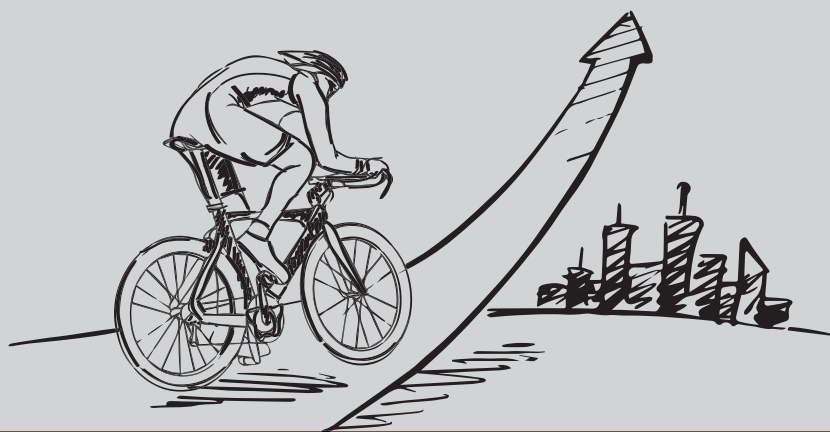


SINGER FINANCE (LANKA) PLC

ANNUAL REPORT 2016/17



Gaining
the Edge



Gaining *the Edge*

Singer Finance PLC spearheaded the credit card industry within the finance company sector by introducing the first credit card. With the backing of Singer (Sri Lanka) PLC our parent Company, we are set and ready to conquer the financing of consumer durables and introduce a wide range of vibrant financial products. We believe with this competitive edge we will strive to reach growth and profitability levels delivering the best to our stakeholders.



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

Total Assets
LKR

12.7Bn

Total Equity
LKR

2.7Bn

Dividend Per Share
LKR

1.06



Chairman's
Message

Pages

08-11

Group Chief
Executive Officer's *Review*

Pages

12-15





Chief Executive Officer's *Review*

Pages
16-18

Contents

Financial Highlights	4
Letter from the Chairman	8
Group Chief Executive Officer's Review	12
Chief Executive Officer's Review	16
Board of Directors	19
Senior Management	26
Middle Management	28
Junior Management	31
Management Discussion and Analysis	38
Financial Review	43
Sustainability Report	50
Risk Management	57
Corporate Governance	61

Disclosure Report - Finance Companies Corporate Governance Direction No. 3 of 2008	108
Audit Committee Report	109
Board Nomination Committee Report	110
Integrated Risk Management Committee Report	111
Credit Committee Report	112
Remuneration Committee Report	113
Directors' Statement on Internal Control	114
Board Related Party Transactions Review Committee Report	116
Board of Directors Communication Policy	117

Financial Information

Annual Report of the Board of Directors on the Affairs of the Company	121
Statement of Directors' Responsibility	126
Independent Auditors' Report	127
Statement of Profit or Loss and Other Comprehensive Income	128
Statement of Financial Position	129
Statement of Changes in Equity	130
Statement of Cash Flows	131
Notes to the Financial Statements	132
Ten Year Summary	174
Value Added Statement	175
Share Information	176
Glossary of Financial Terms	180
Notice of Annual General Meeting	182
Form of Proxy	Enclosed

Financial Highlights

Gross NPL Ratio

2.05%

2015/16 - 2.18%

Net NPL Ratio

0.40%

2015/16 - 0.46%

Net Assets Per Share

Rs. 16.46

2015/16 - Rs. 15.71

Branches

23

Service Centres

02

Mega Service Centres

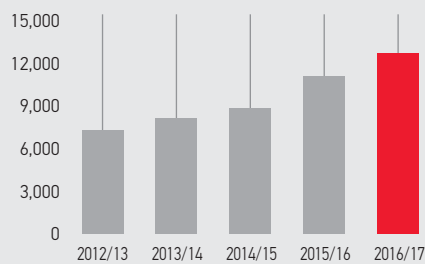
18

Employees

317

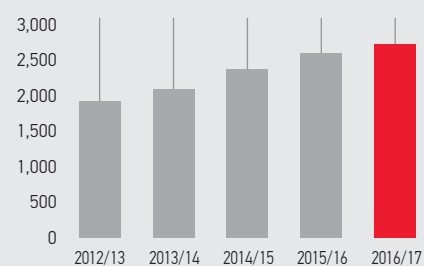
Total Assets

Rs. Mn



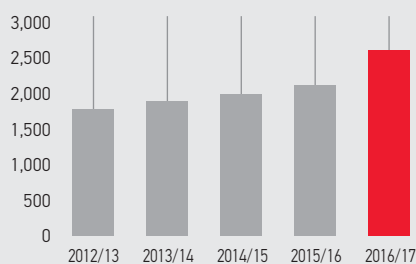
Total Equity

Rs. Mn

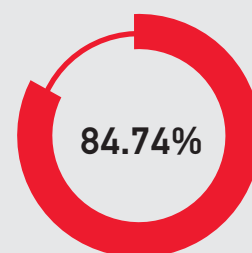


Gross Income

Rs. Mn



Shareholder's Funds: Public Deposits



	2016/17	2015/16	Change %
Financial Performance (Rs. 000)			
Gross Income	2,610,297	2,113,396	23.5
Interest Income	2,418,122	1,982,889	21.9
Interest Expense	978,996	688,135	42.3
Profit Before Tax	568,214	646,813	-12.2
Income Tax Expense	198,385	205,958	-3.7
Profit After Tax	369,829	440,855	-16.1
Revenue to the Government	339,027	293,928	15.3
Gross Dividends	175,253	248,000	-29.3

Financial Position at the Year End (Rs. 000)

Total Equity	2,720,616	2,597,628	4.7
Public Deposit	3,210,548	3,173,767	1.2
Hire Purchase, Lease, Loans & Advances	11,552,460	10,036,295	15.1
Total Assets	12,698,479	11,035,809	15.1

Investor Information

Earnings Per Share (Rs.)	2.24	2.67	-16.0
Dividend Per Share (Rs.)	1.06	1.50	-29.3
Net Assets Per Share (Rs.)	16.46	15.71	4.7
Price Earning Ratio (Times)	7.64	6.79	12.6
Dividend Payout Ratio (Times)	49.88	59.22	-15.77
Dividend Cover (Times)	2.11	1.78	18.54

Ratios

Gross Non-Performing Advance Ratio (%)	2.05	2.18	
Net Non-Performing Advance Ratio (%)	0.40	0.46	
Non-Interest Expense to Gross Income (%)	42.98	38.65	
Gross Interest Margin (%)	59.51	65.39	
Net Interest Margin (NIM) (%)	12.65	13.55	
Return on Assets (Before Tax) (%)	4.79	6.51	
Return on Average Shareholders' Funds (%)	13.91	17.77	
Interest Cover (Times)	1.58	1.95	
Equity : Interest Bearing Liabilities (Times)	0.29	0.34	
Debt : Equity Ratio (Times)	3.41	2.95	
Quick Assets Ratio (%)	1.78	1.89	

Statutory Ratios

Liquid Assets (%)	12.59	13.34	
Core Capital Ratio (%) (Minimum Requirement 5%)	19.00	22.92	
Regulatory Capital to Risk-Weighted Assets (%) (Minimum Requirement 10%)	19.00	22.92	
Shareholders' Funds: Public Deposits (%) (Minimum Requirement 10%)	84.74	81.85	


16.9%
Vehicle loan





Increased 
Rs. 78.4 Mn

During the year, Singer Finance expanded the vehicle loan portfolio. This proved to be a quick and convenient financial solution to all individuals who wanted urgent working capital loans.



Sri Lanka is now rapidly moving towards a cash-less society with an increase in debit and credit card transactions with retail payments in cash for goods and services recording a decline.

A handwritten signature in black ink, reading "Dr. Saman Kelegama".

Dr. Saman Kelegama
Chairman

Letter from the *Chairman*

“Your Company recorded another year of growth, launching into new business to expand its portfolio and reduce dependence on its leasing activities for income and growth. In fact your Company is now on a path to innovate and create new avenues of income, thus reaching a new level of maturity in overall business.”

Glimpse on the Economy

The Sri Lankan economy recorded a 4.4% growth rate in 2016. As evidenced by the Government policy documents and the two budgets presented in 2015 and 2016, Sri Lanka is moving away from a highly debt financing economy to a globally competitive, export-led economy with an emphasis on foreign direct investments (FDIs). In this policy turnaround, the Government had to make three firm decisions. Firstly, to maintain a more flexible exchange rate that moves gradually according to market trends. Secondly, increase taxes to mobilize revenue in order to balance the budget; in particular increasing the Value Added Tax (VAT) from 11% to 15%. Thirdly, agreeing to a stabilization package with the International Monetary Fund (IMF) in June 2016 and gradually increasing the interest rates to curtail excessive borrowing by the private sector. These measures did have an impact on the financial sector during the course of the financial year under review, achieving in an overall expansion of credit of 21 per cent in 2016, compared to a high growth rate of 31.8 per cent during 2015.

LFC/SLC Sector

A significant achievement in the sector comprising the Licensed Finance Companies and Specialized Leasing Companies (LFCs/SLCs) was the surpassing of the Rupees One Trillion mark in assets. The branch expansion in the sector was also encouraging and by end 2016, the sector comprised 46 LFCs, 7 SLCs and 1,313 branches, out of which 886 branches were located outside the Western Province. A total of 101 new branches were added to the branch network, during the period under review.

Although the sector recorded growth in terms of total assets and branch expansion of LFC sector, recent measures by the Central Bank of Sri Lanka (CBSL) to

regulate the motor vehicle leasing industry into a more streamlined business, with a downward revision in their Loan to Value (LTV) ratios, caused contraction in the industry. A slowdown in credit growth of the LFCs/SLCs sector in the first quarter of 2016, as a result of revision on the LTV ratios on vehicle leasing, accelerated during the second half of the year with increased exposure to other lending products.

LTV revisions were initially enforced in September 2015, with the facility of financing 100% of the value of vehicle being reduced to 70%. The CBSL subsequently made a further revision effective from January 2017, which limited vehicle leasing up to 50% of their total value for motor cars, SUV's and vans, up to 25% for three wheelers and 90% for commercial vehicles (lorries and heavy vehicles). These measures on vehicle leasing by the CBSL caused a significant impact on entire vehicle leasing industry, leading to a decline in income from the business.

While the revision resulted in a drop in business volumes for the leasing business in the last quarter of the year under review, it however turned out to be remarkable in terms of credit quality, with companies no longer being afforded the facility of financing the total value or 100% of brand new vehicles.

The sector's reliance on retail deposits has gradually shifted towards bank borrowings over the past two years considering the flexibility and cost factor. This has changed the overall funding structure of the sector by increasing the share of borrowings to 36.2 per cent in 2016 from 31.6 per cent in 2015, while the share of deposits decreased to 43.8 per cent in 2016 from 48.3 per cent in 2015. During the financial year (FY) 2016, the borrowings increased by 39.6 per cent or Rs. 124.4 billion to Rs. 438.7 in absolute terms compared to a growth of 44.6 per cent recorded in 2015. The borrowings are

Letter from the *Chairman*

predominantly from the banking and finance sector (58.5 per cent) followed by debenture issues (16.5 per cent), foreign borrowings (4.9 per cent) and overdraft facilities (4.5 per cent) according to CBSL statistics.

Performance in Expansion Mode with reduced dependence on leasing

Despite these prudential measures by the Central Bank on vehicle leasing which curtailed expected income from leasing operations in the first half of the year, your Company recorded another year of growth, launching into new business to expand its portfolio and reduce dependence on its leasing activities for income and growth. In fact your Company is now on a path to innovate and create new avenues of income, thus reaching a new level of maturity in overall business.

The Company's gross income grew Year on Year (YoY) by 23.51%. Gross income of the Company reached Rs. 2.6 billion in the FY 2016/2017 compared to Rs. 2.1 billion in the FY 2015/2016. This revenue constitutes Interest Income, Fee and Commission Income, Trading Income and Other Operating Income.

This growth although modest is commendable, considering the backdrop of increased costs. A steep increase in interest costs had a major impact on the performance of the Company in the year under review. Interest cost increased by Rs. 290.8 million to Rs. 978.9 million, posting a 42.3% increase. Thus, the profit of Rs. 369.8 million recorded in the FY 2016/2017 was 16.1% lower compared to the previous financial year.

The cost of borrowing increased significantly during the year due to policy rates being increased by the government. Despite steep rise in costs, a certain level of stability was experienced in the final quarter of the year under review.

The steep increase in impairment cost of 142 per cent to Rs. 70.5 million, was the second most critical expense factor that impacted

the profits in the year under review. The year also recorded an increase in bad debts in the latter part of the 3rd quarter and the 4th quarter of the FY compared to the first two quarters of the FY. This increase was attributable to general market conditions and liquidity constraints in the hands of the consumer.

This was a concern as it impacted the Company's profitability, especially considering the fact that the previous financial year recorded a notable reduction in allowance for impairment, as it receded by 82.3% to Rs. 29.1 million, contributing towards the Company's bottom line growth.

Last year's reduction on impairment costs was an illustration of improved economic conditions resulting in an increase in consumer expenditure on vehicles both for personal use as well as for the purpose of business and also with improved payment patterns.

Staff cost increased by 25.7% and administration and selling expenses increased by 33%, mainly due to the Credit Card project that was implemented last year. However, it is commendable that our Company's NPL declined from 2.18% in March 2016 to 2.05% in March 2017, a very healthy NPL position for a Finance Company.

In the next financial year, your Company/SFLP will continue the expansion plans for its core business, i.e., leasing business with new branches in several key locations.

We Continue to Make History

In our last financial year we created history by becoming the first non-banking finance institution to launch a visa credit card.

Sri Lanka is now rapidly moving towards a cash-less society with an increase in debit and credit card transactions with retail payments in cash for goods and services recording a decline. In response to these trends, your Company/SFLP will issue a debit card this year following the success of the first ever credit card to be issued by a non-banking financial institution in the last

financial year. Plans are made to launch the Debit Card in the 3rd quarter of the Calendar Year 2017 enabling further convenience for our customers as well as enhancing financial inclusion in the economy.

The factoring business of the Company will also expand outside the group next year, to other suppliers. Initially the business was limited to offering factoring facilities for the suppliers of the Group.

Challenges Ahead

The future holds many challenges more regulation to the industry is inevitable and higher costs will depress profit margins in a more competitive industry landscape, however, we are confident of gaining the edge.

Despite prudential measures adopted by the CBSL with regard to regulatory framework and a heightened competition, the expansion and growth we have mapped out for the Company in the short and medium term seem a realistic goal.

As we tread a path of expansion and growth with new business, we take pride in safeguarding our firmly established practices of good governance, ethical management and business.

The priority of the Company is to maintain the trust and confidence we have built with our stakeholders and our customers. We also strive to safeguard our most valued asset, our team. Our focus in human resource management is to recruit, build and retain a motivated, fulfilled and content team, to provide equal opportunities and empowerment for career progress.

The next FY 2017/2018 will be an year in which the Company will look at further diversifying into new business with growth in the newly launched Credit Cards and the launch of Debit Cards, expansion in our Factoring business and Revolving Loans. Simultaneously, we will strive to further consolidate our performance and expand market share in traditional businesses like Leasing and Consumer Durables Financing.

The advent of a new Enterprise Resource Planning (ERP) management information system has enabled new products to be offered and improved operational efficiency.

Acknowledgements

I appreciate the confidence and trust our shareholders and customers have continued to place in us as we reach this new level of maturity. I acknowledge all Board Sub Committees; the Audit Committee, IRMC, Credit Committee and the Group Related Party Transactions Review Committee for their valuable services throughout this period of review.

My sincere appreciation is extended for the valuable services of Mr. Joe Kan - Director who resigned from office. I extend a warm welcome to Mr. Jagath Dissanayake - Director who is appointed as the successor for the outgoing Director. My deep appreciation to the Director Non-Bank Supervision and his staff for their invaluable efforts to take this industry to a higher level of maturity. Let me also express my sincere gratitude to my fellow Board Members and staff for the collective contribution in steering the industry in the path to success.

Dr. Saman Kelegama

Chairman

02nd June 2017



We were successful in growing business volumes of core business area of leasing and loans. The challenge was to maintain the net interest margin in an environment where interest rates grew sharply.

Asoka Pieris

Chief Executive Officer – Singer Group

Group Chief Executive Officer's *Review*

Dear Shareholders,

The Environment and Business Conditions

Interest rates which had a marginal increase in 2015/16, increased very sharply by around 400 - 500 basis points and in percentage terms by 60% on the prior year rates.

The country experienced a severe drought, the worst in many decades impacting a large population dependent on agriculture.

The government increased the value added tax (VAT) rate from 11% to 15% from 2nd May, but had to postpone it in mid-July due to legal actions. VAT increase was affected again from 1st November.

The level of consumer spending in 2016/17 was lower than that of 2015/16. This was due to higher interest rates, higher inflation due to taxes and increase in exchange rates and due to reduction of income as a result of the drought.

The government continued to restrict on the loan to value ratio for leases and also continued to increase duties and taxes on motor vehicles, three wheelers and motor bikes making them more expensive.

Our Strategies and Actions

Our Strategies and Actions during the financial year were as follows:

- a) Grow business volumes and revenues in the core business area of leasing and loans.
- b) Maintain net interest margins in an environment of rising interest rates.

- c) Expand Singer Credit Card from test basis to a public launch and to grow card business.
- d) Grow business volumes of new sectors, such as factoring and invoice discounting.
- e) Continue to capitalize on the strengths of the parent company, Singer (Sri Lanka) PLC.
- f) Continue to improve the branch network and infra structure, such as the new ERP system.

Core Business

We were successful in growing business volumes of core business area of leasing, and loans. The challenge was to maintain the net interest margin in an environment where interest rates grew sharply. While we were able to maintain the interest margin of incremental business, the average margins were lower because the receivable book written previously was at rates lower than at present.

Due to the challenging market conditions and drought, the allowances for impairment of loans increased from Rs. 29.1 Million to Rs. 70.5 Million. However, we are happy to note that despite this increase our NPL ratios improved and are well below that of the industry.

Singer Finance Credit Card

During the year, Singer Finance (Lanka) PLC had the public launch of the Singer branded Credit Card. This is an internationally accepted credit card through VISA. Singer Finance has the honour of being the first non-banking financial institution to launch a credit card.

"In October 2015, Singer commenced issuing credit cards on a limited and test basis and had the public launch in July 2016.

At the time of writing this review almost 12,000 cards have been issued and during the last financial year there were 125,000 transactions including 4,600 international transactions."

Group Chief Executive Officer's *Review*

Singer's entry into the credit card business is considering the following: Singer has been in the consumer finance business in Sri Lanka since its inception by offering hire purchase to customers. We see that in the long term this business could be taken over by credit cards. Singer has many years of experience in consumer finance and would be in a position to offer the credit card to the consumers of the mass market. Currently, credit cards are used by less than 5% of the eligible population.

In October 2015, Singer commenced issuing credit cards on a limited and test basis and had the public launch in July 2016.

At the time of writing this review almost 12,000 cards have been issued and during the last financial year there were 125,000 transactions including 4,600 international transactions.

Singer Finance debit card is in process and will be launched in 3rd quarter of 2017.

Factoring and Bill Discounts

The Company ventured into factoring and bill discounting in the prior year. We were successful in increasing business volume of both during the current financial year.

Capitalization on Strengths of Parent Company

The Company continued to capitalize on the strengths of its parent company, Singer (Sri Lanka) PLC. Singer Finance continues the hire purchase lending operations at Singer Mega showrooms and some Singer Homes locations. Singer Finance continued its financing of group sales for the consumer durable sector. The factoring and bill discounting operations too commenced with suppliers of Singer (Sri Lanka) PLC.

New Branches and Infrastructure

During the year under review, the Company opened two new branches in Nugegoda and

in Kiribathgoda while the Kurunegala branch was relocated to new premises.

The Company's ERP system used from the inception had to be replaced due to issues in adapting it to the present level of business. At the time of writing, almost the entire old ERP system has been replaced by the new ERP system.

Financial Results for the Year

While Singer Finance did well in Gross Income reaching Rs. 2.6 Billion, compared to Rs. 2.1 billion in prior year, the profit for the year declined to Rs. 369.8 Million from Rs. 440.8 Million in prior year.

The decline in profit is due to increase in interest expenses above the increase in interest income, increase in allowances for impairment of loans, costs associated with the startup of the credit card, impairment of old ERP system and increase in VAT on financial services.

While interest income increased by 22% the interest expenses increased by 42% and therefore Net interest income grew only by 11%. The reason for this is explained under the core business section of this review. Total operating income increased by 14.5% to Rs. 1.63 Billion.

Allowances for impairment charges for loans and others increased from Rs. 29.1 Million in prior year to Rs. 70.5 Million. Personnel costs increased by 26% and administration and selling expenses increased by 33%. Included in these are, costs associated with the startup of the credit card and impairment of old ERP system. The impairment cost of ERP system was Rs. 30.3 Million.

The operating profit before value added tax was Rs. 677.5 Million – a decrease of 5.5%. VAT on financial services increased by 57% due to increase in VAT rate.

Funding

The Company has always had a very comfortable, low risk mix of funding. The gearing ratio at 3.4 is one of the lowest in the financial industry. In case of Borrowings too Singer Finance is not over dependent on a single source and has a healthy mix from different sources. Debentures account for 39%, public deposits amount to 37% and bank funding account for 24%.

Risk and Controls

Singer Finance continues to focus on the risks and controls. The Company has strong internal controls, tight credit approvals and good follow up including Call Centre for follow up of collections.

The non-performing loan ratio at 2.05% is among the lowest in the industry.

Singer Finance continues to focus on safeguarding the shareholders and deposit holders through prudent lending, effective systems and controls and adequate funding. The shareholder funds to deposit ratio is at 84.7%. The total risk weighted capital adequacy ratio of 19% is one of the best in the industry and very much more than the stipulated level, which is 10%.

Changes in the Board

During the year, Mr. Joe Kan, the Chief Financial Officer of Singer Asia resigned as a Director and he was succeeded by Mr. Jagath Dissanayake, who is the current Chief Financial Officer of Singer Asia.

I wish to record my appreciation to Mr. Joe Kan for his valuable guidance during his period of service on the Board. While welcoming Mr. Jagath Dissanayake, I wish him all the best in serving the Board of Singer Finance.

Acknowledgement

I wish to place on record my appreciation of Mr. Shantha Wijeweera, Chief Executive Officer and all our staff for their contribution and commitment, which has enabled us to overcome challenging conditions.

I thank the Chairman, Dr. Saman Kelegama and the Board of Directors for their constant guidance in steering the Company. I also thank the Chairman and Chief Executive Officer of Singer Asia for their valuable support and guidance.

I thank the Governor of Central Bank, The Director and other Officials of Non-Bank Supervision and Controller of Exchange for their guidance. I also thank the General Manager and staff of the Credit Information Bureau for their support for the growth of the financial 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

02nd June 2017

Chief Executive Officer's *Review*

Our Company managed to record a substantial growth of 23.5% in revenue during the year under review, despite heavy pressure in the industry from revised LTV (Loan to Value) ratios introduced by the Central Bank of Sri Lanka (CBSL).

