ltd./Fortune One (Pvt) Ltd.	214,300	0.20
15. Mr. Chandasiri Jayasingha Pandita Siriwardana	200,000	0.19
16. Mr. Saheedul Hijiry Mohamed Rishan	200,000	0.19
17. Merchant Bank of Sri Lanka PLC/J.A.S. Piyawardena	192,100	0.18
18. Employees' Trust Fund Board	127,100	0.13
19. Mr. Vishvalal Ravindra Kathiragamamby	125,000	0.12
20. Deshabandu Dissanayake Mudiyanseelage Indunil Dissanayake	122,200	0.11
	87,152,522	81.71
Others	19,514,145	18.29
Total	106,666,667	100.00

9. Public Holdings

Public holding as at 31st March 2013 is 19.50% (as at 31st March 2012 - 24.94%).

10. Share Trading

For the Year ended 31st March	2013	2012
Number of Transactions	13,242	2,549
Number of Shares Traded	27,508,391	3,246,136
Value of Shares Traded (Rs.)	398,689,197	67,767,879

11. Record of Share Issues

Year ended 31st March	Issue	Basis	No. of Shares	Stated Capital Rs. '000
2011	Prior to Public Issue	—	80,000,000	400,000
2011	Initial Public Issue	—	106,666,667	800,000
2012	Rights Issue (at Rs. 11.00)	1 : 0.55	165,333,334	1,440,506
Total No. of Shares			165,333,334	1,440,506

Glossary of Financial Terms

Accounting Policies

Specific 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 Reporting 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.

Notice of Annual General Meeting

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

NOTICE is hereby given that the Sixth Annual General Meeting of the shareholders of Singer Finance (Lanka) PLC will be held on Thursday, 27th June 2013, at the Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 7, 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 2013 with the Report of the Auditors thereon.
2. To elect Mrs. M.A. Tharmaratnam who was appointed as a Director of the Company and is being recommended for election.
3. To elect Mr. J. Hyun who was appointed as a Director of the Company and is being recommended for election.
4. To elect Mr. J. Kan who was appointed as a Director of the Company to fill the casual vacancy and is being recommended for election.
5. To elect Mr. M.P.A. Salgado who was appointed as a Director of the Company to fill the casual vacancy and is being recommended for election.
6. To re-elect Mr. G.J. Walker who retires by rotation and being eligible is being recommended for re-election.
7. To Authorise Directors to determine contribution to charities.
8. To reappoint Messrs KPMG as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

By Order of the Board of Directors of

(Sgd.)

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

Secretary

Singer Finance (Lanka) PLC

Colombo
30th May 2013

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. 80, Nawam Mawatha, Colombo 02 not later than 48 hours before the time appointed for holding of the meeting.*
3. *A shareholder entitled to attend and vote is entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of him.*

Form of Proxy

Annual General Meeting

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

I/We of

being a Member/Members of the above-named Company, hereby appoint

..... of

..... or failing him/her.

- | | |
|---|----------------|
| 1. Dr. Saman Bandara Kelegama | or failing him |
| 2. Mrs. Marina Anneliese Tharmaratnam | or failing her |
| 3. Mr. Jayendran Arulraj Setukavalar | or failing him |
| 4. Mr. Gavin John Walker | or failing him |
| 5. Mr. Yat Cho Joe Kan | or failing him |
| 6. Mr. Merennege Priyath Ananda Salgado | or failing him |
| 7. Mr. Robert Shanthapriya Wijeweera | |

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 27th June 2013, at the Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 7, at 10.00 a.m. and at any adjournment thereof.

	For	Against
1. To receive, consider and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2013 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To appoint Mrs. M. Tharmaratnam, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To appoint Mr. J. Hyun, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To appoint Mr. J. Kan, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint Mr. M.P.A. Salgado, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. G.J. Walker, who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
7. To Authorise Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>
8. To reappoint Messrs KPMG, Chartered Accountants. as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2013.

.....
Signature(s) of Shareholder(s)

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 proxyholder, any doubt (by reason of the manner in which the instruction contained in the Proxy Form have been completed) as to the way in which the proxyholder should vote, the proxyholder 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 a 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. 80, Nawam 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

Legal Form

A public limited liability company incorporated in Sri Lanka on 19th April 2004 under the Companies Act No. 17 of 1982 and Re-registered under the Companies Act No. 07 of 2007 on 16th December 2008. Shares of the Company are listed on the main board of Colombo Stock Exchange on 17th January 2011.

Approved Credit Agency

Under Mortgage Act No. 6 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Accounting Year

31st March

Registered Office

80, Nawam 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
Bank of Ceylon
Hatton National Bank PLC
Nations Trust Bank PLC
National Development Bank PLC

Auditors

KPMG
(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

K.K.L.P. Yatiwella

Lawyers

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

Directorate

Mr. H.D.S. Amarasuriya
(Resigned w.e.f. 30th April 2013)
Dr. S. Kelegama - Chairman
Mrs. M.Tharmarathnam
(Appointed w.e.f. 07th August 2012)
Mr. J.A. Setukavalar
Mr. J.J. Hyun - Alternate Mr. S. Ramanathan
Mr. G.J. Walker - Alternate Mr. J. Mendis
Mr. H.A. Pieris - Group Chief Executive Officer
(Resigned w.e.f. 30th April 2013)
Mr. Y.C.J. Kan - Alternate Mr. P.J.P. De Silva
(Appointed w.e.f. 30th April 2013)
Mr. M.P.A. Salgado
(Appointed w.e.f. 30th April 2013)
Mr. R.S. Wijeweera - Chief Executive Officer

Senior Management

Mr. R.S. Wijeweera - Director/Chief Executive Officer
Mr. T.A. Amarasuriya - Finance Manager
Mr. A.G.I.H. Perera - Manager Business Development
Mr. R.I. Jayasuriya - Manager - Credit & Recoveries
Mr. B.C. Gomis - Senior Manager
Mr. J. Wijeyegoonewardene - Head of Deposits



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This Singer Finance (Lanka) PLC annual report has been produced by Smart Media The Annual Report Company, a certified carbon neutral organisation. Additionally, the greenhouse gas emissions resulting from activities outsourced by Smart Media in the production of this annual report, including the usage of paper and printing, are offset through verified sources.





**SINGER
FINANCE**

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