The Company's foray into new business with the launch of its VISA accredited credit card has seen a good year. Our Company was the first finance company to receive the approval from CBSL to launch an internationally accepted EMV chip enabled visa credit card, a move acknowledged as bold and progressive. We have issued credit cards exceeding 12,000 during the financial year, being the first year of operation after the launch. Our main focus in market penetration for the credit card was reaching the outstation segments especially the well-tested SINGER Hire Purchase customer base that has been with Singer for decades.

Financial highlights: increase in costs, improved NPL ratios

While gross income grew year on year (YoY) by 23.51 per cent from Rs.2.1 billion to Rs.2.6 billion, the burden of increased interest costs and unexpected impairment costs depleted profits.

A policy rate increase by the government led to higher cost of borrowing during the year under review, placing additional pressure on our growth. The Company was successful in reaching a better level of stability in its fourth and final quarter turning around the bottom line to a more healthy level.

The general oppressive market conditions in the latter part of the financial year and liquidity constraints in the hands of the consumer, led to this unexpected increase in bad debts in the latter half of the financial year compared to the first two quarters.

CBSL downward revision on Loan to Value (LTV) ratios, intended to reshape the motor leasing industry to a more streamlined business, placed additional burden on our core business, restricting growth in income from motor vehicle leasing. Despite these prudential measures adopted by CBSL, our Company grew its core business of motor vehicle leasing.

In a backdrop of rising costs, reaching a Non Performing Loan (NPL) ratio which has outdone the industry average in the year under review, is another noteworthy achievement for us.

The industry NPL ratio showed a decline from 5.7 per cent in 2015 to 5.3 per cent in 2016, according to CBSL statistics and in comparison, our NPL too declined from 2.18% in March 2016 to 2.05% in March 2017, a very healthy NPL position for a Finance Company.

It is an achievement worth mention that we have maintained NPL ratios lower than the industry average in the past three years, giving us greater flexibility and control over our lending portfolio.

Additional Costs for Business Expansion

New recruitment for business expansion added to personnel costs during the year under review. Administration and Selling Expenses (A&S) increased by 33% to Rs 529 million YoY.

The expansion of new business like the Credit Cards and the Factoring business also led to increases in A&S expenses. Both credit cards and factoring have received top billing as products with potential for growth in the future.

"It is an achievement worth mention that we have maintained NPL ratios lower than the industry average in the past three years, giving us greater flexibility and control over our lending portfolio."



Our Company managed to record a substantial growth of 23.5% in revenue during the year under review

R.S Wijeweera
Chief Executive Officer

Chief Executive Officer's *Review*

Despite the above expenses, the Company's financial position in the year under review remained healthy. The Company's revenue mix constituting of Interest Income, Fee and Commission Income, Trading Income and other Operating Income maintained its upward trend. Interest income from leasing which is still the top income component in the portfolio increased from Rs. 1,162, million in 2016 to Rs. 1,610 in 2017, despite downward revisions in LTV ratios on vehicle leasing. Maintaining a growth mode in our performance in the year under review, our Lease Receivables grew by 21.5% to Rs 9.3 billion (YoY), Loans and Advances grew by 31% to Rs 1.9 billion (YoY). Our total income earning assets grew by 15% to Rs 11.5 billion (YoY). Total Assets Increased by 15% to Rs 12.6 billion, Total Equity grew by Rs. 4.73% to Rs 2.7 billion (YoY).

Ratios on the Rise

The Net Interest Margin of 12.65% as of 31st March 2017, was healthy compared to industry standards. Net Assets per share increased from Rs 15.71 to Rs 16.46 as of 31st March 2017. Share Holders Funds to Public Deposits at 84.74 % increased from 81.85% (YOY). This is a reflection of the Company's lesser reliance on public deposits. The total industry average as per CBSL data amounted to 27.5%. The debt to equity ratio increased marginally from 2.95 to 3.41 as of 31st March 2017. Non-interest Expense to Gross Income increased to 42.98% from 38.65% mainly due to investments in new product development and investment in software.

Progress of the Group Sales Business (Financing of Consumer Durables to Employees of Large Institutions such as the Forces, Garment industry etc.) will be of strategic importance. As the forerunner in this category (when compared to the rest of the Finance Companies in the Industry) the Company is in a position to leverage more on this product. Other organisations too can offer their employees, the convenience and

access to the Singer Group's vast product/ brand portfolio. In this win-win scenario the employer undertakes the task of monthly deductions of rental from the employee's salary to be remitted to the financier, a huge benefit for the employees.

Acknowledgements

My gratitude on behalf of the management team at Singer Finance (Lanka) PLC to our Chairman for his expert guidance in steering the Company on the path to progress. My sincere thanks also to the board of Directors of our Company for their valuable contribution and also the Chairman, the Chief Executive Officer of Singer Asia, and Chief Executive Officer of the Singer Group for their valuable support in shaping the strategic direction of the Company.

I take this opportunity to thank the Governor of the CBSL, the Director and other officials of Non-Bank Supervision and the Controller of Exchange for their guidance at all times. I thank the General Manager and the staff of Credit information Bureau for their expertise and efficiency in maintaining the standards of the Bureau, which immensely helped our credit decisions.

The growth of our Company to a new level of maturity is a reflection of the level of service of our managers and employees. It is they who we depend on, as our most valued asset as we move forward in our journey to be a leader in our field. Their commitment and competence has resulted in another profitable year for us and we acknowledge their solid contribution to our success this year.

R.S Wijeweera

Chief Executive Officer

02nd June 2017

Board of *Directors*



Dr. Saman Kelegama

Chairman/ Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC as Director on 13th November 2008.

He was appointed the Chairman of Singer Finance (Lanka) PLC on 1st April 2015 and is also the Chairman of Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, Regnis Appliances (Pvt) Ltd, Singer Industries (Ceylon) PLC and Reality Lanka.

Dr. Kelegama is a Board member of the SC Securities (Pvt) Ltd., Postgraduate Institute of Management (PIM), Standing Committee on Humanities and Social Sciences, University Grants Commission, Gamani Corea Foundation, Executive Director, Institute of Policy Studies of Sri Lanka, Fellow, National Academy of Sciences in Sri Lanka, former President and Honorary Fellow of the Sri Lanka Economic Association and author of several publications on the economy of Sri Lanka and the South Asian region.

He holds a D.Phil (Economics), Oxford University, UK.

Mr. Jayendra A Setukavalar

Senior Independent Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC on 22nd 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., Ceylinco Life Insurance 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 41 years of experience in the field of Auditing, Accounting and Finance and has served in Key Management positions and boards in various industries. He also worked overseas for three years with Price Waterhouse Coopers Dubai.

He is a Fellow of the Institute 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 South Korea and has attended Senior Management training programmes at INSEAD-France, IBM- Rochester USA and JICA Japan.



Board of *Directors*

Mr. John Hyun

Non-Executive Director

Mr. Hyun Joined the board of Singer Finance (Lanka) PLC on 28th of 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 22 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 with BT Wolfensohn. He returned to Hong Kong in 1999 with Investor Asia, the Asian operations of Investor AB, the Swedish industrial holding group. Mr. Hyun joined UCL in 2003.

Mr. Hyun serves on the Boards of Sewko Holdings Ltd, Singer (Sri Lanka) PLC, Whittington Group Pte Ltd, Erivale LLC and several non-profit organisations active in Asia. He is an alumnus of the University of Chicago.



Mr. Gavin J Walker

Non-Executive Director

Joined 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 Board of a number of Singer Asia subsidiaries.





Mr. Russell De Mel

Independent Non-Executive Director

Mr. De Mel joined the Board of Singer Finance (Lanka) PLC on the 1st of January 2016. He was a former Director and the Chief Executive Officer of NDB Bank PLC and served the Bank for a period of 33 years.

During his long career at NDB he has held many key positions. He also played a leading role in the privatization of the Plantation Sector. As Head of Group Risk Management he was instrumental in aligning the Risk Management function with the Business Groups within the NDB Group. He also served on the Boards of several NDB Group companies & client companies, as the Bank's nominee, until his retirement from NDB.

Mr. De Mel is a Fellow of the Chartered Institute of Management Accountants, UK (FCMA), a Chartered Global Management Accountant & a Fellow of the Institute of Certified Management Accountants (FCMA), Sri Lanka.

At present he is a member of the Board of Directors of TAL Lanka Hotels PLC (Taj Samudra) and Nations Trust Bank PLC.

Mr. Jagath Dissanayake

Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC on the 1st of July 2016.

Mr. Dissanayake is a Vice President of Singer Asia Limited overseeing the financial operations of the corporate office situated in Sri Lanka. He possesses over 33 years of experience in Finance and Management with a vast experience in varying industries both locally and internationally. Mr. Dissanayake is an alumnus of KPMG, Sri Lanka and held senior positions in the Accountancy practice in Zambia, Fiji Islands and in the private sector in Multinational organizations in Western Samoa, Textile Industry in Zambia affiliated to Woolworths and Marks & Spencer, and FMCG Industry in Zimbabwe. He was the former Group Chief Financial Officer of the Browns Group of Companies Sri Lanka and Director and Group Chief Financial Officer of Arpico Group of Companies.

Mr. Dissanayake is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA-Sri Lanka)



Board of *Directors*

Mr. R.S. Wijeweera

Executive Director / Chief Executive Officer

Mr. 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 38 years in the finance industry and has held senior positions in several RFCs.

Mr. Wijeweera holds a MBA (Banking & Finance) from Postgraduate Institute of Management of the University of Sri Jayewardenepura and MSc. (Management) National University of Ireland (UCD).

Mr. Wijeweera was selected as the outstanding alumnus of the year – Sri Lanka for the year 2013 by National University of Ireland. He is Vice Chairman of the Executive Committee of Finance Houses Association of Sri Lanka (FHA), a member of the Executive Committee of Sri Lanka China Society (SLCS) and Executive Committee of the National Chamber of Commerce of Sri Lanka.



Mr. Janaka Mendis

Non-Executive Director

Mr. Janaka Mendis Joined the Board of Singer Finance (Lanka) PLC on 30th April 2013.

Mr. Mendis has over 35 years of experience with the parent company , this experience comprises of 19 years as a District Manager /Area Manager and Senior Area Manager. Having had the opportunity to move into the credit function , he accomplished a total of 15 years' experience in core credit functions serving in the capacity of Senior Manager Credit , Deputy Credit Director and serves presently as the parent company's Credit Director.

Mr. Mendis holds a Diploma in Credit Management from Sri Lanka Institute of Credit Management and diploma in Financial Management from London Business School.



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.

Mr. Ramanathan is currently functions as the Director logistics of Singer (Sri Lanka) PLC. He is a Fellow of The Institute of Financial Accountants of London.

Mr. Lalith Yatiwella

Alternate Director

Joined the Board of Singer Finance (Lanka) PLC on 31st July 2014.

Mr. Yatiwella currently functions as the Finance Director of Singer (Sri Lanka) PLC.

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

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



Board of *Directors*

Mr. Chandana Samarasinghe

Alternate Director

Mr. Samarasinghe joined the Board of Singer Finance (Lanka) PLC on the 5th of May 2016 as Alternate Director to Mr. Joe Kan. He also serves as Director Operations of Singer Sri Lanka PLC, a post he has held since July 2015.

He joined Singer (Sri Lanka) PLC in August 1992 as a Trainee Executive and held numerous posts including serving as a District Manager, Area Manager and Senior Area Manager.

Chandana's senior management roles include Sales Manager, Retail in August 2004, Business Development Manager in 2010 and Deputy Director, Operations in June 2014.

He holds a MBA and an MSc in Marketing from the Asia e University of Malaysia and is also a Member of the Chartered Institute of Marketing (MCIM).



Mr. Thushan Amarasuriya

Alternate Director

Mr. Amarasuriya joined the Board of Singer Finance (Lanka) PLC on the 5th of May 2016 as Alternate Director to Mr. R.S Wijeweera.

He is the Head of Finance and has also served as the Compliance Officer and Company Secretary.

He has over 13 years' experience in the field of Accounting and Finance and over 3 years' experience in Sales, Marketing and Branding.

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

Prior to joining Singer Finance, Thushan worked at Singer India Retail as Financial Controller, at Singer (Sri Lanka) PLC as Manager Financial Reporting and at Cargills Food City as an Area Manager and Marketing Manager. He is the present Honorary Treasurer of the Mercantile Cricket Association and serves as the Secretary to the Financial Advisory Committee of Sri Lanka Cricket in an honorary capacity.





Mr. Iman Perera

Alternate Director

Mr. Perera joined the Board of Singer Finance (Lanka) PLC on the 5th of May 2016 as Alternate Director to Mr. Janaka Mendis. He also serves as the Head of Business Development overseeing sales, marketing and the branch network.

He possesses extensive work experience of over 23 years in the Finance Industry covering Retail Banking, Business Development, Sales and Marketing functions in Leasing, Micro Financing, Savings and Fixed Deposits.

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

Ms. Pramila Liyanage

Secretary to the Board

Pramila Liyanage is the Finance Manager of Singer (Sri Lanka) PLC. She has a First-Class Honors Degree in B.B.Mgt. Human Resources (Special) from the University of Kelaniya and Associate Member of the Institute of Chartered Accountants of Sri Lanka, Associate Member of the Chartered Institute of Management Accountants, (CIMA - UK) and Certified Global Management Accountant (CGMA).



Senior *Management*



Mr. Thushan Amarasuriya

Head of Finance

He is the Head of Finance and has also served as the Compliance Officer and Company Secretary.

He has over 13 years' experience in the field of Accounting and Finance and over 3 years' experience in Sales, Marketing and Branding.

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



Mr. Iman Perera

Head of Business Development

Iman holds a MBA from Postgraduate Institute of Management (PIM) of University of Sri Jayewardenepura and a BSc Business Administration (Special) Degree from University of Jayewardenepura. He counts 23 years work experience in Finance Industry covering retail banking, Business development and Sales / Marketing functions in Leasing and Micro Financing. He has been heading the branch network and Marketing / Business Development Division of Singer Finance since 2006.



Mr. Ruwan Jayasuriya

Head of Credit and Recoveries

Ruwan has been with Singer Group for over 21 years, of which eight years with the parent company managing sales, administration and hire purchase of consumer durables. He joined Singer Finance team at inception in 2004 and is heading credit, recoveries and operations division of the company. He holds a MBA from the Cardiff Metropolitan University (Wales), Diploma in Credit Management from the Institute of Bankers of Sri Lanka. He is a Member of the Sri Lanka Institute of Marketing and an Associate Member of the Chartered Institute of Marketing, UK.



Mr. Joe Wijeyagoonewardene

Head of Deposits

Joe has considerable years of working experience both in the public and private sectors holding several positions of which over 35 years have been spent in the Finance Industry heading deposit departments. He is a Justice of Peace (All Island).



Mr. Thilan Rupasinghe

Head of Cards

Thilan joined the Singer Finance team in April 2016 as Head of Cards.

Thilan has been with the Singer Group for over 23 years of which 12 years in the Treasury Department and out of which 7 years as Senior Manager Treasury. Also he has worked in the Financial Services Department, Accounts Department and Budget department at Singer Sri Lanka PLC.

Thilan holds a MBA from Australian Institute of Business (AIB) Adelaide, Australia. He also holds the position of Treasurer of the Payment Card Industry Association of Sri Lanka (PCIAS).

Middle Management



Mr. Jeevaka Jayawardena

Senior Credit Manager

Jeevaka was transferred to manage the credit function of the Company in 2015. He possesses over 16 years experience in Accounting and Finance out of which he has served 9 years in Finance and Leasing industry.



Mr. K D S Manoj Kumara

Senior Operations Manager

Manoj has over 12 years experience in the Retail Banking Industry and over 11 years in the Financing and leasing industry. He holds a MBA from the Mahathma Gandhi University of India, a Diploma in Banking from the Institute of Bankers of Sri Lanka and an Associate Member of the Institute of Certified Professional Managers of Sri Lanka.



Mr. Rajindra Gamage

Senior Regional Manager – Kurunegala

Rajindra has over 13 years experience in retail banking and over 10 years experience in Financing and Leasing.



Mr. Niranjana Sethunga

Senior Recoveries Manager

Niranjana holds B. Com (Sp) Hons. Degree with a 2nd class from the University of Kelaniya and an Executive Diploma in Micro Finance & Livelihood Development from Sri Lanka Foundation. He has been with Singer Finance since its inception and holds over 11 years management experience in Marketing, Credit & Recovery.



Mr. Pradeep Boange

Senior Regional Manager - Kandy

Pradeep has over 22 years experience in the field of Financing and Leasing. Pradeep is an Associate Member of Chartered Institute of Marketing – UK and holds an MBA from the University of Wales Institute – Cardiff.



Mr. Nishantha De Silva

Senior Regional Manager - Matara

Nishantha has over 27 years experience in the Finance and Leasing industry and has also covered 2 years in Life and General insurance. He has successfully completed a “Diploma in English for employment” awarded by the Faculty of Humanities & Social Sciences of University of Ruhuna and has completed 3 years in the Higher National Diploma in Commerce conducted by the Higher Education Ministry.



Mr. Roshan Ruwanpura

Senior Group Sales Manager

Roshan is presently heading the Group Sales Division of Singer Finance. He has over 20 years experience covering Sales and Marketing, Recoveries, Credit Control and Inventory Management. He holds a diploma in Supplies and Material Management from The Institute of Supplies and material Management of Sri Lanka.



Mr. Suranga Jayaweera

Manager – Financial Reporting and Compliance

Suranga has over 9 years experience in the field of Accounting, Auditing and Finance. He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka, The Institute of Certified Professional Managers and The Association of Accounting Technicians of Sri Lanka. He holds BSc. Accounting (Sp) Degree with 2nd class upper division from University of Sri Jayewardenepura. Prior to joining Singer Finance, he worked at Ernst & Young and at Singer (Sri Lanka) PLC as an Audit Manager.

Middle Management



Mr. Jayalath Dharmarathna

Manager – Factoring

Dharmarathna has over 14 years experience in the fields of Leasing and Factoring. He is an Associate member of Institute of Credit Management and partly completed the Diploma in Banking & Finance (DBF) level from IBSL. He is currently reading for an MBA at University of Cardiff Metropolitan – UK. Prior to joining Singer Finance, he worked at Nations Trust Bank and Seylan Merchant Bank PLC.



Ms. Radhika Perera

Manager – Deposits

Having worked briefly as an Intern for Singer Finance in early 2010, Radhika joined the Company as Manager Deposits in the year 2016. Radhika has extensive work experience having worked for Telstra Corporation, Australia as Manager Credit and Recoveries, in Financial Accounting for Kemsigns Group, Australia and over three years' experience in Sri Lanka as a Finance Executive for MAS Active (Pvt) Ltd– Linea Intimo. Her work experience includes, Financial Accounting, Treasury, Corporate Secretarial and Credit and Recoveries.

She is a passed finalist of Chartered Institute of Management Accountants, (CIMA UK) and has a Certificate IV in Business by Australian Apprenticeships.



Mr. Nadeesha Liyanagamage

Regional Manager - Colombo

Nadeesha has over 15 years experience in the field of Finance and Leasing. He has completed 9 years service at Singer Finance.

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



Mr. Saminda Peiris

Manager - Card Operations

Saminda joined the Singer Finance team in May 2015 and currently managing the Card Centre operations.

Saminda has over 10 years of experience in the banking and finance industry and prior joining the Singer Finance team, he worked at Commercial Bank of Ceylon PLC where he handled operations relating to cards, retail banking and electronic banking including card operations, settlement and reconciliation, dispute & fraud management, electronic payments and retail banking operations.

He is currently reading for a MBA from Australian Institute of Business (AIB) Adelaide.

Junior Management



Ms. Ruchira Mendis
Confidential Secretary



Mr. Muditha Gunawardena
Senior Branch Manager - Wennappuwa



Mr. Dharshana Samaranayake
Senior Branch Manager - Kandy



Mr. Bimal De Silva
Senior Branch Manager - Galle



Mr. Supun De Costa
Senior Assistant Manager - Deposits



Mr. Hewage Premakumara
Senior Assistant Manager - Consumer Finance

Junior Management



Ms. Nadeesha Sanjeevanie

Senior Assistant Accountant – Finance



Mr. Sanka Fernando

Senior Assistant Manager - Recovery



Mr. Ajith Warna

Branch Manager - Embilipitiya



Mr. Viraj Wijeyesinghe

Branch Manager - Anuradhapura



Mr. Shervin Perera

Branch Manager – Kaduwela



Mr. Nilantha Rathnasiri

Assistant Branch Manager - Giriulla



Mr. Mahinda Wasala
Branch Manager - Thambuttegama



Mr. Dilan Shaminda
Branch Manager - Tissamaharama



Mr. Samantha Herath
Assistant Branch Manager - Medawachchiya



Mr. Chaminda Peiris
Branch Manager - Ampara



Mr. Chandramohan Thanushan
Assistant Branch Manager - Jaffna



Ms. Lois De Alwis
Assistant Manager - Card Centre

Junior Management



Mr. Shanaka Sandaruwan
Assistant Branch Manager - Negambo



Mr. Roshan Janaka
Assistant Branch Manager - Kurunegala



Mr. Lalith Samarakoon
Assistant Branch Manager - Mahiyanganaya



Ms. Rovienna Xavier
Assistant Manager - Credit Cards



Mr. Thilina Galapitagedera
Assistant Manager - Risk & Settlement



Mr. Niloosha Sinhabahu
Assistant Manager - Sales & Marketing

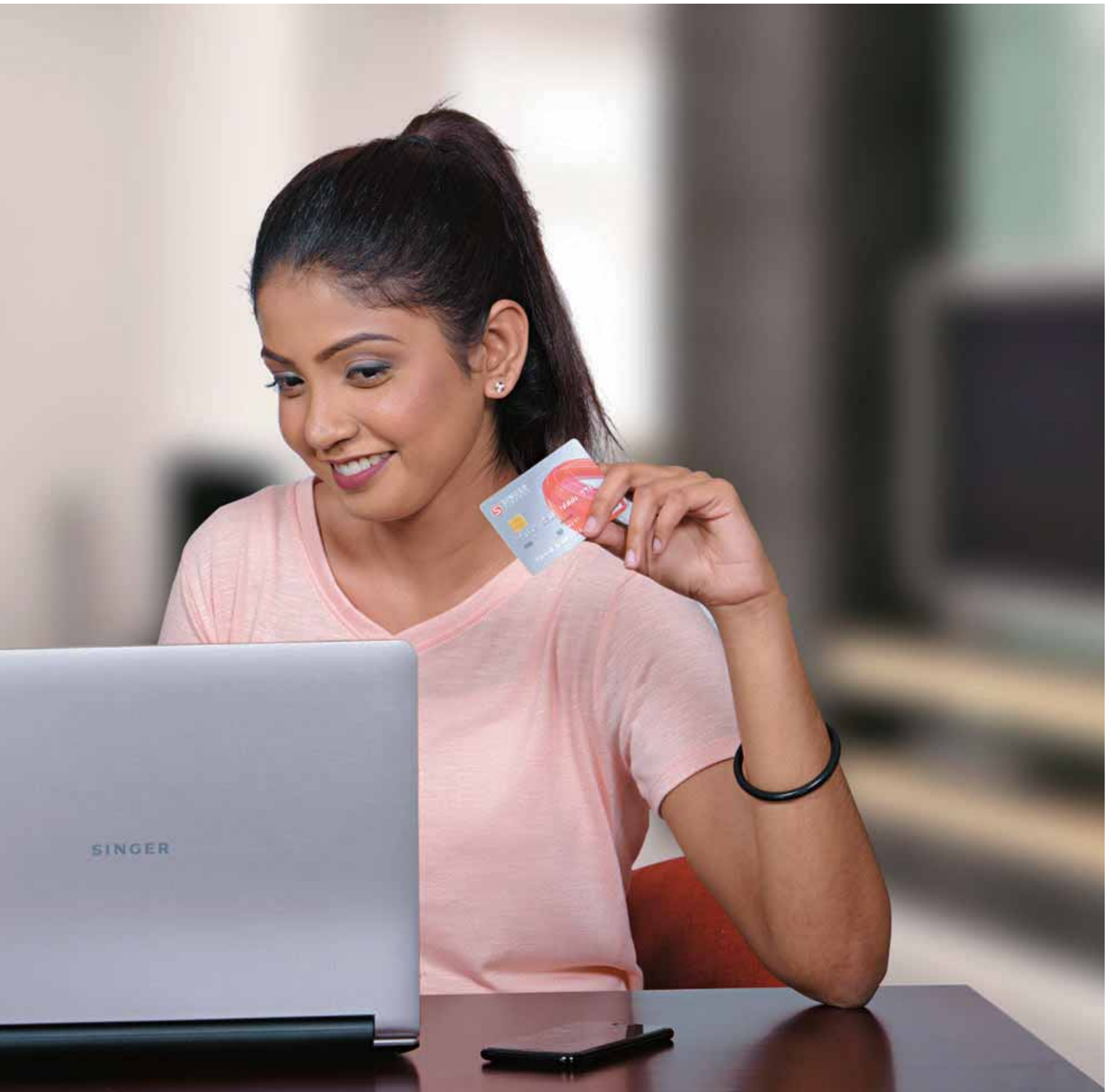


Mr. Indunil Kankanmge
Assistant Branch Manager - Kiribathgoda



Mr. Harsha Wijesuriya
Branch Manager - Dambulla





Increased 
Rs. 237.8 Mn

We at Singer Finance achieved the distinction of being recognized as the first non-bank financial institution to issue a credit card. During the year the Company surpassed a landmark of issuing 12,000 cards. With over 750 customer touch points encompassing the parent company's multi-channel retail network we are poised to promote credit cards to all Sri Lankans in the years to come.

Management Discussion & Analysis



Overview of the Financial Year 2016/17

The year under review was challenging for both the Company and the Industry. As the Central Bank of Sri Lanka (CBSL) curtailed lending by restrictions placed on Loan to Value (LTV) ratios, whereby, Finance Companies were imposed with restrictions on the amount that could be financed on a particular vehicle category (for example motor vehicles which could be financed to 70% of its selling price could now be financed only up to 50%), with these changes, business growth began to take a beating. Although, the LTV restrictions were welcomed by some, as a "blessing in disguise" in terms of increasing credit quality, the question as to the increase in Impairment charges for Loan and Other Losses compared to the prior year could annul this notion. No doubt the positive impact of the LTV restrictions will be seen in the long run, as the impact on the increase in Impairment charges for Loan and Other Losses during the year under review is more attributable to the severe drought, and tightening of liquidity that impacted the loan book that was mostly written up before the LTV restrictions were imposed. Increase in the Value Added Tax (VAT) from 11% to 15% and the fact that the Financial Services VAT, Nations Building Tax (NBT) on Financial Services and the Crop Insurance Levy are all permanent add backs to the Assessable Income for Income Tax has applied enormous stress to the bottom lines of the Company and of the industry at large. Interest rates increased as a result of government increasing policy rates with the tightening of monetary policy and as a result, cost of funds increased, impacting both interest cost and business lending.

Despite the challenges experienced during the year, the Company progressed in expanding the core business as well as new business products. Lease Receivables, the core Loan product of the Company grew by 21.5%, and other trust products in the year under review were Credit Cards (Receivables portfolio grew 938% over prior year), Factoring (Receivables grew by 99.7% over

“Despite the challenges experienced during the year, the Company progressed in expanding the core business as well as new business products. Lease Receivables, the core Loan product of the Company grew by 21.5%, and other trust products in the year under review were Credit Cards (Receivables portfolio grew 938% over prior year), Factoring (Receivable's grew by 99.7% over prior year) and Financing of Loans at Singer Mega (Receivables grew by 21% over prior year), the overall income earning receivable portfolio grew by 15.1%, which transpired to increase in Interest Income of 21.9%.”

Gross Income

LKR 2,610 Mn

2015/16 LKR 2,113 Mn

prior year) and Financing of Loans at Singer Mega (Receivables grew by 21% over prior year), the overall income earning receivable portfolio grew by 15.1%, which transpired to increase in interest income of 21.9%. Two new products; Revolving Loans and Business Loans were introduced and the Company opened two new branches in Nugegoda and Kiribathgoda during the year under review.

Our Strategic Assets

- Financial Rating of BBB (lka) Stable by Fitch Ratings Lanka Ltd
- Eminent Board of Directors
- Singer introduced Hire Purchase to the world back in 1851. Our ability to introduce innovative financial products is a core competency of the Singer Group
- Ability to raise capital and access to funding at competitive rates
- Capacity to expand island-wide
- Facility for customers to settle payments

at 424 locations of parent company Singer Sri Lanka

- Skilled and experienced human resources pool
- State of the art software capabilities
- Backed by 160-year-old Singer, a heritage brand name

Our History

Singer Finance is engaged in accepting deposits and extending leases, consumer loans credit cards and factoring to its customers. The Company has 23 regional branches and 2 service centres. In addition, SFLP finances all loan accounts of 18 Singer Mega branches, which is the modern trade channel of the parent company. Initially established as a medium-sized Finance and Leasing Company, it has gained an “A” Category finance company rating. Singer Finance is a profitable operation that is building its own brand identity on the

strength of its robust balance sheet and governance controls.

Corporate Information

Singer Finance, 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. 12.6 billion. SFLP was listed on main board of Colombo Stock Exchange in December 2010 and currently 19.50% of its shares are held by the public.

Management Discussion & Analysis

Our Products

Singer Finance offers an array of financial solutions that encompasses leasing, hire purchase, financing purchase of consumer products, personal loans and business loans, credit cards and factoring.

Leasing

Our Leasing portfolio performed exceedingly well during the year, recording a growth of 21.5%. Company mainly finances Motor Vehicles, Three Wheelers, Motor Bikes Agricultural Equipment and Machinery by way of Leasing.

Hire Purchase

The receivable balance in Hire Purchase declined due to a shift in demand from HP to Leasing the reason for this was the fact that we took a conscious decision to shift from Hire Purchase to leasing mode of financing due to VAT being exempted from Leasing. Most new contracts during the year were shifted to leasing. A similar trend could be seen elsewhere in the industry.

Group Sales

The most profitable segment in our portfolio, Group Sales has been posting a remarkable performance year on year. The net receivables from this portfolio reached Rs 626 million during the year under review. Leveraging on the group synergies of the Singer brand, Singer Finance offers employees of public and private sector companies the facility to select any consumer product and pay for it in monthly instalments, the loan repayments are then deducted from their respective salaries and remitted to us by the employers. Many organizations are treating this facility favourably as a means of extending extra benefits to their employees through our financing service. Leading garment factories, government school teachers and armed forces personnel constitute the key customer base in this segment. Customers enjoy the benefits of using the product from the very first day without being obliged to pay the entire sum upfront. In order to leverage on group synergies further, a dedicated unit has been set up to handle Group Sales to ensure

superior customer service. Although, others have tried to make headway in this segment, our decades-old experience and group best practices makes us the market leader in the group sales business.

Revolving and Business Loans

Revolving and Business Loans are new loan products introduced by the Company, as a result of system capabilities acquired from the new software.

Revolving Loans are very much similar to a current account facility offered by Commercial banks at present. This is basically a credit arrangement where customer has the capability to access a pre -approved loan amount at the time it is required to be withdrawn, repaid and again withdrawn any number of times until the loan period expires.

Business loans are specifically intended for business purposes and meant to provide short term relief for small and medium scale entrepreneurs. A loan could be arranged for maximum of 12 month period against the security of post- dated cheques for the total number of monthly instalments from the bank account declared at the time of credit evaluation.

Deposits

During the early part of the year under review interest rates on deposits were not increased in comparison to certain other competitors as the Company was able to raise debt through alternate sources at relatively lower borrowing rates. This caused a decline in our deposits portfolio as a certain segment of customers seeking high rates in the short term withdrew their deposits at maturity. However, majority of the loyal customers reinvested their funds with the Company and so did institutional investors. Further, State Banks offering superior rates of interest for deposits of senior citizens also caused a dip in deposit portfolios for non- state owned banks and financial institutions. Towards the latter part of the fiscal year, government policy rates began to rise and the Company has since adjusted the rates upward. Singer Finance also offered

attractive gift schemes for Christmas and Avurudhu seasons with an attractive range of consumer durables on offer, differentiated as per Deposit value and tenure. Thus the deposit base has grown over the prior year due to improved rates and focused marketing efforts.

SFLP is a Registered Finance Company, authorized 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 authorized to accept deposits.

‘Singer Muthu’ and Regular Savings Accounts

Singer Finance is steadily establishing a strong reputation as a Company that offers a secure option for opening children's savings accounts. The 160 year old Singer brand is a trusted household name and we leverage on this brand loyalty by offering value added services to our customers. Normal Savings Accounts could be opened by any adult over 18 year of age, by declaring identity and address proof with convenience at any of our branches. Company offers competitive interest rates for both Children's and Regular Savings accounts. There will be added convenience and mobility for the Savings customer with a debit card planned to be introduced in the year 2017/18.

Credit Cards

In 2015, the Company achieved the distinction of being recognised as the first Non –Bank Financial institution in the country to receive a license to issue a Credit Card from the Central Bank of Sri Lanka. The Card is a VISA Credit Card and could be used both locally and internationally to purchase goods or services from any merchant that accepts cards as mode of payment. Singer Finance has the reach to one of the widest branch networks island-wide with over 750 touch points which includes the parent company's multi-channel retail network and whole sale channel network; hence there is much opportunity for the Company to grow this business as there is a readily available market segment. During the year, the Company surpassed a landmark in

issuing over 12,000 cards and is now on par with certain Commercial banks in terms of customer acquisition and size of card base.

Factoring

The factoring business has progressed with a lot of momentum and has grown by over 100% over the prior year. During the financial year under review the Company acquired a portfolio of new customers. Small to medium scale business that need to improve their liquidity could assign their invoices or post-dated cheques to the Company and acquire an advance from such assignments. There are plans to expand this business which is relationship driven, to a significant level in the years ahead.

Singer Mega

Singer Mega is one of the Parent Company's many business channels and is the larger format business channel of the Group with a vast product and brand offering.

Singer Finance is the financier of all consumer durable products that are purchased on instalment basis from a Singer Mega store. In the year under review, Singer Finance remained focused on servicing Singer Mega customers with loan facilities in addition to promoting the Company's own traditional businesses such as Leasing. This business relationship has strengthened over the years and Singer Finance is now present in more than 18 Singer Mega Locations.

Money Exchange

The year under review the Company strengthened this business segment by making a higher number of forex purchases. It is noteworthy to mention that Company is successful in forex dealing in remote areas such as Embilipitiya, Tissamaharama, Anuradhapura and Medawachchiya. The money exchange service has been extended across our branch network. We strive to retain an edge in this segment by offering competitive market rates.

Key Challenges	Our Response
Challenges in Sustaining Optimal Spread It is of importance that the Company sustains its spread in order to increase shareholder wealth in the long run. The volatility experienced in interest rates from time to time, due to local and international economic factors makes it difficult to sustain optimal spread.	SFLP reviews its interest rate spread against its plan and compares it to the previous year on a monthly basis and takes corrective action where necessary. The Company has increased financing consumer durable items as this product provides high yield and also has low risk due to being small ticket items. In addition to the above, the term of these products are relatively short. Hence, the Company has flexibility to adjust its lending rate based on the cost of funds, keeping interest rate spread at an optimal level, thus achieving the objective of sustaining an optimal spread. The Company successfully raised three Debenture issues in 2013, 2015 and 2016 respectively at the lowest rates that prevailed at the time of issuing. The rates are fixed in all three of these Debenture issues thereby reducing the risk on the interest rates and also reducing the Asset/Liability mismatch.
Challenges faced in Information Technology (IT) The industry as a whole faces the challenge of harnessing IT systems to provide necessary Information required by ever evolving requirements of regulators and other bodies. In addition, the challenge of maintaining the IT system at the optimum operating level is a requirement for the Company to succeed in its operations.	IT processes are reviewed by a special team of internal auditors who are equipped with the necessary skill and knowledge. Further, IT staff is trained to upgrade their knowledge on latest technology and developments. SFLP is following data security standards and has very strict control mechanisms. The Company successfully migrated to a new IT software in the year 2016/17, this software will enable the Company to roll out new products as well as improve the MIS reporting capabilities, adding value to its operations.
Challenges due to Loan to Value Restrictions The Central Bank of Sri Lanka enacted guidelines to restrict Loan to Value ratios during the year under review. With financing of Motor Vehicles being restricted to 50%, Motorbikes 70%, Commercial Vehicles (Lorries and heavy vehicles) 90% and Three Wheelers 25%. There was a drop in demand due to these restrictions which affected the entire industry.	The impact from loan to value (LTV) restrictions were minimised, as the Company was not entirely dependent on financing brand new vehicles, having a reasonable share in the financing of second hand vehicles was an advantage. The Loan to Value restrictions for vehicles that have elapsed an year of registration is, 70%.

Management Discussion & Analysis

Key Challenges	Our Response
<p>Challenge in finding individuals with necessary skill and knowledge from the market to fill vacancies</p> <p>The Company and the industry at large faces a shortage of qualified individuals in certain positions, especially the talent pool for Marketing has a vacuum.</p>	<p>Singer Finance takes extra efforts to recruit individuals with the correct attitude, necessary skill and knowledge. Lot of emphasis is placed on the correct attitude as the Company has the capability to train the right candidate with the correct attitude through various training programs conducted internally as well as externally, thereby, helping recruits to fulfil any skill gaps. This screening process results in better retention ratio.</p> <p>The Company also provides increased opportunities for all-rounders, i.e. candidates who have achieved in academic as well as sports or academic as well as art with excellent language and leadership skills will have an edge in being selected to respective positions.</p>
Opportunities	Our Response
<p>Market and Product Development</p> <p>SFLP has the opportunity to move into new markets and products.</p>	<p>With the reach of the parent company spanning every nook and corner of our Country and the brand Singer being the most powerful retail brand in the Country, Singer Finance has opportunity to develop and grow products such as Credit Cards, Factoring and Savings. The Company will focus on developing these products in the ensuing years.</p>
<p>Expected Economic Resurgence</p> <p>Recent corrective action taken by the Government by way of controlling fiscal policies and regulatory enactments are seen by optimists as a step in the right direction and with long term intent. Country's balance of payments being under constant stress and high Government debt repayments have threatened economic stability, therefore, these corrective measures had to be taken by the authorities in the best interest of the Country. Having regained the GSP+ status has opened up exports opportunities as well.</p>	<p>Singer Finance is a small to medium sized Finance Company, with a quality receivables portfolio, well managed with good governance practices and has the ability, reach and flexibility to poise itself to the big league by expanding more aggressively at the right time.</p>
Threats	Our Response
<p>Competition</p> <p>The finance industry is extremely competitive with all Companies providing the same range of products and being present in most towns and cities.</p>	<p>Singer Finance will continue to capitalize on its brand strength, superior service quality and expertise on disbursing consumer loans and issuance of Credit Cards to differentiate itself from competitors. Further, ability to make loan repayments from any Singer branch network (Including the parent companies 424 branches) is an unparalleled customer convenience offered by Singer Finance.</p>
<p>Leasing is considered to be a product for Finance Companies. However, in recent times, banks have entered the Leasing industry and with their low cost of funds are posting a challenge to the finance companies.</p>	<p>Singer Finance provides a very efficient service with minimum hassle and documentation. Also, Singer Finance recognizes its business partners and rewards them accordingly. In addition to above, the Company has spread its business risk by entering into new businesses such as Factoring, Credit Cards, Revolving and Business Loans in addition to financing consumer durables.</p> <p>The Company takes brave steps in lending to customers who are not able to avail banking facilities due to stiff credit criteria, as a Finance Company we take the bold step of evaluating a customer more closely than another institution would, understanding the customers future cash flow generating capabilities and credit worthiness and enabling them to develop their businesses or meeting their financial needs by providing them the necessary funding whenever it is justifiable to do so.</p>

Financial Review

In the year under review, Company posted impressive growth rates in gross revenue with a Year on Year (YoY) growth rate of 23.5%, interest income growth of 21.9% , net interest income growth of 11.2% and total assets growth of 15.1%. Although, the year was progressive in terms of product growth (Leasing grew by 21.5% YoY, Credit Cards grew by 938% and Factoring grew by over a 99.7% YoY), there were many challenges that had to be overcome. Interest expenses were under stress due to increase in government policy rates and bad debts increased amidst drought conditions and liquidity concerns. The Loan to Value restrictions placed by the Central Bank of Sri Lanka, impacted business growth and interest margins, as competition reacted by financing with thin margins in an effort to sustain business volumes.

The Company focused on furthering its new business products namely Credit Cards, Revolving Loans and Business Loans and completing the migration of the new ERP software during the year under review. Company invested in new software, with the main intention of offering the Business Development arm of the Company the ability to introduce new product offerings and also with the purpose of consolidating and strengthening systems and processes and to reduce the IT risks of venturing too far without change. The new software resulted in the Company having to write off the existing one resulting in an additional charge of Rs 30.3 million to the profit and loss account.

Despite growth in profit for the year being adverse compared to prior year, due to investments in new products, investments in software, increase in borrowing costs and increase in Impairment charges, the Company's key financial parameters are

on a sound footing and prudent financial discipline and focused cost controls across the enterprise contributed to reporting reasonable profitability figures.

Basis of Preparation and Comparative Figures

The basis of preparation of the Financial Statements are described under note No. 1.2 to the Financial Statements. The accounting policies used are consistent with those used in the previous year.

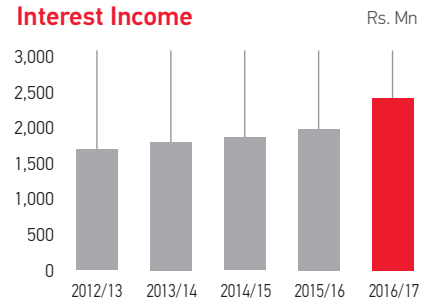
Statement of Comprehensive Income

Gross Revenue

Gross Income grew by 23.5% to Rs 2.610 billion Year on Year (YoY). Income of the Company constitutes interest income, fee and commission income, trading income and other operating income.

Interest Income for the year under review grew by Rs 435.2 million (21.9% growth) to Rs 2.418 billion compared to the same period prior year, Fee and commission income grew by Rs 18.7 million (19.9% growth) to Rs 113.1 million compared to prior year, Income from service charges amounting to Rs 75.7 million contributed most to the fee based income category followed by insurance commission Rs 28.4 million, issue reimbursement fee on credit card Rs. 5.2 million and commission income Rs 3.8 million. Net trading income amounting to Rs 558,091/- relating to trading profit from buying and selling of foreign currency was adverse by 24.7% , this drop is attributable to a drop in selling activities. Other Operating Income grew by Rs 43.1 million (121.8 % growth) to Rs 78.5 million. Other Operating Income mainly constitutes of loan loss recoveries; gain on translation of foreign currency and Other Operating Income from the credit card business.

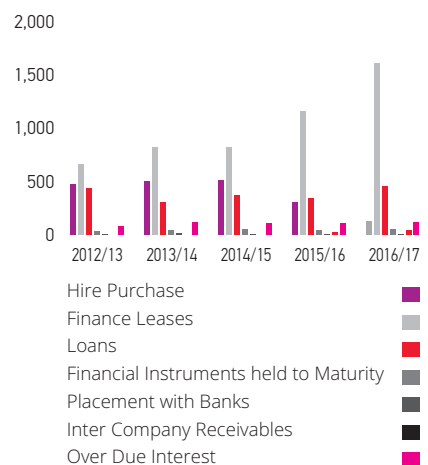
Interest Income



Components of Interest Income

The main Interest Income earning products of the Company are made up of, finance leases, loans, hire purchases, financial instruments held to maturity, income from placements with banks, inter-company interest and overdue interest.

Composition of Interest Income

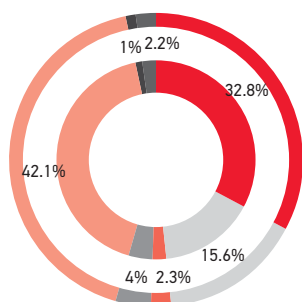


Interest Income from Leasing grew by 38.5% to Rs 1,610 million over the previous financial year, the main contribution to interest income during the year under review accrued from the increase in Leasing business. Income from Hire Purchase decreased by 58.9% to Rs 125.8 million. The Income from Hire Purchase decelerated due to the fact that

Financial Review

there was a shift to Leasing facilities as value added tax was exempted for Leasing. Interest income on loans grew by 35.4% to Rs 458.4 million, Financial instruments held to maturity grew by 20.7% to Rs 55 million, Interest income on placement with banks grew by 39% to Rs 8.6 million, Interest on Inter-company receivables grew by 91.2% to Rs 39.4 million and overdue interest income grew by 16.5% to Rs 121.3 million compared to the prior year. Inter Company receivables are accruing from the financing of loan facilities at Singer Mega, a receivable balance accrues in the financial statements due to the fact that Company draws down cash on a need basis, an interest is paid by the parent company to compensate for the same.

Interest Expense



- Interest on Other Financial Liabilities Due to Customers
- Interest on Bank Loans
- Interest on Commercial Papers
- Interest on Inter Company Payable
- Interest on Debenture
- Debenture Issue Cost
- Interest on Bank Overdrafts

In the year under review interest costs increased by Rs 290.9 Million (42.3% growth) to Rs 978.9 million year on year (YoY). There was an adverse impact to the financial performance of the Company and the Industry at large due to increase in the cost of funds in the economy. The Government increased policy rates tightening the monetary policy as a pre-emptive measure to control inflationary pressure

and to support the balance of payments. The ambiguity with regards to the status of the tax changes proposed, on the interest income on listed Debentures, resulted in this avenue of raising funds being temporary closed, thus shifting the funding avenues to bank borrowings and the Fixed Deposit market. During the majority of the year under review, Singer Finance refrained from over depending on the Fixed Deposit market by continuing to offer rates that were competitive but not excessive. However, towards the latter part of the period under review, the Company increased the Fixed Deposit rates in order to be more competitive in the market. Total borrowing as of the year end, amounted to Rs 9.273 billion with the debt composition comprises of Fixed Deposits and Savings 35%, Listed Debentures 37%, Bank Loans 16%, Commercial Papers 1%, Inter Company Borrowing 6% and Bank overdrafts, 5%. Singer Finance is always at an advantages position when sourcing funds from the parent company due to the parent's superior rating and balance sheet size which opens access to competitive funding sources to the parent company compared to Singer Finance.

Net Interest Margin

	2016/2017	2015/2016
Total interest income as a % of average earning assets (%)	12.65	13.55

Net Interest Margin (NIM) decreased marginally by 90 basis points to 12.65% amidst tightening pressure on margins due to increase in cost of funds. Company sustained margins by way of managing the product mix and increasing lending rates whenever it was feasible to do so.

Staff Cost

Staff costs increased by 25.7% to Rs 353.9 million YoY. This increase is correlated partly to the increase in head count which stood at 317 as at end of 31st March 2017 compared to 298 as at 31st March 2016. Increments, higher bonus pay out compared to prior year and cost of living adjustments which was on average a 12% increase to general staff, also contributed to the increase in staff costs. The increase in number of heads was to supplement income generating activities, backend staff increases were needed to support the business expansion and to strengthen the recoveries and operational functions.

Administration and Selling Expenses

Administration and Selling Expenses increased by 33% to Rs 529.3 million YoY. The increase in Administration and Selling Expenses was mainly due to the investments in new products and new ERP software. The cost of the old software had to be written off in full and the investment cost in the new software required the Company to upgrade certain components of hardware and also increase the internet bandwidth capacity. Investments into new products include Credit Card and Factoring.

The main cost increases in Selling Expenses in isolation to Administration expenses are Commissions paid to marketing staff, credit card promotional expenses, traditional product promotional and advertising expenses and travelling related expenses of the marketing staff.

Allowances for Impairment charges for Loan and Other Losses

During the year under review Company provided Rs 70.5 million for bad and doubtful debts this was a growth of Rs 41.4 million, or 142% over the prior year. Majority of the impairment charges are accruing from the Leasing product as its,

makeup constitutes 80% of the portfolio of interest earning receivables. The adverse impact from the environment (both floods and drought conditions) and tightening of monetary policy and low liquidity amongst the consumer were contributory factors to the high provisioning. It should also be noted that in the prior year there were reversals in provisioning due to selling of re-possessed assets. There were similar reversals from re-possessed assets in the year under review, however , the quantum of repossessed vehicles have increased compared to the prior year and as a result, the cumulative impact has required higher provisioning. There was a surge in repossessing activity in the final quarter of the year under review due to arrears increasing and as a result the provisioning requirement increased. The Company expects reversals in the event the re-possessed assets are disposed or customer continues the facility by honouring payments. Also, if the overall repayment ability of the customer improves there will be lesser additions to impairments which will result in reducing provision charges towards 2nd and 3rd quarter of the Financial Year 2017/18.

Value Added Tax on Financial Services

Value added tax expense for the year was Rs 109.3 million compared to Rs 69.8 million in the prior year. The increase in value added tax on financial services is mainly due to the increase in Leasing which has grown exponentially and is liable for FS VAT and the increase of the tax percentage from 11% to 15%.

Income Tax Expense

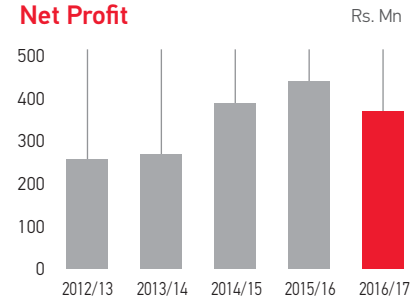
Income tax expense was Rs 198.4 million as against Rs 206 million in the previous financial year. The Company's effective tax rate for the year was 34.91% compared to 31.84% in the previous financial year. The increase in effective tax rate is due to the

increase in permanent add backs which are disallowed for income tax purposes. 25% of advertising expenses and 100% of Financial Service VAT, NBT and Crop Insurance are added back in computing the profit for income tax and in effect becomes a tax on tax.

Total Comprehensive Income

The Company recorded a Comprehensive Income for the year amounting to Rs 369.8 million which is a 16.1% decline year on year (YoY). Increase in interest cost, increase in impairment charges and investments in new products and software were contributory factors to the decline recorded in Net profit. The YoY decline in profit growth is mainly attributable to the long term investments mentioned above. If the costs related to these investments were excluded, the Company would have reported a flat growth rate over prior year. It was in the Financial Year ended 31st March 2009 that the Company last reported a decline in, year on year profit growth, it is therefore, noteworthy, to place on record that the Company has reported a compounded annual growth rate in Net Profit of 27.3% over a 8 year period since the Financial Year ended 31st March 2009 thus, contributing to a cumulative retained earnings amounting to of Rs 1.1 billion (net of dividends paid and statutory transfers to reserves) as of 31st March 2017. The focus on profit earning has enabled the Company to pay the shareholder a cumulative dividend of Rs 842.6 Mn since inception, which works out to a historical dividend payout ratio of 52%. As a further illustration of the Company's value creation for the shareholder, the Board of Directors have approved a dividend per share of Rs. 1.06 as a first and final dividend for the year ended 31st March 2017 subject to the approval of the Central Bank of Sri Lanka.

Net Profit



Earnings per Share

The Company's earnings per share for the year was Rs 2.24 compared to Rs 2.67 in 2015/16. The marginal drop is due to the decline in Net Profit compared to the prior year.

Price Earnings Ratio

The price to earnings ratio of the Company as at 31st March 2017 was 7.64 times Vs 6.79 as at 31st March 2016. Price to earning ratio is a market prospect ratio that calculates the market value of a stock relative to the Company's earnings. The increase in the P/E ratio is a reflection of the value and future earnings potential seen by the investors in the Company's share.

Dividends

A final dividend of Rs. 1.06 per share was approved by the board of directors, subject to the approval of the Central bank of Sri Lanka. As mentioned above, the Company has paid out 50% of its distributable profits up to the FY ended 31st March 2016. Given the dividend is approved by CBSL the Company's historical dividend payout would increase to 52% since inception.

Financial Review

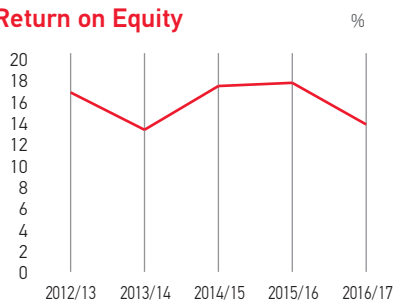
Solvency

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 proposed dividend payment.

Return on Equity – (ROE)

Return on Equity for the year under review is 13.9%, whilst in the previous year it was 17.8%. Return on Equity has been computed by comparing the profits for the year and average total equity as at balance sheet date.

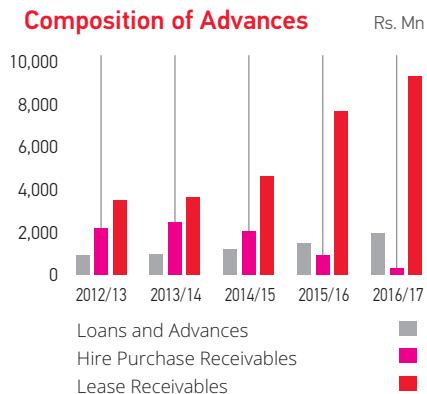
Return on Equity



Assets

The total asset base increased by Rs 1.662 billion from Rs 11.036 billion in 2015/16 to Rs 12.698 billion in 2016/17. Main increase was from, Lease receivables which grew by Rs 1.643 billion to Rs 9.305 billion and Loans and Advances which grew by Rs 460 million to Rs 1,926 million. Other debtors and pre-payments grew by Rs. 28.2 million (17% growth) to 192.1 million and Property, Plant and equipment grew by Rs.13.5 million (12% growth) to Rs.124.7 million.

Composition of Advances



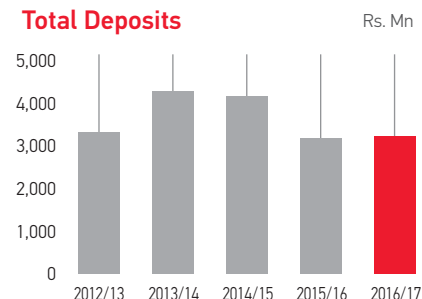
Liabilities

Total liabilities as at 31st March 2017 were Rs 9.978 billion, which includes public deposits amounting to Rs 3.211 billion. Interest bearing loans and borrowings amounting to Rs 5.015 billion, this balance consists of Rs 3.404 billion debenture liability and Rs 1.505 million bank borrowings. Bank overdrafts amounting to Rs 478.1 million illustrated under note No. 14.2 to the Financial Statements grew by Rs 124.8 million over prior year, bank overdrafts facilities are used as an interim mode of financing, and the Company continuously makes arrangements to optimize the financing with the aim of minimizing asset liability mismatches.

Deposit Base

The Public Deposits and the Savings Deposit base of the Company grew by 1% to Rs 3.211 billion compared to the prior year. The Fixed Deposit base which reached Rs. 4.1 billion during FY 2014/15 has now receded to Rs 3.210 Billion due to a conscious decision by Management to rationalize the borrowing mix by acquiring more debt through the debenture market and bank borrowings, as these sources were profitable due to better interest rates compared to Fixed Deposits. Certain competitors were continuously offering high interest rates for depositors, on certain occasions offering special rates over and above their own published rates. A segment of the Fixed Deposit (FD) customers rightfully became highly rate conscious as a result of the rate competition and it was not financially viable for Singer Finance to follow the competition with this trend by increasing rates above its other cost of funds, although, the maximum possible rates were given to existing loyal customers, the Company did not go after new deposits. Towards the latter part of the year under review and the 1st quarter of the FY 2017 Company readjusted the FD rates upward and offered an attractive gift scheme for the FD Market and this measure has resulted in acquiring new customers to the base.

Total Deposits



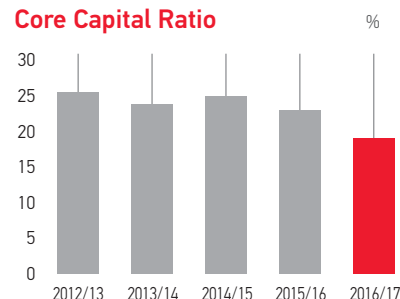
Total Equity

Equity increased by Rs. 123 million over the previous financial year and accrued from profit for the year Rs. 369.8 million less the Dividends paid Rs. 248 million.

Capital Adequacy

SFLP has maintained a capital adequacy which is well above the minimum requirement of 10%. As at 31st March 2017 both the core capital and capital base stood at Rs 2.720 billion. With the core capital ratio being 19%. This ratio is one of the key factors that depositors and lenders of debt capital closely evaluate and the Company has a sound capital base which is one of the highest in the sector.

Core Capital Ratio



Net Cash Flow from Operating Activities

During the year under review the Company spent Rs 1,060.3 million for operating activities. This was mainly due to the increase in funds and advances to customers on Leasing and Loans Rs 1,678 million and Rs 502.1 million respectively, Finance cost paid Rs 802.8 million, ESC paid Rs 29 million, Income Tax paid Rs 231.8 million.

Net Cash Flow from Investing Activities

During the year under review, the Company invested Rs 39 million in acquiring property plant and equipment and incurred Rs 29.4 million in software development, net cash used in investing activities was Rs 12.5 million.

Cash flow from Financing Activities

Net cash received from financing activities was Rs 1,071.2 million. The Company settled Rs 2,767 million worth of interest bearing loans and borrowings, commercial papers and debentures and borrowed Rs 4,085 million in the year under review, company paid dividends amounting to Rs 246.7 million in the financial year under consideration.

Cash and Cash Equivalents

The net decrease year on year in cash and cash equivalents amounted to Rs 1.7 million. The cash and cash equivalent balance as at the yearend was a negative Rs 311.4 million.

Accounting Policies

The Financial Statements contained in this report are prepared in accordance with the Sri Lanka Accounting Standards, the requirements of the Colombo stock exchange and the Companies Act 07 of 2007.



21.5%

Leasing



Increased 
Rs. 1,644 Mn

Our leasing portfolio showed a significant increase amidst challenging business conditions. This proves that we possess a sustainable competitive advantage in the leasing services that we offer. During the year we financed a range of assets comprising of motor vehicles, three wheelers, motor bikes, agricultural equipment and machinery.

Sustainability *Report*

Chairman's Report on Sustainability

Dear Shareholders,

The Report on sustainability aims to provide a perspective on the Company's philosophy on maintaining ethical management practices, in an effort to create a consistent and sustainable environment for the future generation, in terms of the way your Company transacts its business, and the impact to the environment and society. Business impacts not only the environment but also the wider stakeholders, such as Employees, Customers, Investors, Financiers, Competitors, Government, Regulators and the Community at large. Company's management culture exemplifies, transpires and influences, the way we set about engaging these stakeholders and their interests.

Although, Singer Finance is relatively a young Company having completed 13 years of operating since April of 2004, the Company and its Management has been bestowed a responsibility of safeguarding a brand with a rich heritage which is well over a century in existence. It is therefore, an inherited responsibility to ensure that the rich and time tested good practices of the Singer brand is safeguarded, as we move in a world of global economic uncertainty which can impact our well being through negative changes to business as well as the environment. Over the years, our responsibility towards our employees and customers has been lovingly natured through the history of time. Employee development and well being has been passionately inculcated in the management culture of this organization. Ensuring our customer is served in the best possible way has been our responsibility. Lending a compassionate hand to the society at large when needed has been our Company's Commitment. SFLP is of the belief that if sustainability is to be maintained, Society should co-exist and grow alongside us, and therefore, there is an onus on us, to strengthen our stakeholder's

progress whether they be our employees, customers or suppliers.

The recent catastrophe caused by flooding and landslides in various parts of the country is no doubt the outcome of 'Global Warming' and disregard/overlook/negligence to create sustainable economic practices. You would recall that, whilst the overflowing water of the Nilwala river continued to gush on the futile land of the Southern Province, the effects of the severe drought elsewhere in the country was yet to secede, resulting in water still being distributed in drought affected areas whilst people were being saved from flooded localities, a dangerous and ironic reminder of the double whammy effects of global warming. As the Company is engaged in a service business in providing financial services, the direct impact to the carbon foot print and the environment could be termed less severe. Despite this, as we provide financing for motor vehicles, there is an indirect contribution to the carbon foot print. It is, therefore, for the same reason that we mention above "that if sustainability is to be maintained, society should co-exist and grow alongside us". The task of sustaining the environment and good business practices cannot be carried out/executed alone. as it requires the contribution of the wider stakeholder. As one of the foremost brands in the country, SFLP has always been conscious of the Leadership role that is expected and has been bestowed upon us by a rich corporate heritage. The Company will make every effort to sustain this Leadership role.

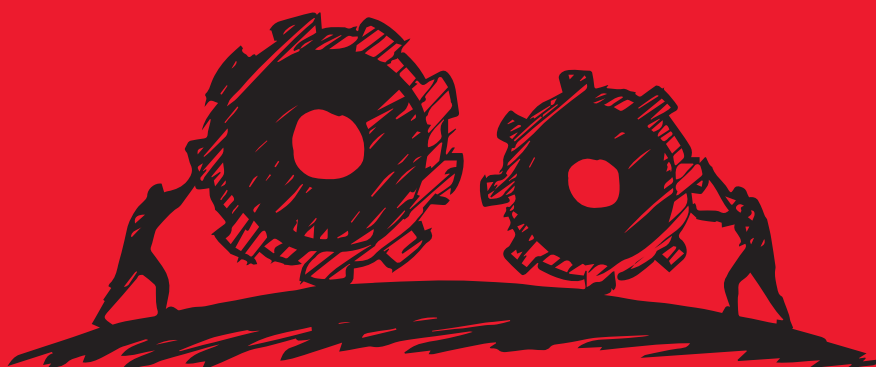
"Over the years, our responsibility towards our employees and customers has been lovingly natured through the history of time."



Dr. Saman Kelegama
Chairman

02nd June 2017

“As a financial services Company, we use natural resources within reasonable limits with the intention of reducing the usage to a minimum, so that we reduce our carbon footprint.”



We realize that social development is an ongoing process, which has a monumental impact on individuals and the communities they live in.

Sustainability Review

Sustainability review is the practice of recognising, measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity. In our approach throughout the Company's history, we have strived to support the communities we serve. We take pride in the special relationship we have built with our employees, customers, shareholders and all stakeholders, in every corner of the island and we work every day to maintain that relationship and ensure that we provide them with the services and information they need to stay abreast with new and emerging trends.

Our Stakeholders

Stakeholders are the individuals or groups who can affect the value creation process of our Company over time. They may

significantly be affected by our business operations and their actions may affect our ability to achieve our objectives. The Company implemented strategies in a systematic way by engaging and building relationships with stakeholder groups for the maximization of value. The process of maximizing stakeholder value encourages the Company to identify the stakeholder groups that can directly influence the Company activities. Our valued stakeholders across all internal and external categories are considered at every stage of our operations and planning, driven by Company's sustainability strategy. We constantly seek feedback to learn and improve our systems and processes to benefit our stakeholders through our areas of expertise.

Investors

Our investors, through the provision of equity and debt capital, ensure the expansion and growth of our organisation. In return, we

work diligently to offer them optimal returns on their investments through sustained and profitable growth. We achieve this by embracing sound policies and procedures, and ensure compliance with all regulatory requirements in the management and daily operations of the Company. Singer Finance has paid out a consistent dividend to its shareholders throughout its history. Primary modes of communicating with investors include annual reports, the Annual General Meeting, the corporate website, stock exchange announcements, press conferences, media releases and meetings.

Customers

Customers operate in a dynamic and complex business environment that constantly creates market needs, as well as significant opportunities. To enhance its competitiveness and profitability and to offer sustainable solutions for their financial

Sustainability *Report*

needs, the Company focuses more on better customer care and speedy service. As such, it always aims to provide an excellent service through effective communication with customers. Customers are the source of our earnings, and hence our existence. We present them with a comprehensive portfolio of financial products and services to meet their diverse needs. We take into consideration the primary interests and concerns of our customers when formulating our products and services, terms and conditions, tariffs, service standards and financial advice. We mainly engage with them through front-line staff, relationship managers, advertising and promotion, media releases, branch personnel, the corporate website and social media platforms, alternate channels, the call centre, surveys and other automated services. We utilise all insights gathered to further enhance our performance and to deliver exceptional services and strengthen our relationships.

Financiers

Our financiers, banks and other financial lending institutions with whom we transact on a regular basis are an integral part of our sustainability and are a binding force within the entire financial sector. Our integrity in all our dealings with banks and other financial institutions has created a strong bond of trust between the Company and the financial sector and enhanced our ability to extend funds speedily. We have ensured transparency by providing easy access to information and ensured the integrity of all data. Our strong risk and governance control procedures are recognised by these institutions, which in turn reinforces the efficacy of our systems and processes when they transact with us.

Pressure Groups / Media

We lay much emphasis on social media to create awareness of our brand and the services and sustainability initiatives. Singer Finance has always maintained a cordial relationship with pressure groups and media and treated them all with equal respect. The brand's strong compliance with governance and adherence to quality standards has ensured that it has never been involved in

any controversy with consumer groups. Our communication lines are always open for any of these interest groups and will be so in future.

Competitors

At Singer Finance we respect our competitors and do not treat them as a threat. We recognise their contribution to the industry and treat them as a market force that makes us grow stronger. We believe that lack of competition builds complacency and therefore we welcome greater competition which drives greater innovation, maturity and higher standards within the Company and across the industry at large. We create a distinctive value proposition for customers which cannot be bettered by rivals instead of competing on price points and anti-competitive behaviour. At Singer Finance, we engage our competitors and industry at regular meetings held by the leasing association, where issues related to the industry are deliberated upon for the betterment of the industry.

Government and Regulators

As a well-established Company, we have a responsibility to the people of the nation and we earn this trust through our commitment to compliance with laws of the land and rules laid out by the government and regulators. We remain ever vigilant to ensure that we hold the most compliant processes and capabilities, paying all relevant taxes and aligning our services in line with growth sectors as expressed by national policies. We consider our role in enhancing lifestyles as a contribution to the government's agenda of improving the per capita income and living standards of citizens. We support national goals of reducing unemployment and improving access to financial services via our island wide network. Our target group consists of agriculture sector and rural economies, which is yet another example of how Singer Finance empowers the underprivileged sectors to thrive and prosper.

The Company remains in close touch with the Central Bank of Sri Lanka, Securities & Exchange Commission and Colombo Stock Exchange, as well as other national

regulatory bodies, and provides necessary information when requested, whilst maintaining high standards of financial reporting. During the year under review, no legal action or actions on regulatory non-compliance against Singer Finance were recorded. Details about our compliance framework is provided in the Corporate Governance section of this report.

Community

Engagement with communities, help us understand how our business impacts their lives. We are then able to take appropriate action to minimize the negative impacts. Regular engagement also sheds light on how we can step in to empower communities and improve their socio-economic standards in the long term. We realize that social development is an ongoing process, which has a monumental impact on individuals and the communities they live in. For our part, we are cognizant of both the individual and collective needs of communities, even as we strive to help them recognize the core economic barriers that they face. We believe it is our duty to ensure that our actions extend far beyond our day to day lives and continue to enrich the lives of our people in the future as well. Much of Sri Lanka's population is located in rural areas and we have reached out to these often under served segments of society with our financial solutions to improve their lifestyles.

Environment

The environment is our heritage and our inheritance. Therefore, it is important that we make every effort to create a more sustainable and beautiful planet. We ensure that even our smallest actions reflect a visionary and green contribution to our society. As such, we have included the environment as a key segment in our stakeholder group. As a financial services Company, we use natural resources within reasonable limits with the intention of reducing the usage to a minimum, so that we reduce our carbon footprint. Employees are encouraged to go paperless, official transport is rationalized and optimized, while emissions are monitored by installing energy efficient office automation and technology.

Moreover, the architectural design of our new premises encourages natural light to enter the indoors while LED lighting and LED computer screens are in use throughout the building.

Employees

Employees are the pillars of our Company and form the very essence of our competitive advantage. It is their drive, contribution and dedication that power our performance and sustainability. In turn, we ensure that they are fostered, inspired and rewarded for their efforts. Today's challenging business environment and increased complexity require us to take a proactive approach in order to derive a dynamic, people driven organization. We believe that by respecting, caring for and nurturing each and every employee, we are helping them to become ambassadors of progress for the future of Singer Finance and indeed the nation as a whole. We are committed to employee engagement that upholds individual dignity and respect human rights. Our employment practices are based on attracting and retaining talent based only on merit. Employee skills are enhanced through the capability development agenda entailing customised training and development programmes.

Recruiting and training employees, who have the potential to lead the Company in the future, will enable a business to grow. Apart from the academic credentials and skill levels, there are many other factors that needs to be taken into consideration when making recruitment and training decisions.

Singer Finance gives emphasis to career development of employees, encouraging them to reach their personal and as well as professional goals. This not only makes their work lives more satisfying, but ensures continued success of the Company. Even in challenging times, we invest time and money for training and professional development initiatives of our employees.

Employees are the lifeblood of our business, which is why it is vital that we retain a strong and committed team at all times. A wide

range of benefits are given to the permanent staff members of our Company. Detailed below are such benefits.

- Offer 42 days leave per annum, staff discounts for Singer products, staff loans, 3 day excursions and sports activities.
- As a Company benefit scheme, subscription fees are paid to professional bodies on behalf of our employees for employees who have completed their qualifications. This helps to enrich their careers and many managers in particular have benefited from this scheme.
- Medical expenses of our employees are reimbursed up to predetermined amounts calculated according to employee grade. If the expenses exceed this specific amount, the employee and the Company share the balance equally. We also provide hospitalisation and OPD treatment coverage to all staff members and their immediate family members.
- Several facilities are extended to employees engaged in travel for official purposes, including vehicle maintenance, transport allowances and reimbursement of travel expenses. Employees divided into field staff and base staff categories receive travel benefits depending on their responsibilities and the respective grade of employment.
- Expenses incurred by field staff when staying at approved hotels of the Company while on official businesses are reimbursed.
- Distress loans are given to employees in case of emergencies such as sudden illness, a death in the family, damage to homes due to natural calamities, urgent repairs, family wedding etc.
- Permanent employees in specified categories are eligible to apply for interest free or low interest loans to obtain a vehicle.

- Two mechanisms are in place to support employees with their studies.

1. A lump sum is granted on the condition the employee serves the Company for a given number of years but the facility should be repaid only if the employee leaves the Company before the expiration of the given time period. This is mostly for post graduate studies.
 2. Two third of the cost of a particular course fee is reimbursed by the Company on the successful completion of the final examination.
- In the event of the death of an employee, his/her family receive a donation of Rs.50, 000 in addition to six month's salary. In the event of the death of an employee spouse, child, parent or unmarried sibling, the employee is granted a sum of Rs. 25,000/-. The death donation fund is a contributory fund maintained by the permanent employees.

Singer (Sri Lanka) PLC, our parent company was recognised as one of the best places to work in Sri Lanka for the third consecutive year, in the year 2016.

Human Resource Philosophy

Singer Finance ensures that employees have maximum opportunity for growth by practicing a comprehensive HR policy that covers the following 11 critical areas.

- Recruitment / Transfers
- Manpower Planning / Succession Planning
- Training and Development
- Performance Planning, Appraisal and Development Organisation Changes
- Occupational Health and Safety
- Foreign Travel
- Complaints
- Grievance
- Rules of Disciplinary Procedure
- Relatives employment / Business Relationship
- Sexual harassment in the workplace

Sustainability *Report*

The International Labour Organization states that work is a source of personal dignity, family stability, peace in the community, democracies that deliver for people and economic growth that expands opportunities for productive jobs and enterprise development. Hence, as a company that subscribes to this philosophy, we ensure that all the job roles within the organization get adequate reward and recognition and that they are imbued with dignity. We comply with local labour statutes and ensure opportunities for skills development and sustainable livelihoods for our employees to ensure a happy workforce.

Singer Finance does not discriminate on the basis of race, age, creed, colour, religion, sex, gender or disability. It is an equal opportunity employer fully committed to achieving a diverse workforce and complies with all laws and regulations regarding non-discrimination.

Visually disabled Ranga Sampath Gunapala, aged 25 years, hailing from Padaviya is thriving as an employee of Singer Finance Medawachchiya branch. Hired in the capacity of Customer Service Assistant in 2013, he has been supported and encouraged in his job role by the Company and the employees. Besides, the young man has displayed resilience and tenacity by performing his duties effectively and by showing a thirst for knowledge and learning. Born to a modest farming family, he has been able to enhance the living standards of his family and to grow beyond his visual disability, by securing a future with Singer Finance.

Code of Conduct

All key and senior managers are bound by the group's written code of Business Conduct which is an agreement signed as part of their written contract of employment. As per the agreement, the signatory is responsible for the compliance with the code and ensure that employees reporting to him/her also comply with the code. The code of business conduct is signed annually to refresh their knowledge on the contents and update themselves on new clauses and amendments to the code.

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

Complaints

The Whistle Blower Policy provides a guided procedure for any employee to make a written or verbal complaint on any experience or suspicion on illegal or unethical employment or business practices exercised by a colleague in any capacity in the governance hierarchy. Upon induction to the Group, all employees are taken through the policy's procedures and assured of the confidentiality and anonymity. The Group takes necessary actions to prevent corruption or illegal activities and the management takes necessary actions on the above keeping in mind the Whistle Blower procedures.

Grievance Handling and Sexual Harassment Policies

These two policies ensure the emotional well-being of our employees. The grievance policy provides the right for employees to forward their grievances and dissatisfactions to the management and obtain a fair hearing. Our sexual harassment policy takes note of the distinct nature of a claim and provides disciplinary measures depending on the degree and sensitivity of the matter at hand. We ensure fairness and partiality at all times throughout the process, while the complaint is assured no punitive action will be taken for lodging the complaint.

Occupational Health and Safety

Our employees are considered the backbone of our organisation and are treated with great respect and care. A healthy workforce is also a productive and happy workforce, and we encourage the health and well-being by paying attention to ergonomics, quality of light and air, and so on. We also provide sports and recreation facilities at the work place which includes a gymnasium for the benefit of employees.

We encourage open dialogue in our Company as it leads to building trust amongst all employees. This is essential in order to drive operational excellence and uphold employee integrity and credibility. The ability to carry on a sincere and comprehensive dialogue about any issue in the Company is essential to building trust. High performing employees and teams are given recognition at the annual convention by the awarding of accolades. We do not differentiate between men and women when it comes to salaries. Remuneration is determined through a transparent performance evaluation mechanism.

Approach to Employees' Progression and Career Development

The Company assigns significant importance to the career development of employees, encouraging them to reach their personal and professional goals not just by making their working lives more satisfying, but also ensuring the continued success of the Company. Each line manager assesses their subordinates' strengths, weakness and training and development needs, which are analysed and incorporated into the training plan for the upcoming year through individual performance appraisals at the end of every year.

Divisional Heads at Singer Finance are required to give a detailed account of their division's training requirements in the third quarter each year. Department Heads are also responsible for assessing skill shortages of respective departments based on the annual performance appraisals and the needed skill requirements to successfully navigate future challenges. The Department Heads in consultation with the Group Training Department decides on the training needed in the upcoming year. The Group Training Department schedules and implements tailor made programmes to address training needs, either through internal or external training programmes.

We provide internship opportunities to fully or partially qualified students. They

are placed in a suitable capacity within the Company and are given the necessary exposure with a comprehensive orientation and in depth practical training.

Work Life Balance

Male employees spent two enjoyable nights at the Habarana Village and women employees with their children under 12 years at Ugabay Pasikuda- Trincomalee during the year. This event provided the employees with a refreshing break and it was thoroughly enjoyed by all.

The Christmas party was held at the Golden Rose Boralesgamuwa. The colourful night

was patronised by the spouses and children of all employees of the organisation. Varying events were organised for children age wise and gifts were offered for the kids who look forward to this annual event.

The Singer Netball team, in which Singer Finance staff too participated, clinched the championship trophy at the Mercantile Knockout Netball Tournament held in April 2016. Singer emerged champions. The Company rewarded the team with a tour to Malaysia and was given the opportunity to play a netball match against University Technology Mara in Malaysia.

The Singer Talent Show organised by Singer Sri Lanka, which is the parent company of Singer Finance recognises employee talent, encourages a healthy work life balance and boosts employee engagement. Employees of our Company participated in this event and won the solo singing category, singing duet category etc.

Singer Finance employees represented the Company in the Rotract club of Singer Group. Several events are organised by the club during the year. A blood donation campaign, flood relief campaign, professional development conferences and an e-waste management awareness programme for school children were the main events.

Key Staff Indicators

Description	2017	2016	2015	2014	2013
Total Number of employees	317	298	256	245	200
Staff Growth (%)	6.38	16.41	4.49	22.50	26.58
Turnover per Employee (Rs.'000)	8,234	7,092	7,758	7,734	8,778
Profit after Tax per Employee (Rs.'000)	1,167	1,479	1,518	1,096	1,283
Asset per Employee (Rs.'000)	40,058	37,033	34,558	32,997	36,287
Personal cost per Employee (Rs.'000)	1,116	945	893	717	767

The human resources statistics of our Company are given below:

Staff Strength

Description	Grand Total
Key & Senior Management	5
Middle Management	13
Junior Management	24
Executive	8
Non-Management	267
Grand Total	317

Gender Diversity

Description	Female	Male	Grand Total
Key & Senior Management	-	5	5
Middle Management	1	12	13
Junior Management	4	20	24
Executive	1	7	8
Non-Management	47	220	267
Grand Total	53	264	317

Age Analysis of Staff

Description	18-28	29-39	40-50	50 Above	Grand Total
Key & Senior Management	-	1	3	1	5
Middle Management	1	5	5	2	13
Junior Management	3	15	6	0	24
Executive	2	5	0	0	7
Non-Management	173	86	8	1	268
Grand Total	179	112	22	4	317

Sustainability *Report*

Society

Corporate Social Responsibility has become an important aspect of a Company's long term strategy. In our commitment towards social responsibility we encourage all employees to submit written proposals of a CSR project of their choice. By increasing accessibility to corporate sustainability, we enhance employee involvement which elevates our performance. This also helps employees to develop new skills which would be beneficial to their performance. It also leads to fostering a responsible and socially alert workforce in the organisation.

The staff of the Singer Finance Kandy branch distributed school stationery for the entire year for 150 students of Weheragalayaya Junior School Handungauwa, a remote school under the Wilgauwa Zonal education office. Apart from this, Singer Finance donated a Photocopy machine to the school, equipped with latest features. This will enable the students to use the machine as a printer and for the school administration for office use. Earlier the school personnel had to travel more than 12KM to get these facilities. The total cost of this project was over Rs.400,000/-.



The Company, continued its commitment to meet the cost of Chathura Dilshan Pushpakumara from Makuwela who is a student of Royal College Colombo for his monthly hostel fees, annual School development society fees and school fee expenses as his parents do not have the financial means to pay for his education. A guitar was also donated to the young boy by the Company. The Company enabled young Chathura to take the decision to come to Colombo and enter Royal College by sponsoring his education at a time he had decided to stay back in his village despite obtaining a high grade at the year five scholarship examinations. Chathura's progress and needs are continuously monitored by the Head office of Singer Finance and consistent aid is provided on a need basis.

Donations to Approved and other Charities

During the year under review the Company gave many donations to approved and other charities by way of cash donations of reasonable value.

Risk Management

Risk, to varying degrees, is present in all aspects of business activities; therefore, effective risk management is fundamental to the success of a finance company. The primary goal is to ensure that there is an appropriate balance between risk and reward in order to maximise shareholder returns both in monetary and non-monetary terms bearing in mind the socioeconomic role the Company plays in the development of the community. Given the ever-changing and challenging risk landscape, both internationally and locally, the Company has been following sound risk mitigating procedures from its inception using its parent's 160 years of experience, especially in the field of credit and recoveries. 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 an 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 the 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 emphasises on good asset quality. Effectiveness of the Company's systems and controls for

Risk Management

identifying, monitoring and addressing asset quality in a timely manner has been a key focus of management over the years.

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 in page No 132 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 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 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 the business. IT security, possible 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, by implementing improved management and measurement approaches.

Operational Risk Management Framework

The Companies Operational Risk Management Framework not only ensures 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.

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 situations 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 processes, 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. Please see the reporting structure of the Internal Audit function in the graph in Page No. 62 below.

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 reports to the Board of Directors. The Compliance Officer is responsible for ensuring management of compliance risk within the Company. Compliance risk is managed through internal policies and procedures, which include legal, regulatory and other technical requirements relevant to the business.

Regulatory Compliance

The Company considers compliance with the regulatory requirements and guidelines as core to its business and good governance. The Compliance Officer is responsible for regulatory compliance and also dissemination of regulatory instructions across the Company. As per the Corporate Governance 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 except as stated in the Disclosure Report under Finance Companies Corporate Governance Direction No.3 of 2008 in Page No. 108

Risk *Management*

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 procedures have been discussed in this document, no assurance can be given that the Company is fully-protected against all possible risks. As noted in the Report, the best that can be achieved is reasonable management of risks through a

sound operational framework that identifies, evaluates and mitigates the negative impact in a timely manner at multiple 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

Chairman's Statement on Corporate Governance

"Your Company's / SFLP's Management no doubt goes beyond the boundaries set by regulators to be compliant with the rules and regulations by encompassing principles based approach which is driven by the Company's heritage culture of safeguarding ethical practices."

Change remains a factor which continues to affect our economy and the environment. The advent and progress of the Information Technology has been a pivotal factor in this change process. As academics and regulators continue to ponder whether Governance should be rule based or principle based, and as Governance regimes continue to evolve with changes in an effort to regulate industries with minimum inhibitions to the furtherance of business growth, it is important to note that the sustainability of the Company's future no doubt would depend on the extent to which Management practices sound Corporate Governance principles. Your Company's / SFLP's Management no doubt goes beyond the boundaries set by regulators to be compliant with the rules and regulations by encompassing principles based approach which is driven by the Company's heritage culture of safeguarding ethical practices.

The Company's Internal Audit function is conducted by four different entities, with all branches being audited once a year by two recognized firms of Chartered Accountants, the Accounting, Credit and Recoveries functions, Credit Card Department, IT controls and system access reviews. Re-possessed yard audits are conducted by the Internal Audit function of the Parent Company, and the Corporate Audit team from the ultimate Parent Company Sewko Holdings Limited which conducts an annual audit covering a wide scope of processes. The reports from these four entities are forwarded for the review of the Audit Committee of Singer Finance who in turn report to the Board of Directors of the Company. The Company's Key and Senior Managers are bound to sign the code of business conduct issued by

Sewko Holding Limited on an annual basis and as per the section D.4.2 of the Combined Code of Best Practice on Corporate Governance the undersigned hereby affirms that he is not aware of any violation of any of the Provisions of the Code of Business Conduct Ethics by the Company.

Your Company is required to be compliant with the Finance Leasing (Corporate Governance) Direction No.03 of 2008 of the Central Bank of Sri Lanka (CBSL) as well as the Corporate Governance code set by the Securities and Exchange Commission of Sri Lanka (SEC), the Company aims to be compliant with the Combined Code of Best Practice on Corporate Governance issued jointly by SEC and the Institute of Chartered Accountant of Sri Lanka (ICA- Sri Lanka). The extent to which the Company has met the compliance requirements of both the CBSL, the Combined Code of Best Practice on Corporate Governance and sections 7.10 and 9 of the CSE listing rule is illustrated from Page No 64 to 107 in this Annual Report and we encourage you to read through the contents of this section to learn more about the Corporate Governance practices of our Company.



Dr. Saman Kelegama
Chairman

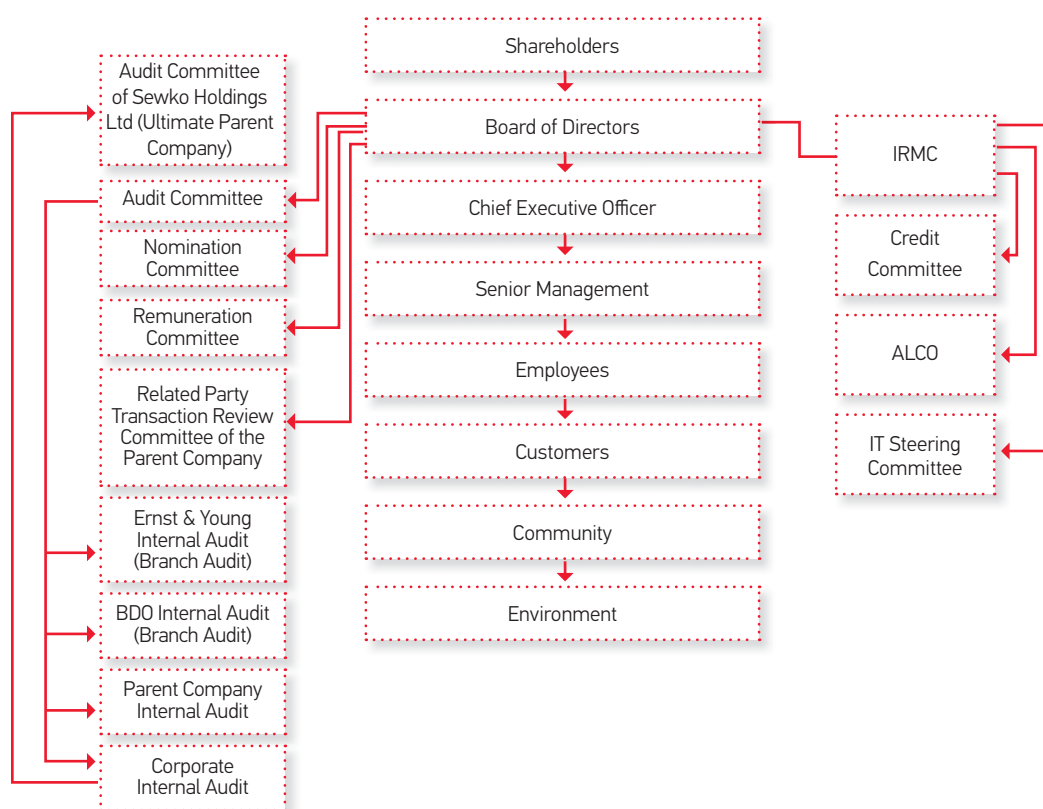
02nd June 2017

Corporate Governance

Finance Leasing (Corporate Governance) Direction No. 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business act No.42 of 2011 and Code of Best Practice on Corporate Governance

In the ensuing section from page 61 to 107 we aim to set out the corporate governance practices adopted and practiced by the Company, the extent of adoption with the Direction No. 03 of 2008 of CBSL and of the Code of Best Practice on Corporate

Governance issued in year 2013 jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and the Rule set out in Section 7.10 of the Colombo Stock Exchange Listing Rules on Corporate Governance.



Governance Policy

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

A well defined structure of Corporate Governance in Singer Finance intends to encompass the set of core values, accountability to shareholders, relationship with management, environmental protection and anti corruption measures. The Board

of Singer Finance is committed to deliver a holistic service embedded by the highest ethical standards in the regime of excellent corporate governance practices across all areas.

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

Business Ethics

The Company enshrines the highest ethical standards in the conduct of its business affairs and its Board of Directors are tasked with ensuring that the resultant regime of exemplary governance across all aspects of business are in the best interests of stakeholders. Ethically correct conduct

comprising integrity, honesty, fair play and loyalty pervade all actions. Transparency is encouraged in all public disclosures, as well as in the way business and communication take place with all stakeholders. A 'whistle-blowing policy' introduced internally in 2009 has increased the level of transparency towards a wider dimension. All employees are bound by the Company's written Code of Ethics that includes the following aspects:

- Exercise honesty, objectivity and diligence when performing one's duties.
- Avoid situations where personal interest might conflict with the interest of the Company; and if so, disclose such interest in advance.
- Maintain confidentiality of commercial and price-sensitive information.

- Work within applicable laws and regulations.
- Safeguard the Company's assets.
- Avoid conduct that will reflect badly on the person concerned or the Company's image.
- Strictly avoid giving or accepting any kind of a bribe, either directly or indirectly.
- Strictly avoid making contributions for political funds, either directly or indirectly.
- Strictly avoid any kind of sexual harassment.

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

Directions on Corporate Governance.

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

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

Joint code issued in 2013 carried more extensive best practice provisions that corporates are encouraged to adopt in discharging their corporate governance activities in following areas.

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

Central Bank of Sri Lanka

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

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

The Monetary Board of the Central Bank of Sri Lanka under section 12 of the Finance Business Act has issued a set of guidelines namely, Finance Companies (Corporate Governance) Directions No.03 of 2008 and Finance Companies (Corporate Governance - Amendment) Direction No 04 of 2008, to be complied by the Registered Finance Companies.

Listing Rules of the Colombo Stock Exchange

Colombo Stock Exchange has issued Listing Rules to ensure the creation and maintenance of a market in which Securities can be issued and traded in

an orderly and fair manner and which secures efficiency and confidence of all stakeholders in the operation and conduct of the market. The CSE has issued rules on Corporate Governance under its ruling 7.10 to be complied by the companies listed in the Exchange. This report sets out the Company's adherence to the aforementioned Directions on Corporate Governance as illustrated from page no 61 to 93.

IT Governance

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

Compliance	Investing in licensed software deployed in compliance with Intellectual Property Law with a view to educate and mandate compliance to such laws throughout the Company.
Operational Efficiency	Streamlining of the credit management process and MIS reporting so that integrity is maintained across the value chain through near real-time processing.
Prudent Capital Expenditure	All major IT investments are carefully evaluated by the IT team and built into the business plan and carefully scrutinised at the planning level, and approval is granted by both, Board and Intermediate Parent Company.
Customer Convenience	Final approval of IT capital expenditure is sought from the Group CEO and Intermediate Parent Company.
	Ensuring process efficiencies to increase the contribution to customer convenience. All Singer Finance customers could pay their rental outstanding at any Singer Plus, Singer Mega, or Sisil branch in addition to 23 Singer Finance branches islandwide. This is arguably the largest payments network in Sri Lanka with over 500 touch points.
Green IT	Protecting the environment by reducing print through migration to emails and soft copies.

Corporate Governance

This Section (Page No. 64 To 79) Sets Out the Corporate Governance Principles Under CBSL Regulations and Compliance with the same

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
2.The Responsibilities of the Board of Directors	CBSL 2 (1)	a) Approving and overseeing Strategic objectives and values are communicated throughout the Company network. <i>Decisions taken at the board meetings are communicated to Senior Management, Senior Management Communicates Same to Operational Levels as appropriate.</i>	Complied
		b) Approving the overall business strategy of the Company, including the risk policy and risk management procedures and mechanisms with measurable goals for at least immediate next three years. <i>Senior Management of the Company formulates the annual plan and it is approved by Singer Asia and the Board of Directors.</i>	Complied <i>(Company prepares the business strategy for two years)</i>
		c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently; The Risk Portfolio of the Company is overseen by the IRMC and its deliberations	Complied
		d) Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers	Complied <i>Please Refer Board Communication Policy on Page 117</i>
		e) Reviewing the adequacy and the integrity of the Company's Internal control systems and Management Information Systems	Complied <i>Please refer Directors' Statement On Internal Control</i>
		f) Identifying and designating key management personnel, who are in a position to significantly influence policy; direct activities; and exercise control over business activities, operations and risk management	Complied <i>All key business activities are under the aegis of a Senior Manager</i>
		g) Defining the areas of authority and key responsibilities for the Board and for the key management personnel.	Complied
		h) Ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy.	Complied <i>The Key Management exercises its oversight function by way of regular meetings. The CEO and Senior Management engages the entire branch network on a quarterly basis. The Group CEO, CEO and Non-Executive Directors engage the Senior Management at review meetings that are conducted at least once in two months</i>

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<p>i) periodically assessing the effectiveness of its governance practices, including:</p> <ul style="list-style-type: none"> (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary; <p>j) Ensuring that the finance company has an appropriate succession plan for key management personnel.</p> <p>k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.</p> <p>l) understanding the regulatory environment;</p> <p>m) Exercising due diligence in the hiring and oversight of external auditors.</p>	<p>Complied <i>This direction is overseen by the function of the Board and the Board Nomination Committee</i></p> <p>Complied <i>Although succession planning is not documented, Key successors are discussed by the Board, Group CEO and Communicated to the CEO. The respective individuals are provided with adequate exposure.</i></p> <p>Complied <i>The Board meets the Key Management personal on a monthly basis and respective Senior Managers who are not members of the board are requested to attend by invitation to discuss specific areas.</i></p> <p>Complied <i>The Regulatory environment is well understood by the Board of Directors. The CEO, Head of Finance and Compliance Officer updates the Board on any new Developments.</i></p> <p>Complied <i>External Auditors are recommended by the Audit Committee and approved by the Board. The Company chooses the auditors from the CBSL list of approved auditors</i></p>
	CBSL 2 (2)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with paragraph 7 of this Direction.	Complied

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	CBSL 2 (3)	<p>There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company's expense.</p> <p>The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.</p>	<p>Complied</p> <p><i>Any Board Director has the opportunity to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company practice has been for Directors to make this request at Board Meetings and for the Chairman to ratify the same.</i></p> <p><i>Examples of such professional advise sought (within the last two financial years) are</i></p> <ul style="list-style-type: none"> • Feasibility Study for Credit Card project – Price Water House Coopers • IT Security Manual – Layer -7 • Application process for Credit Card- Experienced Retired Banker • Software Evaluation for Credit Card project - Ernst & Young • Software Evaluation for Core Banking System- KPMG
	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.	<p>Complied</p> <p><i>No Director abstained or indicated his/her wish to abstain from voting on any Board Resolution during the year under review as there was no necessity to do so.</i></p>
	CBSL 2 (5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.	<p>Complied</p> <p><i>This Direction is complied by maintaining detailed minutes of the deliberations of the Board. Any matters that are pending execution is stringently followed up by the Board by reserving the same under matters arising out of previous minutes.</i></p>
	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.	<p>Not Applicable</p> <p><i>Such a situation did not arise during the year under review</i></p>
	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.	<p>Complied</p> <p><i>Please refer Page No 64 to 107</i></p>
	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.	<p>Complied</p>

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
Meetings of the Board	CBSL 3 (1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Not Complied <i>The Board met on 11 occasions in the year under review</i>
	CBSL 3 (2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied <i>The Company Secretary has always accommodated request made in this regard by Directors.</i> <i>Examples</i> <ul style="list-style-type: none">• Request by Chairman to have regular updates on the Credit Card Project• Request by the Chairman of the Audit Committee to include an agenda for system migration updates
	CBSL 3 (3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Complied
	CBSL 3 (4)	A director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Complied
	CBSL 3 (5)	The Board shall appoint a Company Secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied <i>The Company Secretary is also the Finance Manager of the Parent Company</i>
	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.	Complied <i>The Chairman has delegated this function</i>
	CBSL 3 (7)	All directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied <i>The Company Secretary has been accessible by way of telephone or e-mail throughout the period under review.</i>
	CBSL 3 (8)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied <i>Both, a minute register which includes printed minutes and computer stored minutes are maintained by the Secretary</i>

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	CBSL 3 (9)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:</p> <ul style="list-style-type: none"> (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions. 	Complied
Composition of the Board	4 (1)	Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 13.	Complied
	4 (2)	Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction the total period of service of a director other than a director who holds the position of Chief Executive Officer or executive director shall not exceed nine years. The total period in office of a non- executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied
	4 (3)	Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the Chief Executive Officer of the Company.	Complied
	4 (4)	With effect from three years from the date of this Direction, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<p>A non-executive director shall not be considered independent if such director:</p> <ul style="list-style-type: none"> a) has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company; b) has or had during the period of two year immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet; c) has been employed by the finance company during the two year period immediately preceding the appointment as director; d) Has a relative, who is a director or Chief Executive Officer or key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company e) represents a shareholder, debtor, or such other similar stakeholder of the finance company f) is an employee or a director or has a shareholding of 10% or more of the paid up capital in a Company or business organization <ul style="list-style-type: none"> i) Which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company, or ii) In which any of the directors of the finance company is employed or is a director or holds shares exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company, or; iii) In which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company. 	
	4 (5)	In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	Not Applicable <i>There are no Alternate Directors appointed to represent independent non-executive directors</i>
	4 (6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied Please refer the profiles of the Non-executive directors given in page number 19 to 25

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	4 (7)	With effect from three years from the date of this Direction, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	Complied
	4 (8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the Chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied <i>Please refer Page No 103 to 107.</i>
	4 (9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied <i>This process is complied by the function of the Board Nomination Committee</i>
	4 (10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied <i>Mr. Jagath Dissanayake who was appointed on the 1st of July 2016, will be subject to election by shareholders at the forthcoming AGM Scheduled for the 27th of June 2017</i>
	4 (11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Complied
Criteria to assess the fitness and propriety of directors	5 (1)	Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a finance Company.	Complied
	5 (2)	A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
Delegation of Functions	6 (1)	The Board shall not delegate any matters to a board committee, Chief Executive Officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Not Applicable <i>No such delegation was made</i>
	6 (2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied <i>This process is diligently carried out at each board meeting</i> <i>Example :-</i> <ul style="list-style-type: none"> • Compliance with regulatory requirements are reviewed at each Board Meeting • Progress of the Credit Card Project which is a strategic initiative from the Corporate Board Level is reviewed at each Board Meeting.
The Chairman and the Chief Executive Officer	7 (1)	The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2009.	Complied
	7 (2)	The Chairman shall be a non-executive director. In the case where the Chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	Complied <i>As the Chairman serves in the board of the parent company, Mr. J.A Setukavalar has been appointed as the Senior Independent Director</i>
	7 (3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied <i>There is no relationship between the Chairman and the Chief Executive Officer and among members of the Board to be disclosed</i>
	7 (4)	The Chairman shall: <ul style="list-style-type: none"> (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner. 	Complied
	7 (5)	The Chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The Chairman may delegate the function of preparing the agenda to the Company secretary.	Complied
	7 (6)	The Chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	7 (7)	The Chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.	Complied
	7 (8)	The Chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied
	7 (9)	Subject to the transitional provisions contained herein, the Chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied
	7 (10)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied
	7 (11)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company's operations and business.	Complied
Board appointed Committees	8 (1)	Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the Chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the Company.	<p>Complied</p> <p><i>Company has four sub committees namely Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee & Related Party Transactions Review Committee.</i></p> <p><i>The Board presents a report on the performance, duties and functions of each committee, at the annual general meeting by including the same in the Annual Report</i></p>
Audit Committee	8 (2) (a)	The Chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	Complied
	8 (2) (b)	The Board members appointed to the committee shall be non-executive directors.	Complied
	8 (2) (c)	<p>The committee shall make recommendations on matters in connection with:</p> <ul style="list-style-type: none"> (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term 	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (d)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied
	8 (2) (e)	The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity.	Not Complied
	8 (2) (f)	The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: <ul style="list-style-type: none"> (i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved. 	Complied
	8 (2) (g)	The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: <ul style="list-style-type: none"> (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements. 	Complied
	8 (2) (h)	The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied
	8 (2) (i)	The committee shall review the external auditor's management letter and the management's response thereto.	Complied

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (J)	<p>The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <ul style="list-style-type: none"> (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care; 	Complied
	8 (2) (K)	The committee shall consider the major findings of internal investigations and management's responses thereto;	Not Applicable <i>There were no major findings during the year under review</i>
	8 (2) (L)	The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	Not Complied <i>(Although, the frequency of meetings were not within the requirement to meeting once in six months, the Committee met with the external auditors without the presence of the Executive on the 31st of March 2016 and on the 29th of May 2017)</i>
	8 (2) (M)	<p>The committee shall have:</p> <ul style="list-style-type: none"> (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 	Complied <i>No such requirement materialized during the year under review</i>

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (N)	The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied <i>The Number of meetings that were held is given in page No 104</i>
	8 (2) (O)	The Board shall, in the Annual Report, disclose in an informative way, (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.	Complied <i>Please refer page No. 104</i>
	8 (2) (P)	The secretary to the committee (who may be the Company Secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied
	8 (2) (Q)	The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	Complied
Integrated Risk Management Committee	3 (a)	The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied
	3 (b)	The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	Complied <i>Note:- This process is carried out once a quarter</i>
	3 (c)	The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied
	3 (d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	Complied <i>No such requirement materialized during the year under review</i>
	3 (e)	The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Not Complied <i>The Committee couldn't meet in the 2nd Quarter of the Financial Year 2016/17</i>

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	3 (f)	The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied <i>No such requirement materialized during the year under review</i>
	3 (g)	The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied <i>The IRMC submitted a risk report to the Board, however, the deadline period of within a week was not met.</i>
	3 (h)	The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Complied <i>(The Compliance Officer is not primarily dedicated for Compliance as he is also involved with Reporting)</i>
Related party transactions	9 (2)	<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:</p> <ul style="list-style-type: none"> a) A subsidiary of the finance company; b) Any associate company of the finance company; c) A director of the finance company; d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest. 	Complied <i>There were no such transactions that gave rise to a conflict of interest during the year under review.</i>

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	9 (4)	<p>The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the relevant establishment. For the purpose of this paragraph, "more favourable treatment" shall mean</p> <ul style="list-style-type: none"> a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the finance company's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company's share capital and debt instruments with a remaining maturity of 5 years or more. b) Charging of a lower rate of interest than the finance company's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related-party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. 	<p>Complied</p> <p><i>No "Such" transactions took place with a related party during the year under review.</i></p>
Disclosures	10 (1)	<p>The Board shall ensure that:</p> <ul style="list-style-type: none"> (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English. 	<p>Complied</p> <p><i>The financial statements are prepared in accordance with the LKASs / SLFRs/ and the formats prescribed by the regulators.</i></p> <p><i>Annual financial statements are disclosed in the annual report; biannual (unaudited) financials are published in the newspapers in all three languages and the quarterly statements are posted on the CSE website.</i></p> <p><i>Biannual (unaudited) financials were published in the Lakkima Newspaper (Sinhala) , Thinakkural (Tamil), Daily News (English) on the 30th of June 2016 and 30th of November 2016 respectively.</i></p>

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
The Board shall ensure that at least the following disclosures are made in the Annual Report:	10 (2) (a)	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied
	10 (2) (b)	A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	Complied <i>Please refer Directors' Statement On Internal Control on Page No 114 to 115.</i>
	10 (2) (c)	The external auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31, 2010.	Complied <i>The Company obtains a certification from the External Auditors during finalizing of the Annual Audit but does not publish the same</i>
	10 (2) (d)	Details of directors, including names, transactions with the finance company.	Complied
	10 (2) (e)	Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after January 1, 2010.	Complied
	10 (2) (f)	Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	Not Applicable <i>The Company has not granted loans to Related Parties during the year under review</i>
	10 (2) (g)	The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied <i>Please refer page No 173</i> <i>Note:- The Company has not granted loans to Related Parties during the year under review</i>

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	10 (2) (h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	<p>Please refer the Disclosure Report under Finance Companies Corporate Governance Direction No.3 of 2008 in page No 108</p> <p>Under the Finance Companies (Single Borrower Limit) Direction No. 4 of 2006/1, the value of unsecured accommodations granted to and outstanding at any point of time from all borrowers should not exceed 5% of the capital funds as shown in the last audited balance sheet. However, as of 31/03/2017, this balance has been exceeded in the Credit Card product by Rs139.3Mn. Therefore, the Company is not complying with Direction No.4 of 2006/1</p>
	10 (2) (l)	A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	<p>Please refer the Disclosure Report under Finance Companies Corporate Governance Direction No.3 of 2008 in page No 108</p> <p>Under the Finance Companies (Single Borrower Limit) Direction No. 4 of 2006/1, the value of unsecured accommodations granted to and outstanding at any point of time from all borrowers should not exceed 5% of the capital funds as shown in the last audited balance sheet. However, as of 31/03/2017, this balance has been exceeded in the Credit Card product by Rs139.3Mn. Therefore, the Company is not complying with Direction No.4 of 2006/1</p>
	10 (2) (J)	The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2011.	<p>Complied</p> <p>The external auditors verifies and certifies whether the Company is in compliance with the Act and rules and directions issued by the Monetary Board, however a certification is not published in the annual report</p>

Corporate Governance

This Section (Page No. 80 To 102) Sets Out the Corporate Governance Principles Under Sec & ICASL Principles and the Extent of Compliance with the Same

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
Section 1: The Company A Directors A.1 The Board	Principle of Code A.1	Every public Company should be headed by an effective Board, which should direct, Lead and control the Company: -	Complied
Meetings of the Board	A.1.1	Although the Code of best practice recommends that the Board meets quarterly, the CBSL requires the Boards of Finance Companies to meet once a month. The Board met 11 times during the financial year concerned, having met twice in the month of May 2016 and twice in the month of September 2016, the Board was not able to meet in the month of February 2017. Individual participation of each Director at Board meetings is provided in the chart given under The heading of "Board meetings".	Complied
Responsibilities of the Board	A.1.2	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board should be responsible for matters including:	Complied
		<ul style="list-style-type: none"> The formulation and implementation of a sound business strategy:- Company formulates the annual plan and it is approved by the board of directors and Singer Asia. Decisions taken at the board meetings are communicated to senior management and further filtered down to operational levels as appropriate. 	Complied
		<ul style="list-style-type: none"> Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy :- This has been proven by the Company's success throughout the years with a low turnover ratio in key positions and the consistent performance being delivered by the same CEO and Key Management over a 10 year period. 	Complied
		<ul style="list-style-type: none"> Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy- The Company's second and third layers are well experienced and skilled to take over a key role Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management 	Complied
		<ul style="list-style-type: none"> ensuring compliance with laws, regulations and ethical standards:- A lot of emphasis is placed to safeguard internal controls , ensure integrity of information, business continuity and risk management by way of the internal audit function, Quarterly risk meetings , monthly IT meetings 	Complied
		<ul style="list-style-type: none"> Ensuring all stakeholder interests are considered in corporate decisions :- Company has conducted its affairs with a sense of respect for all stakeholders and this can be proven by the fact that there have been no significant complaints or legal action initiated against the Company. 	
		<ul style="list-style-type: none"> Recognizing sustainable business development in Corporate Strategy, decisions and activities: - This has been proven by the past track record and success of the Company. Sustainability is a core area of focus in the strategy formulation process of the Company. 	Complied
		<ul style="list-style-type: none"> Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; and 	Complied

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. : This has been proven by the past track record and success of the Company and the Boards sub Committees such as the Audit and IRMC functions regularly and deliberates at length thus contributing to Compliance and Financial regulations. 	Complied
Professional advice to the Board	A.1.3	The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, to obtain independent professional advice where necessary, at the Company's expense:- Whenever professional advice is required the board informs the Executive Management at the Board Meeting and the required advice or particular fact finding requirement is assigned to independent professionals. During the year the Board assigned the task of evaluating the new software to an independent professional firm . The software was selected based on the firm's recommendation.	Complied
Company Secretary	A.1.4	<p>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:-</p> <p>All Directors have access to the Company Secretary and the Secretary possesses the required qualification's as set out in the Act.</p>	Complied
Independent judgment of Directors	A.1.5	All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct.	Complied
Adequate time and effort of Directors	A.1.6	<p>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:-</p> <p>The Board met on 11 occasions in the year under review , and in the months of May and September of 2016 , met, twice a month which is an illustration of the Commitment of the members of the Board .</p>	Complied
Training for Directors	A.1.7	<p>Directors receive appropriate orientation when first appointed to the board and subsequently as necessary: -</p> <p>Newly appointed directors are informed by the Company Secretary about disclosure requirements, regulatory requirements to be complied. Directors are also , briefed on changes in laws and regulations, tax laws and accounting standards from time to time during the Board meetings.</p>	Complied
A.2 Chairman and Chief Executive Officer (CEO)	Principle of Code A.2	<p>There are two key tasks at the top of every public Company – Conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision :-</p> <p>The positions of Chairman and Group CEO are separated to ensure a balance of power and authority and to prevent any one individual from possessing unfettered decision-making authority</p>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.2.1	A Decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report <i>The position of Chairman and CEO is separated in the Company</i>	Complied
A.3 Chairman's Role	Principle of Code A.3	The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	Complied
	A.3.1	The Chairman should conduct Board proceedings in a proper manner and ensure, inter alia, that: <ul style="list-style-type: none"> The effective participation of both Executive and Non-Executive Directors is secured :- The Chairman conducted Board proceedings in a proper manner and ensured the effective participation of all Directors All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company: - The Chairman conducts the affairs of the board in a professional manner and ensures that each Director is given an opportunity to participate in the deliberations of the board. A balance of power between Executive and Non-Executive Directors is maintained The views of Directors on issues under consideration are ascertained; and the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders:- 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 shareholders and other stakeholders. 	Complied
A.4 Financial Acumen	Principle of Code A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance :- <i>Qualifications of the Directors are given under the Directors profiles in page No. 19 to Page No. 25.</i>	Complied
A.5 Board Balance	Principal of Code A.5	It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no Individual or small group of individuals can dominate the Board's decision-taking.	Complied
	A.5.1	The Board should include – Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions. The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of total number of Directors, whichever is higher. In the event, the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board:- <i>Seven out of the Eight Directors and Non-Executive Directors which is well above the minimum prescribed by the Code. This ensures views of Non-Executive Directors carry a significant weight in the decisions made by the Board.</i>	Complied

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.5.2	<p>Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be 'independent'. In all other instances two or one third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent':-</p> <p><i>Two out of eight Non-Executive Directors on the Board are independent based. As the Chairman of the Company is also the Chairman of the Parent Company he does not fall into the category of being independent, in order to make amends for this, the Company has appointed one of the Independent Non-Executive Directors as a Senior Independent Non-Executive Director as per Central Bank guidelines.</i></p>	Complied
	A 5.3	<p>For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment:-</p> <p><i>The Company obtains a signed statement of independence from each Director once a year which is then maintained in the 'Interest Register' as required by the Companies Act No. 07 of 2007, which also shows details of Director Interest in Contracts/Company or Group.</i></p>	Complied
	A 5.4	<p>Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence or non-independence against the specified criteria set out in the Specimen in Schedule H.</p> <p><i>Every Non-Executive Independent Director of the Company has made written submissions as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule H of this Code</i></p>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A 5.5	<p>The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made of decided criteria and other Information available to the Board, and should set out in the Annual Report the names of Directors determined to be 'independent'. The Board should specify the criteria not met and the basis for its determination in the Annual Report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary:-</p> <p><i>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence, as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code. Independent Non-Executive Directors are:</i></p> <p><i>Dr. Saman Kelegama</i> <i>Chairman Independent Director</i></p> <p><i>Mr. J.A Setukavalar</i> <i>Senior Independent Director</i></p> <p><i>Mr. N. I. R De Mel</i> <i>Independent Director</i></p> <p><i>Note:- As Dr. Saman Kelegama is also the Chairman of the Parent Company he will not technically fall into the category of being independent by virtue of being Chairman of the Parent. However, as the CBSL allows to appoint another Independent Non-Executive Director as a Senior Director in the event the Chairman is not Independent the Company has taken steps for this requirement to be met by appointing Mr. J.A Setukavalar a Senior Independent Director. Also, the Company claims Dr. Kelegama to be considered independent based on the following</i></p> <p><i>i) His high standing in the country as an intellectual of high integrity and unblemished credentials</i></p> <p><i>ii) Him being a Non- Executive Chairman/Director with no related party transactions of personal interest in the past 8 years of service to the Company (From inception to date)</i></p>	Compiled
	A 5.6	<p>If an alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Company. If an Alternate Director is appointed by an Independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of Independent Directors also should be satisfied.</p> <p><i>Independent Non-Executive Directors have not appointed Alternate Directors. Alternative Directors to the Non-Executive Directors are executives of the Company. However, Board balance is not affected since the Board complies with Code A 5.2.</i></p>	Compiled
	A 5.7	<p>In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the 'Senior Independent Director' (SID) and disclose this appointment in the Annual Report :-</p> <p><i>The roles of Chairman and Group CEO are separated.</i></p>	Compiled

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A 5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	No Applicable
	A 5.9	The Chairman should hold meetings with the Non- Executive Directors only, without the Executive Directors being present, as necessary and at least once each year :- <i>Chairman meets with NEDs without the presence of Executive Directors, whenever necessary.</i>	Complied
	A 5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure that their concerns are recorded in the Board minutes. <i>Concerns raised by the Directors during the year, if any, are recorded in the minutes of Board meetings with adequate details by the Company Secretary.</i>	Complied
A.6 Supply of Information	Principle of Code A.6.	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties :- <i>Board is provided with Financial and other MIS reports on a monthly basis. If any board member request for additional information the management ensures to provide the same.</i>	Complied
	A .6.1	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings :- <i>The Company ensures that the Directors receive adequate information in a timely manner. On urgent matters, every effort is made to provide the information, as early as possible. The Board receives a standard set of documents, which are timely, accurate, relevant and comprehensive. These papers include a detailed analysis of financial and non-financial information. The Board may call for additional information or clarify issues with any member of the Executive Committee. If necessary, all Directors are adequately briefed by the CEO or CFO on matters arising at Board meetings. The Secretary and the Compliance Officer ensure that Board papers are circulated in advance prior to Board meeting. If necessary, members of the Executive Committee, External Auditors and Outside Consultancies makes presentations to the Board when required. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings.</i>	Complied
	A.6.2	The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven (7) days before the meeting, to facilitate its effective conduct. The minutes, agenda and papers required for Board meeting are provided in advance to facilitate its effective conduct.	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
A.7 Appointments to the Board	Principle of Code A.7	There should be a formal and transparent procedure for the appointment of new Directors to the Board :- <i>Board nomination committee recommends the new board appointments. In recommending a new appointee to the Board, special emphasis is made on the challenges ahead and the competency of the existing Board to face those challenges. Shareholders will be provided with a brief resume of the newly appointed Director in this Annual Report along with his expertise, names of the companies in which he holds directorships and his/her Independence</i>	Compiled
	A.7.1	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. Terms of Reference for Nomination Committees are set out in Schedule A. The Chairman and members of the Nomination Committee should be identified in the Annual Report. <i>The Committee consists of Three Independent Non-Executive Directors; The Chairman of the Board Heads the Committee a Non-Executive Director acts as the Secretary the Committee. (Please refer Page 105 for the composition of the Board)</i>	Compiled
	A.7.2	The Nomination Committee or in the absence of a Nomination Committee, the Board as a whole should annually assess Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election. <i>Board as a whole annually assesses the composition of the Board to ensure that the combined knowledge and experience of the Board matches the strategic demand facing the Company. The findings of such assessments are taken into account when new Board appointments are considered.</i>	Compiled
	A.7.3	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders <ul style="list-style-type: none"> • a brief résumé of the Director; • the nature of his expertise in relevant functional areas; • the names of companies in which the Director holds directorships or memberships in Board Committees; and • whether such a Director can be considered 'independent'. <i>All new appointments are communicated to the shareholders via the Colombo Stock Exchange. The details of the current Board of Directors and new appointments are provided on pages 19 to 25 in this Annual Report.</i>	Compiled
A.8 Re-Election	Principle of Code A.8	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	Compiled

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.8.1	<p>Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their reappointment should not be automatic.</p> <p><i>In terms of the Articles of Association, one-third of the Directors, except for Chairman, /CEO, retire in rotation and may offer themselves for re-election at the AGM. By virtue of being the Chairman,/CEO are not required to make themselves available for re-election as the Articles of Association.</i></p>	Complied
	A.8.2	<p>All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a résumé minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.</p> <p><i>The Company's Articles of Association provides that any Director appointed by the Board to hold office until the next Annual General Meeting, may seek reappointment by the shareholders at the said AGM. Based on the article and the current composition of the Board, a Director has to come forward for re-election, every three years. A résumé of the Directors coming up for re-election at the AGM, 2017 is available on pages 19 to 25. The Chief Executive Officer does not retire by rotation. Also as stated in above A.8.1 In terms of the Articles of Association, one-third of the Directors, except for Chairman, /CEO, retire in rotation and may offer themselves for re-election at the AGM</i></p>	Complied
A.9 Appraisal of Board Performance	Principle of Code A.9	Boards should periodically appraise their own performance in order to ensure that Board Responsibilities are satisfactorily discharged.	Complied
	A.9.1	<p>The Board should annually appraise itself on its performance in the discharge of its key responsibilities as set out in A.1.2.</p> <p><i>The performance of the Board and the subcommittee is reviewed and evaluated by the Board and Chairman based on a self-appraisal basis.</i></p>	Complied
	A.9.2	<p>The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.</p> <p><i>The performance and deliberations of the Audit and IRM Committees are frequently discussed at Board Meeting, thereby carrying out a effective self-evaluation.</i></p>	Complied
	A.9.3	<p>The Board should state how such performance evaluations have been conducted, in the Annual Report.</p> <p><i>The individual self-evaluations are carried out by the respective Board Members in submitted in writing to the Secretary for the record. And as explained above in A.9.2 self-evaluation of the Board and its committee occur during the proceedings of Board Meetings.</i></p>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
A.10 Disclosure of Information in Respect of Directors	Code A.10	Shareholders should be kept advised of relevant details in respect of Directors	Complied
	A.10.1	<p>The Annual Report of the Company should set out the following information in relation to each Director</p> <ul style="list-style-type: none"> • name, qualifications and brief profile; • the nature of his/her expertise in relevant functional areas; • immediate family and/or material business relationships with other Directors of the Company; • whether Executive, Non-Executive and/or independent Director; • names of listed companies in Sri Lanka in which the Director concerned serves as a Director; • names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a Group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies -number/percentage of Board meetings of the Company attended during the year; • the total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity; • names of Board Committees in which the Director serves as Chairman or a member; and • number/percentage of committee meetings attended during the year. 	Complied
A.11 Appraisal of Chief Executive Officer	Principal of Code A.11	The Board should be required, at least annually, to assess the performance of the CEO.	Complied
	A.11.1	<p>At the commencement of every fiscal year, the Board in consultation with the CEO should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.</p> <p><i>The CEO's performance is evaluated in line with the overall corporate plan by the Board in terms of both Financial and operational achievements compared to targets set at the planning stage. This process is carried out as mentioned in above A.11</i></p>	Complied
	A.11.2	<p>The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.</p> <p><i>This process happens when the CEO's performance appraisal is carried out at the year end.</i></p>	Complied
B Directors' Remuneration	Principal of Code B.1.	Companies should establish a formal and transparent Procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	B.1.1	<p>To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors. (These also include Post-Employment Benefits as well as Terminal Benefits) The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.</p> <p><i>The scope of the Committee is to consider and recommend to the Board, remuneration and perquisites of the CEO and Independent Directors of the Board of the Company</i></p>	Complied
	B.1.2	<p>Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman, who should be appointed by the Board.</p> <p><i>The Committee consists of three Independent Non-Executive Directors and One Non-Executive Director. The Committee is chaired by the Non-Executive Director. Finance Director of the parent company acts as the Secretary to the Committee. The Group CEO attends by invitation and the Finance Director of the Parent Company assist the Committee by providing the relevant information and participating in its analysis and deliberations.</i></p>	Complied
	B.1.3	<p>The Chairman and Members of the Remuneration Committee should be listed in the Annual Report each year.</p> <p><i>Please refer Page No. 105.</i></p>	Complied
	B.1.4	<p>The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a subcommittee of the Board, Which might include the CEO.</p> <p><i>After consideration of the recommendation made by the Corporate Office of Singer Asia Limited, the Committee as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a comprehensive fee for being a Director of the Board and either chairing or being a member of a Board subcommittee. They do not receive any performance/ incentive payments.</i></p>	Complied
	B.1.5	<p>The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities :-</p> <p><i>The Committee has the authority to seek internal and external independent professional advice on matters falling within its purview, at the Company's expense. Views of the Chairman and Group CEO are obtained as they too are members of the said Board Subcommittee</i></p>	Complied
B.2 The Level and Make Up of Remuneration	Principle of Code B.2	<p>Levels of remuneration of both Executive and Non- Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.</p>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	B.2.1	<p>The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose:-</p> <p><i>The Board Remuneration Committee and also the Board ensure that Executive Director –CEO is provided with an attractive remuneration package.</i></p>	Complied
	B.2.2	<p>The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance:-</p> <p><i>The committee ensures that compensation packages are designed to attract and retain a highly qualified and experienced workforce and reward performances. These compensation packages should provide compensation appropriate for each business within the Group and commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long-term Shareholder returns.</i></p>	Complied
	B.2.3	<p>The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases:-</p> <p><i>The Remuneration Committee takes into consideration and is sensitive about the conditions of the Group when determining annual salary increases.</i></p>	Complied
	B.2.4	<p>The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels:-</p> <p><i>Objectives for Executive Director is set at the beginning of the year and the remuneration including the performance bonus is decided based upon the degree of achievement of such pre-set targets subject to the remuneration policy of Parent company Singer Asia Limited.</i></p>	Complied
	B.2.5	<p>Executive share options should not be offered at a discount (i.e., less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Colombo Stock Exchange:-</p> <p><i>Presently the Company does not have an Executive Share Option Scheme.</i></p>	Complied
	B.2.6	<p>In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions set out in Schedule E.</p> <p><i>Please refer Remuneration Committee Report on page 113</i></p>	Complied

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	B.2.7	<p>Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts:-</p> <p><i>Not applicable to the Board except for Chief Executive Officer and other Executive Directors (Alternate Directors to the Non-Executive Directors) who are employees of the Company, and their terms of employment are governed by the contract of service/employment.</i></p>	Complied
	B.2.8	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.	Not Applicable
	B.2.9	<p>Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Director's independence. (as set out in provision A.5.5)</p> <p>Non-Executive Directors of the Company are paid nominal fees commensurate with their time and role in the Company and taking into consideration market practices and recommendations made by the Chief Executive Officer of Singer Asia Limited,. Non-Executive Directors are not included in share options as there is no scheme in existence.</p>	Complied
B.3 Disclosure of Remuneration	Principle of Code B.3	The Company's Annual Report should contain a Statement of Remuneration Policy and details of Remuneration of the Board as a whole.	Complied
	B.3.1	<p>The Annual Report should set out the names of Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Remuneration Committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.</p> <p><i>Please refer Page No 173</i></p>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
C. Relations With Shareholders	Principle of Code C.1	Boards should use the AGM to communicate with shareholders and should encourage their participation.	Complied
C.1. Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings		Boards should use the AGM to communicate with Shareholders and should encourage their participation. The board ensures that shareholders are given an opportunity to participate by giving adequate notice of the AGM date and time. Any shareholder who wishes to speak to the forum of the AGM is given sufficient time to address the Board and the gathering.	Complied
	C.1.1	Companies should count all proxy votes and should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution, and withheld after it has been dealt with on a show of hands, except where a poll is called. <i>The Company has in place an effective mechanism to count all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against the resolution.</i>	Complied
	C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issues and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. <i>Company proposes a separate resolution at the AGM on each substantially separate issues. Further, adoption of the Annual Report of the Board of Directors on the affairs of the Company and Audited Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.</i>	Complied
	C.1.3	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman. <i>The Chairman of the Company ensures that Chairmen of all Board subcommittees namely, Audit, Remuneration, Nomination and Related Party Transactions Review Committee are present at the AGM to answer the questions under their purview.</i>	Complied
	C.1.4	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders at least as determined by statute, before the meeting. <i>A copy of the Annual Report including Financial Statements, Notice of Meeting and the Form of Proxy are sent to shareholders 15 working days prior to the date of the AGM, as requested by statute, in order to provide the opportunity to all the shareholders to attend the AGM.</i>	Complied
	C.1.5	Companies should circulate with every Notice of General Meetings, a summary of the procedures governing voting at General Meetings. <i>A summary of the procedures governing voting at General Meetings is circulated to shareholders with every Notice of General Meetings.</i>	Complied

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
C.2 Communication with Shareholders	Principle of Code C.2	The Board should implement effective communication with shareholders.	Complied
	C.2.1	<p>There should be a channel to reach all shareholders of the Company in order to disseminate timely information</p> <p><i>The primary modes of communication between Company and the shareholders are the Annual Report and AGM. Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the business of Company, either Verbally or in writing prior to the AGM. The Company used the following channels to disseminate timely information;</i></p> <ul style="list-style-type: none"> • Shareholders meetings • Financial and other notices as and when • Required through the Colombo Stock Exchange • Corporate website • Press notices. 	Complied
	C.2.2	<p>The Company should disclose the policy and methodology for communication with Shareholders:-</p> <p><i>Please refer the Board Communication Policy on Page 117</i></p>	Complied
	C. 2.3	<p>The Company should disclose how they implement the above policy and methodology</p> <p><i>Printed copies of Annual Report are provided to shareholders as per request or could be downloaded from the CSE website.</i></p>	Complied
	C. 2.4	<p>The Company should disclose the contact person for such communication</p> <p><i>The contact person is the Company Secretary</i></p>	Complied
	C. 2.5	<p>The Company should have a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.</p> <p><i>The Company Secretary shall maintain a record of all correspondence received and will deliver as soon as practicable such correspondence to the Board or individual Director/s as applicable. The Board or individual Director/s, as applicable, will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretary to send the response to the particular shareholder.</i></p>	Complied
	C.2.6	<p>The Company should decide the person to contact in relation to shareholder matters. The relevant person with statutory responsibilities to contact in relation to shareholders matters is the Company Secretary or in his/her absence should be a member of the Board of Directors.</p>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	C.2.7	The process of responding to shareholder matters should be formulated by the Board and disclosed. <i>Please refer the Board Communication Policy on Page 117</i>	Complied
C.3 Major and Material Transactions	Principle of Code C.3	Further to compliance with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations as applicable, Directors should disclose to shareholders all proposed corporate transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the Consolidated Group Net Asset Base.	Complied
	C.3.1	Prior to a Company engaging in or committing to a 'Major Related Party Transaction', with a related party, involving the acquisition, sale or disposition of greater than one third of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, Directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting. It also applies to transactions or series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company. <i>During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the Net Assets Base of the Company. Transactions which materially affect the net assets base of the Company will be disclosed in the Quarterly/ Annual Financial Statements, if any.</i>	Complied
D. Accountability And Audit	Principle of Code D.1	The Board should present a balanced and Understandable assessment of the Company's financial position, performance and prospects.	Complied
D.1 Financial Reporting	D.1.1	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements. <i>The Board is well aware of its responsibility to present regulatory and statutory reporting in a balanced and understandable manner and a statement to this effect is given in the Statement of Directors' Responsibility on page 126 confirming this position. The Company had strictly complied with the requirements of the Companies Act No. 07 of 2007 in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards. Further, Company has complied with the reporting requirements prescribed by the regulatory authority such as the Colombo Stock Exchange.</i>	Complied

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	D.1.2	<p>The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that</p> <ul style="list-style-type: none"> • The Company has not engaged in any activity which contravenes laws and regulations; • The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested; • The Company has made all endeavours to ensure the equitable treatment of shareholders; • The business is a going concern, with supporting assumptions or qualifications as necessary; and • They have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if it is unable to make any of these declarations, to explain why it is unable to do so. <p><i>The Annual Report of the Board of Directors on the Affairs of the Company given on pages 121 to 125 covers all of these sections. In addition to that Company has established procedures to ensure compliance with all applicable statutory and regulatory requirements. The Accountants of respective companies within the Group act as Compliance Officers and are responsible for ensuring proper compliance with applicable laws and regulations. A compliance statement is tabled at each Board meeting by the Compliance Officer. The Company's compliance with Section 7.10 of the Colombo Stock Exchange Listing Rules on Corporate Governance and details of such compliance are discussed on pages 64 and 107 of this Report.</i></p>	Complied
	D 1.3	<p>The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting Responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control. Refer Annexure K for the contents of the Statement on Internal Control.</p> <p><i>The "Statement of Directors' Responsibility" is given on page 126.</i></p> <p><i>The 'Independent Auditors Report' on page 127 states the Auditors responsibility.</i></p>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	D.1.4	<p>The Annual Report should contain a "Management Discussion & Analysis", discussing, among other issues:</p> <ul style="list-style-type: none"> • industry structure and developments; • opportunities and threats; • risks and concerns; • internal control systems and their adequacy; • social and environmental protection activities carried out by the Company; • financial performance; • material developments in human resource / industrial relations; and prospects for the future. <p><i>Management Discussion and Analysis highlights the operational and financial status of the Company in the context of prevailing industry conditions. This report is given in page No 38 to 42</i></p>	Complied
	D.1.5	<p>The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. The matters to which the Board should give due consideration when adopting the going concern assumption are set out in Schedule E to this Code.</p> <p><i>Please refer page 121 to 125 of this 'Annual Report of the Board of Directors' and the 'Statement of Directors Responsibility' on page 126 for the required Declaration.</i></p>	Complied
	D.1.6	<p>In the event the net assets of the Company falling below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken.</p> <p><i>Likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.</i></p>	Complied
	D.1.7	<p>The Board Should adequately and accurately disclose the related party transactions in its Annual Report</p> <ul style="list-style-type: none"> • Each related party to submit signed and dated quarterly declarations mentioning whether they have related party transactions with the Company's defined in this Code; • It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly • There should be a process to capture related parties and related party transactions. This process needs to be operationalized and related party transactions should be properly documented. Further, a report should be presented by the Audit Committee to the Board on identified related parties and related party transactions on a regular basis • A record /register either in hard or soft form on related party and related and related party transactions should be maintained by the Company; • This record should ensure that the Company captures information to comply with the respective related party disclosure requirements imposed by the SEC/ Accounting Standards/Auditing Standards and similar regulations 	Complied

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> Each related party has submitted signed and dated declarations mentioning whether they had related party transactions with the Company during 2016/17. Related Party Transactions Review Committee Reviewed the related party transactions which is described in this Annual Report Page No. 116. Company also has a simple and effective system to capture RPT transactions. 	
D.2 Internal Controls	Principle for Code D.2	The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, affected by a Company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives.	
	D.2.1	The Directors should, at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal controls, so as to be able to report to Shareholders as required in D.1.3. This could be made the responsibility of the Audit Committee.	Complied
	D.2.2	Company should have an internal audit function The Parent Company's Internal Audit conducts the internal audit function of the Company, and the branches are outsourced to two audit firms.	Complied
	D.2.3	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes responsibility for the disclosure on internal controls <i>The Internal Audit Division of the Company carries out regular reviews on the risk management function and internal control system including internal control Over financial reporting. The Audit Committee monitors, reviews and evaluates the effectiveness of internal control system including the internal controls over financial reporting. In the year 2016/17, the Board of Directors was satisfied with the effectiveness of the system of internal controls of the Company. Refer the Directors' Statement on Internal Control on page 114 to 115.</i>	Complied
D.3 Audit Committee	Principle of Code D.3	The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.	
	D.3.1	The Audit Committee should be comprised of a minimum of two independent Non-Executive Directors (in instances where a Company has only two directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non- Executive Director, appointed by the Board. All members of the Board Audit Committee are Independent Non-Executive Directors. Details of Committee are given in page No. 104.	Complied
	D.3.2	The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance Objectivity, independence and value for money. <i>As stated in the Report of the Audit Committee of the Company, the Committee regularly reviews scope, results and effectiveness of the Audit.</i>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	D.3.3	<p>The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. The duties and responsibilities of the Audit Committee – which, at a minimum must include those set out in the Code of Best Practice on Audit Committees issued by the Institute of Chartered Accountants of Sri Lanka in 2002.</p> <p><i>The Company has a written terms of reference for the Audit Committee</i></p>	Complied
	D.3.4	<p>The names of Directors (persons in the parent company's committee in the case of a Group Company) comprising the Audit Committee should be disclosed in the Annual Report. The Committee should also make a determination of the independence of the Auditors and should disclose the basis of such determination in the Annual Report. The Annual Report should contain a report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.</p> <p><i>Finance Director of the Parent Company joins Audit Committee meetings by invitation and is not members of the Committee.</i></p> <p><i>Names of the Audit Committee members are disclosed on page No. 104.</i></p>	Complied
D.4 Code of Business Conduct & Ethics	Principle of Code D.4	Companies must adopt a Code of Business Conduct & Ethics for Directors, and Key Management Personnel and must promptly disclose any waivers of the Code for Directors or others.	
	D.4.1	<p>All companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and members of the Senior Management Team and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and members of the Senior Management Team have complied with such Code, and if unable to make that declaration, state why they are unable to do so. Company has an internally developed Code of Conduct.</p> <p>Each Company may determine its own policies in the formulation of such a code, but all companies should address the following important topics in their respective codes:</p> <ul style="list-style-type: none"> • conflict of interest; • bribery and corruption • entertainment and gifts • accurate accounting and record keeping • corporate opportunities; • confidentiality; • fair dealing; • protection and proper use of Company assets; • compliance with laws, rules and regulations (including insider trading laws); and • encouraging the reporting of any illegal or unethical behaviour. 	Complied

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<p>All employees including Directors, Key Managers and Senior Managers are bound by the Company's written Code of Ethics that includes the following aspects:</p> <ul style="list-style-type: none"> • Exercise honesty, objectivity and diligence when performing one's duties. • Avoid situations where personal interest might conflict with the interest of the Company; and if so, disclose such interest in advance. • Maintain confidentiality of commercial and price sensitive information. • Work within applicable laws and regulations. • Safeguard the Company's assets. • Avoid conduct that will reflect badly on the person concerned or the Company's image. • Strictly avoid giving or accepting any kind of bribe, either directly or indirectly. • Strictly avoid making contributions for political funds, either directly or indirectly. • Strictly avoid any kind of sexual harassment. • The Company has implemented a formal Whistle blowing procedure and encourages any Employee who suspects wrong doing at work, whether by management, peers or any other employee, to raise their concerns. Other Policies. 	
	D.4.2	The Chairman must affirm in the Company's Annual Report that he is not aware of any violation of any of the Provisions of the Code of Business Conduct & Ethics.	Complied
D.5 Corporate Governance Disclosures	Principle of Code D.5	Directors should be required to disclosed the extent to which the Company adheres to established principles and practices of good corporate governance.	
	D.5.1	<p>The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.</p> <p><i>This Report from page 61 to 107 sets out the manner and extent to which Singer Finance (Lanka) PLC has complied with the principles and Provisions of the Code.</i></p>	Complied
Section 2: Shareholders E Institutional Investors E.1 Shareholder Voting	Principle of Code E.1	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	
	E.1.1	<p>A listed Company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.</p> <p><i>All shareholders are given adequate time to engage the Board at the AGM and as per the communications policy any shareholder could communicate to the Board through the Company Secretary</i></p>	Complied

Corporate Governance

Corporate Governance Principle	Reference SEC & ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
E.2 Evaluation of Governance Disclosures	Code E.2	<p>When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.</p> <p><i>The Institutional Investors are at liberty to give due weight to matters relating to the Board structure and composition, when they consider resolutions relating to Board structure and composition.</i></p>	Complied
F Other Investors Investing / Divesting Decision	Principle of Code F.1	<p>Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.</p> <p><i>All individual investors are invited to the annual general meeting regardless of the investment size and they are entitled with voting rights.</i></p>	Complied
F. Shareholder Voting	Principle of Code F.2	<p>Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.</p> <p><i>Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.</i></p>	Complied
	Section -B	<p>This section covers the Company's extent of adherence to the requirements of the Continuous Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange. This reflects the Company's level of conformity to CSE's Listing Rules which comprise the following fundamental principles:</p> <ul style="list-style-type: none"> • Non-Executive Directors • Independent Directors • Disclosures Relating to Directors • Remuneration Committee • Audit Committee <p><i>The following table presents the details of the Company's compliance with Section 7.10 and Section 9 of the CSE Listing Rules on Corporate Governance as at 31st March 2017</i></p>	

Section	Rule No	Corporate Governance Rule	Details of Compliance
Board of Directors Non-Executive Directors	7.10.1	Number of Non-Executive Directors – One-third of the total number of Directors, subject to a minimum of two.	The Board of Directors comprises eight Directors seven of whom are Non-Executive Directors.
Independent Directors	7.10.2 (a)	Number of Independent Directors – One-third of Non-Executive Directors, subject to a minimum of two.	Three of the Non- Executive Directors are independent.
	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non-independence.	Independent Non-Executive Directors have submitted declarations confirming their Independence.
Disclosures relating to Directors	7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Please refer pages 19 to 25.
	7.10.3 (b)	The Board shall make a determination annually as to the Independence or Non-Independence of each Non- Executive Director.	Not Applicable.
	7.10.3 (c)	A brief résumé of each Director should be included in the Annual Report including the area of experience.	Please refer Board of Directors section of this report on pages 19 to 25.
	7.10.3 (d)	Provide brief resume of any new Director appointed to the Board.	Please refer Board of Directors section of this report on pages 19 to 25.
Remuneration Committee Composition	7.10.5 (a)	Number of Independent Non-Executive Directors in the Committee to be – Number of Independent Non-Executive Directors in the Committee to be – <ul style="list-style-type: none"> a minimum of two (where a Company has only two Directors on the Board), or in all other instances majority of whom to be independent. 	The Committee comprises of two 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 an Independent Non-Executive Director as the Chairman of the Committee.
Function	7.10.5 (b)	Function of the Committee.	The Remuneration Committee Report sets out the functions of the Committee.
Disclosure in the Annual Report	7.10.5 (c)	The Annual Report should set out – <ul style="list-style-type: none"> Names of Directors comprising the Remuneration Committee Statement of Remuneration policy Aggregate remuneration paid to Executives and Non-Executive Directors 	Please refer page No. 105. Please refer page No. 113. Please refer page No. 173.
Audit Committee Composition	7.10.6 (a)	Number of Independent Non-Executive Directors in the Committee to be – <ul style="list-style-type: none"> a minimum of two (where a Company has only two Directors on the Board), or in all other instances majority of whom to be independent. 	The Committee comprises two Directors who are Independent Non-Executive Directors.

Corporate Governance

Section	Rule No	Corporate Governance Rule	Details of Compliance
		Separate Committee to be formed for the Company or the Listed Parent's Committee to be used.	A separate Audit Committee was formed for the Company.
		Chairman of the Committee to be a Non-Executive Director.	The Board of Directors has appointed an Independent Non-Executive Director as the Chairman of the Committee.
		Chairman or one member of the Committee to be a member of a recognised professional accounting body.	Board Members of the Committee are members of a recognized professional accounting body.
		CEO and CFO to attend Committee meetings, unless otherwise determined by the Audit Committee.	CEO and CFO attends by invitation.
Function	7.10.6 (b)	(b) Function of the Committee.	The Audit Committee Report sets out the functions of the Committee.
Disclosure in the Annual Report	7.10.6 (c)	Names of Directors comprising the Audit Committee The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the Audit Committee in the prescribed manner.	Please refer page No. 104.
Related Party Transactions Review Committee			
Composition	9.2.2	Combination of non-executive directors and independent non-executive directors	The Committee comprises of three Independent Non-Executive Directors, one Non-Executive Director and one Executive Director
	9.2.3	Separate Committee to be formed for the Company or the Listed Parent's Committee to be used.	Board of Directors of Singer Finance have resolved to permit the Related Party Transactions Review Committee of the parent Company to function as the Related Party Transactions Review Committee of the Company and appointed Mr. J.A Setukavalar – Senior Independent Non-Executive Director to represent the Company at the BRPTRC. Mr. Gavin Walker who is Non-Executive Director of the Company is also a member of the RPT review Committee
		Function of the Committee.	The Related Party Transactions Review Committee Report sets out the functions of the Committee.
Disclosure in the Annual Report	9.3.2. (c)	The Annual report shall contain a Report of the Audit Committee in the prescribed manner.	Please refer Related Party Transactions Review Committee report on page No. 116.

Board meetings and circular resolutions

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 11 Board meetings

held at Singer Finance and 22 circular 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 summarized below along with the attendance of each Director.

Name of Director	Status of Directorship	No of Meetings Eligible	No of Meeting Attended
Dr. S. Kelegama	Chairman / Non-Executive	11	11
Mr. J.A Setukavalar	Senior Independent Non- Executive Director	11	11
Mr. Russell De Mel	Independent Non- Executive Director	11	11
Mr. John Hyun	Non-Executive Director	11	08
Mr. G.J Walker	Non-Executive Director	11	01
Mr. Y.C Joe Kan Resigned w.e.f. 30th June 2016	Non-Executive Director	03	01
Mr. N. K . J. Dissanayake Joined on the 1st of July 2016	Non-Executive Director	08	07
Mr. Janaka Mendis	Non-Executive Director	11	08
Mr. R.S Wijeweera	Director /Chief Executive Officer	11	10
Mr. S.Ramanathan	Alternate Director to Mr. John Hyun	03	02
Mr. K.K.L.P. Yatiwella	Alternate Director to Mr. Gavin Walker	10	07
Mr. Chandana Samarasinghe Joined on the 5th of May 2016	Alternate Director to Mr. Joe Kan and Mr. N.J.K Dissanayake	03	03
Mr. Thushan Amarasuriya Joined on the 5th of May 2016	Alternate Director to Mr. R.S Wijeweera	01	11
Mr. Iman Perera Joined on the 5th of May 2016	Alternate Director to Mr. Janaka Mendis	03	04

Mr. Shyam Ramanathan Alternate to Mr. John Hyun participated for two meetings on behalf of Mr. John Hyun

Mr. Iman Perera Alternate to Mr. Janaka Mendis participated for three meetings on behalf of Mr. Janaka Mendis and on one other occasion in the presence of Mr. Janaka Mendis by invitation

Mr. Chandana Samarasinghe Alternate to Mr. Joe Kan and Mr. N.J.K Dissanayake participated for two meetings on behalf of

Mr. Joe Kan and one meeting on behalf of Mr. N.J.K Dissanayake

Mr Lalith Yatiwella Alternate Director participated for seven on behalf of Mr. Gavin Walker

Mr. Thushan Amarasuriya participated for ten meetings by invitation (as he is the Chief Financial Officer) and one in the absence of Mr. R.S Wijeweera

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.

Sub committees of the Board of Singer Finance have being delegated some responsibilities of the Board where each committee is headed by an Independent

Corporate Governance

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 two Independent Non-Executive Directors of the Board and the Head of Risk Management of Singer Group serves as its Secretary they are namely,

Mr. J.A Setukavalar
Chairman / Senior Independent Non-Executive Director

Mr. N.I. R De Mel
Independent Non-Executive Director

Mr. P. Meegoda (Secretary)
Head of Risk SSL

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 seven meetings during the year under review and attendance of Directors are shown below.

Name of Director	Status of Directorship	No of Meetings Eligible	No of Meeting Attended
Mr. J.A Setukavalar	Chairmen of the Audit Committee/ Senior Independent Non-Executive Director	07	07
Mr. Russell De Mel	Independent Non- Executive Director	07	07
Mr. Priyanjith Meegoda	Secretary to the Committee	07	04

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 Independent 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 Director	Status of Directorship	No of Meetings Eligible	No of Meeting Attended
Mr. Russell De Mel	Independent Non- Executive Director	03	03
Mr. J.A Setukavalar	Senior Independent Non-Executive Director	03	02
Mr. Shantha Wijeweera	Director / CEO	03	02
Mr. Thushan Amarasuriya	Head of Finance	03	02
Mr. Priyanjith Meegoda	Head of Risk Management	03	01
Mr. Lalith Yatiwella	Finance Director	03	00
Mr. Iman Perera	Head of Business Development	03	03
Mr. Jeewaka Jayawardana	Credit Manager	03	03
Mr. Suranga Jayaweera	Manager Financial Reporting and Compliance	03	03
Mr. Niranan Sethunga	Senior Recovery Manager	03	02
Mr. Manoj Kumara	Senior Operations Manager	03	03

Remuneration Committee

The Committee mainly aims at remuneration and perks of the Chairman, the Chief Executive Officer, Independent Directors and Executive Director of the Company. Mr. Gavin Walker – Non Executive Director President

and CEO of Singer Asia chairs the committee and it comprises of , the Chairman of the Board , two Independent Directors, Group Chief Executive officer who attends by invitation and one Alternate Director who serves the as Secretary to the Board

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 Director	Status of Directorship	No of Meetings Eligible	No of Meeting Attended
Gavin J Walker	Chairman	02	02
Dr. Saman Kelegama	Non-Executive Director	02	02
Mr. J.A Setukavalar	Senior Independent Non-Executive Director	02	01
Mr. Russell De Mel	Independent Non-Executive Director	02	02
Mr. H.A Pieris (By invitation)	Group CEO	02	02
Mr. K. K.L.P Yatiwella	Alternate Director to Mr. Gavin Walker and Secretary to the Remuneration Committee	02	02

Board Nomination Committee

The Committee proposes suitable charters for the appointment and re-appointment of directors to the Board and to acts in accordance with such Charter in appointing Directors to the Board. The Chairman who is a Non -Executive Director chairs the committee and the

committee also comprises of Two Independent Non-Executive Directors, an Executive Director and Alternate Director 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 Director	Status of Directorship	No of Meetings Eligible	No of Meeting Attended
Dr. Saman Kelegama	Chairman	02	02
Mr. J.A Setukavalar	Senior Independent Non-Executive Director	02	01
Mr. K.K.L.P.Yatiwella	Secretary to the Nomination Committee	02	02

Related Party Transactions Review Committee

The Board of the Parent Company established the Board Related Party Transactions Review Committee (BRPTRC) for Singer Group of Companies with effect from 25th February 2016 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the

"Rules"). The establishment of a BRPTRC with effect from 1st January 2016 is mandatory in terms of the Code. In terms of section 9.2.3 of the listing rules, in a situation where both the parent company and the subsidiary are listed entities, the Related Party Transactions Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary. Sighting this section of the listing rules, the Board of Directors of Singer Finance

have resolved to permit the BRPTRC of the parent Company to function as the Related Party Transactions Review Committee of the Company and appointed Mr. J.A Setukavalar – Senior Independent Non-Executive Director to represent the Company at the BRPTRC. Mr. Gavin Walker who is a Non- Executive Director of Singer Finance is also a member of the BRPTRC.

Corporate Governance

Name of Director	Status of Directorship	No of Meetings Eligible	No of Meeting Attended
Mr. Deepal Sooriyaarachchi	Chairman/ Independent Non-Executive Director of Parent Company	02	02
Mr. Gavin J. Walker	Non -Executive Director	02	02
Mr Ranil De Silva	Non- Executive Director of Parent Company	02	02
Mr. H. A Pieris	Group CEO and Executive Director of Parent Company	02	02
Mr. J A Setukavalalar	Senior Independent Non-Executive Director	02	01

Brief Profile of the Members of the Related Party Transactions Review Committee

Name of Director	Brief Profile
Mr. Deepal Sooriyaarachchi	<p>Mr. Deepal Sooriyaarachchi joined the Singer (Sri Lanka) PLC [Parent Company] Board on the 1st October 2015 he is a Chartered Marketer, a Fellow of the Chartered Institute of Marketing UK and holds an MBA from the University of Sri Jayawardenepura.</p> <p>Mr. Sooriyaarachchi, counts over 30 years of experience in the fields of sales, advertising, marketing, human resource development and strategy. He is a renowned Management Consultant, Speaker, Trainer and an Author. Before embarking on full time consultancy work he was the Managing Director of AVIVA NDB Insurance PLC (now known as AIA Insurance). He had received extensive management training and exposure here and overseas including National University of Singapore, Asian Institute of Management and Stanford Business School USA. Mr. Sooriyaarachchi serves as a Non-Executive Independent Director of AIA Insurance Lanka PLC, Sampath Bank PLC, Pan Asian Power PLC and Hemas Manufacturing (Pvt) Limited. He is a consulting partner of RBL USA.</p> <p>He is a Past President of the Sri Lanka Institute of Marketing, and a Past Commissioner of Sri Lanka Inventors Commission. He had served on a number of national bodies such as National Administrative Reforms Commission, Presidential Task Force for English, Councils of Moratuwa and Kelaniya Universities. He had also served UNDP in Nepal.</p>
Mr. Gavin J. Walker	<p>Mr. Walker is the President and Chief Executive Officer of Singer Asia Limited, 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 Board of a number of Singer Asia Subsidiaries.</p>
Mr Ranil De Silva	<p>Joined the Board of Singer (Sri Lanka) PLC [parent company] on 1st April 2015. Mr. De Silva is currently the Jt. Managing Director of Aitken Spence Hotel Management (Pvt) Limited. He was formerly the Managing Director of the Hemas Hotel Sector and has wide experience locally and overseas in diverse industries. He is also a Director of Singer Industries (Ceylon) PLC and Regnis (Lanka) PLC. Mr. De Silva is a Fellow Member of the Chartered Institute of Management Accountants UK, Associate member of The Institute of Chartered Accountants of Sri Lanka and a Member of the Chartered Institute of Marketing UK.</p>

Name of Director	Brief Profile
Mr. H. A Pieris	<p>Joined the Board of Singer (Sri Lanka) PLC on 1st August 2004. Appointed as Managing Director and Group Chief Executive Officer of Singer Group of Companies on 1st July 2010.</p> <p>.He is a Director of Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC, Reality (Lanka) Limited, Regnis Appliances (Private) Limited, Singer Digital Media (Private) Limited, Singer Business School (Private) Limited and Director of Equity Investments Lanka Limited. Vice President of Singer Asia Limited and Retail Holdings NV. Prior to the present appointment, Mr. Asoka Pieris was Chief Financial Officer of Singer Asia Limited. Associate Member of The Institute of Chartered Accountants of Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants UK and a certified Global Management Accountant.</p>
Mr. J A Setukavalar	<p>Joined the Board of Singer Finance (Lanka) PLC on 22nd March 2012.</p> <p>He also serves on the Boards of A.Baur & Co. (Pvt) Ltd., Bours Air Services Ltd., A.Baur & Company (Travel) Ltd., A. Baur Trading (Pvt) Ltd., Bours Agri Exports (Pvt) Ltd., Swiss Trading Group (Pvt) Ltd., Swiss Hotel Management Academy (Pvt) Ltd., Ceylinco Life Insurance 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.</p> <p>Mr. Setukavalar has over 40 years of experience in the field of Auditing, Accounting and Finance and has served in Key Management positions and boards in various industries. He also worked overseas for three years with Price Waterhouse Coopers Dubai.</p> <p>He is a fellow of The Institute 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 Firegn and Commonwealth Office UK and South Korea and has attended Senior Management training programmes at INSEAD-France, IBM- Rochester USA and JICA Japan.</p>

Disclosure Report under Finance Companies Corporate Governance Direction No. 3 of 2008

Finance Companies Corporate Governance Direction No.3 of 2008 and Finance Companies Corporate Governance Amendment Direction No.4 of 2008, sets out the Corporate Governance Guidelines and Directions of the Central Bank of Sri Lanka. All Finance Companies are required to be compliant with the said Directions.

This report aims to disclose a selected set of Directions that the guideline requires explicit disclosure by way of a certification.

Reporting to Central Bank

- The Company hereby certifies that Weekly, Monthly, Quarterly and Annual prudential reports were submitted to the Financial Information Network (FinNet) on a timely manner and that there are no penalties affected on the Company due to late submission.
- The Company also certifies that the aforementioned prudential returns and other information submitted to the Central Bank of Sri Lanka contains accurate information and does not include any material and intentional misstatements.
- Large transactions report due to be submitted to the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka has been submitted on a bi monthly basis as per requirement.

Disclosure under Direction No.3 of 2008

- It is hereby certified that the Company is in compliance with prudential requirements, regulations, laws and internal controls. There was no necessity to take any corrective action on non-compliance during the period under review.

- It is hereby certified that no supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have occurred that required communication to the Director of the Department of Supervision of Non-Bank Financial Institutions, except for an instance of Non Compliance in relation to Direction No.4 of 2006/1 which is disclosed below, under Deviations with the Act, Rules and Directions. The Company has written to the Central Bank of Sri Lanka requesting an exemption to this Direction.

- It is hereby certified that the Company is in compliance with the Act, rules and directions issued by the Monetary Board during the period under review, except for the deviation mentioned below.

Deviations with the Act, Rules and Directions

Under the Finance Companies (Single Borrower Limit) Direction No. 4 of 2006/1, the value of unsecured accommodations granted to and outstanding at any point of time from all borrowers should not exceed 5% of the capital funds as shown in the last audited balance sheet. However, as of 31/03/2017, this balance has been exceeded in the Credit Card product. Please refer Page No. 79 (section 10(2) (h)) for more details.

Measures taken by the Company to Address the Reported Deviation

The Company has requested in writing to the Central Bank of Sri Lanka to reassess the limitation placed not to exceed 5 % of the Capital funds as per the Finance Companies (Single Borrower Limit) Direction No. 4 of 2006/1 specifically for granting of accommodations by way of Credit Cards, based on the fact that the nature of the Credit Card product is such that a limitation of

this nature would seriously undermine the viability of this product. The Company is also in a position to obtain a guarantee to secure the credit card transactions in the event the Central Bank does not provide an exemption.



R.S Wijeweera
Chief Executive Officer



J.A Setukavalar
Chairman Audit Committee



Thushan Amarasuriya
Head of Finance



Suranga Jayaweera
Manager Financial Reporting and Compliance

Colombo
02nd June 2017

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 and Mr. R. De Mel. The Head of Risk Management functions as the Secretary to the Committee. Head of Finance and Manager Financial Reporting & Compliance represent the management at the Audit Committee by invitation and when necessary, Audit Staff, Representatives of External and Internal Auditors, the CEO and relevant operational managers attend the meetings by invitation.

Responsibilities and Duties of the Committee

The Audit Committees authority, responsibilities and specific duties have been formalised through an Audit Committee Charter. By this, the Audit Committee is empowered among other things to examine any matters relating to the financial affairs of the Singer Finance (Lanka) PLC and to review the adequacy of the internal control procedures, coverage of internal and external audit programmes, 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 and the Board reviews 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 on code of conduct of its employees. Thus the committee ensures that a sound financial reporting framework, which is well monitored to give accurate, appropriate and timely information to the Board of Directors, Management, Regulatory Authorities and shareholders is in place.

Internal Audit

The internal audit function of the branches is outsourced to Messrs Ernst & Young and BDO Chartered Accountants. The Head office functions are audited by the Internal Audit division of the parent company headed by the Head of Risk Management. The internal auditors are responsible to review and report on the efficacy of the internal control system and compliance with statutory and other regulations and the Company's accounting and operational policies.

Meetings of the Committee

During the year, seven Audit Committee meetings were held to discuss the reports of the Internal and External Auditors and quarterly Accounts. The draft accounts were also discussed at the meeting held on 29th May 2017. The minutes of the meetings are tabled at the meeting of the Board of Directors for information and necessary action.

The committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that

the financial position of the Company is well monitored.

External Auditors

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

The Audit Committee recommended to the Board of Directors that Messrs KPMG Chartered Accountants be reappointed as the External Auditors for the year ending 31st March 2018 subject to the approval of the Shareholders at the Annual General Meeting.

Finance Companies (Corporate Governance) Direction No.3 of 2008

In terms of the Section 8 (2) 1 of the above direction the Chief Finance Officer, the Chief Internal Auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months; the committee shall meet with the external auditors without the Executive Directors being present. The Audit Committee last met with the external auditors without the presence of the Executive Directors and Management on the 31st of March 2016 and on the 29th of May 2017.

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 Setukavalar
Chairman – Audit Committee

Colombo
02nd June 2017

Board Nomination *Committee Report*

Role of the Committee

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

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

Composition and Quorum

Committee comprise of Three Non-Executive Directors together with the Chief Executive Officer of the Group. The Chairman of the Committee is an Independent Non-Executive Director appointed by the Board.

An Alternate Director who is also the Finance Director of the parent company functions as the Secretary to the Committee.

Meetings and Activities

The Committee met once during the year under review.

Conclusion

I wish to thank and place my record of appreciation to all the members who served in the committee during the year for their contribution to the deliberations of the committee.



Dr. S. Kelegama

Chairman – Board Nomination Committee

Colombo
02nd June 2017

Integrated Risk Management *Committee Report*

Role of the Committee

The main role and responsibilities of the Committee are to assist the Board in fulfilling its oversight responsibilities for all aspects of risk management. In this connection the Committee focuses on, and reviews risks such as credit, market, liquidity, operational and strategic risks through appropriate risk indicators and management information.

In addition to the above, the Committee is responsible for reviewing and/or recommending the following which are identified in the Charter of the Integrated Risk Management Committee:

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

Composition and Quorum

The following Directors serve as the members of the Committee during the year under review:

Mr. Russell De Mel

Mr. Jayendran A. Setukavalair

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

The quorum of the Committee is two members.

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

Meetings and Activities

The Committee met three times during the year under review.

The Committee is conscious, when carrying out its responsibilities, that the Company is in the business of taking risk. The aim of the Company and the Committee is therefore not to minimise risks but to optimise it by ensuring that risks being taken are, properly identified and understood, appropriate, relative to the scale and type of business, affordable, properly controlled and managed and earning an appropriate return.

The Committee works closely with the Audit Committee and reviews the Whistle-Blower Policy of the Company.

The Committee reports to the Board by way of minutes and provides recommendations when necessary. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and follow up action is taken on outstanding matters.

Anti-Money Laundering and Combating the Financing of Terrorism Committee (AML/CFT Committee)

In keeping in line with regulatory requirements the Company established an AML/CFT committee to oversee the risks associated with AML/CFT. The Committee comes under the aegis of the IRMC. The Chairman of this committee is the Chief Executive Officer and the Manager Financial Reporting and Compliance serves as the Secretary. The committee also comprises of the Head of Finance, Head of Risk Management, Operations Manager, Manager

Deposits and Senior Analyst Programmer. Minutes of the quarterly meetings are escalated through the IRMC to the Board. The Committee met three times during the period under review.

Conclusion

The Committee is of the view that the Company has made progress towards meeting the challenges of risk management and compliance, complying with International Standards. In view of accomplishing this task the above mentioned Risk Management Committee assesses the credit, market, liquidity, operational and strategic risks on a regular basis through appropriate risk indicators and management information.



Mr. Russell De Mel

Chairman - Integrated Risk Management Committee

Colombo
02nd June 2017

Credit Committee *Report*

Purpose

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

Committee Authority and Responsibilities

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

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

The members of the Committee were:

Mr. Janaka Mendis – Chairman

Mr. R.S Wijeweera

Mr. Lalith Yatiwella

Mr. Thushan Amarasuriya

Mr. Iman Perera

Mr. Ruwan Jayasuriya

Mr. Thilan Rupasinghe

Mr. Jeevaka Jayawardena - Secretary

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. Janaka Mendis
Chairman - Credit Committee

Colombo
02nd June 2017

Remuneration *Committee Report*

The Remuneration Committee consists of The Senior Independent Director, a Non-Executive Director and The Non-Executive Chairman of the Board, whilst a Non-Executive Director functions as the Secretary to the Committee by Invitation. Group Chief Executive Officer attends the Committee by invitation. The Committee is chaired by a Non-Executive Director. The Group Chief Executive Officer assists the Committee by providing the relevant information and participating in its analysis and deliberations.

The scope of the Committee is to "look into fees, remuneration and perquisites of the Chief Executive Officer, Independent Directors, Non Executive Directors and Executive Director of the Board of the Company and approve recommendations made by the Group Chief Executive Officer and the Corporate Officer of Singer Asia Ltd." Singer Asia Ltd is the intermediate Parent of Singer (Sri Lanka) PLC.

The Committee also reviews the policies pertaining to the remuneration and perquisites of the Executives of the Company.

A primary objective of the compensation packages is to attract and retain a highly qualified and experienced workforce and reward performances. These compensation packages should provide compensation 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 twice during the period.

I wish to thank members of the Committee and Mr. Asoka Pieris, for their valuable contributions to the deliberations of the Committee.



Mr. G.J Walker
Chairman - Remuneration Committee

Colombo
02nd June 2017

Directors' Statement on *Internal Control*

Responsibility

In line with the Finance Business Act No. 42 of 2011; Finance Companies (Corporate Governance) Direction No.03 of 2008; the Board of Directors presents this Report on Internal Control.

The Board of Directors (Board) is responsible for the adequacy and effectiveness of the Singer Finance (Lanka) PLC ('the Company') system of internal controls. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and Board appointed sub committees in accordance with the Guidance for Directors of Company on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of Internal Control System on Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various appointed committees are established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the internal audit are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Division, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The Minutes of the Board Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company. Further, details of the activities undertaken by the Board Audit Committee of the Company are set out in the 'Board Audit Committee Report' which appears on page No. 109.
- The comments made by the External Auditors in connection with internal control system during the financial year 2016/2017 were taken into consideration and appropriate steps will be taken to incorporate them where appropriate during the ensuing year.
- In assessing the internal control system, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

Confirmation

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance

regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors have reviewed the above Directors' Statement on Internal Controls included in the Annual Report of the Company for the year ended 31 March 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system over financial reporting of the Company.

By order of the Board



J.A Setukavalar

Chairman – Audit Committee



J. Mendis

Director



R.S Wijeweera

Director/CEO

Colombo
02nd June 2017

Board Related Party Transactions Review

Committee Report

Composition of the Board Related Party Transactions Review Committee

The Board of the Parent Company established the Board Related Party Transactions Review Committee (BRPTRC) for Singer Group of Companies with effect from 25th February 2016 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules"). The establishment of a BRPTRC with effect from 1st January 2016 is mandatory in terms of the Code. In terms of section 9.2.3 of the listing rules, in a situation where both the parent company and the subsidiary are listed entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary. Sighting this section of the listing rules, the Board of Directors of Singer Finance have resolved to permit the BRPTRC of the parent company to function as the Related Party Transactions Review Committee of the Company and appointed Mr. J.A Setukavalar – Senior Independent Non-Executive Director to represent the Company at the BRPTRC. The Board Related Party Transactions Review Committee comprises of four Non-Executive Directors and one Executive Director. The following Directors serve on the Committee.

Mr. Deepal Sooriyaarachchi - Chairman (IND)

Mr. Gavin Walker Non-Executive Director (NED)

Mr Ranil De Silva (IND)

Mr. H. A Pieris – (ED)

Mr. J A Setukavalar (IND) (Represents Singer Finance (Lanka) PLC)

The above composition is in compliance with the provisions of the Code regarding the composition of the Board Related Party Transactions Review Committee. Brief

profiles of the members are given on pages 106 & 107 of this Annual Report.

The Finance Director of the parent company functions as the Secretary to the Board Related Party Transactions Review Committee.

Meetings

During 2016/17 the committee met twice. Attendance by the Committee members at this meeting is given in the table on page No. 106 of the Annual Report.

Role and Responsibilities

The mandate of the Committee is derived from the Code and the Rules and includes the following

1. Developing a Related Party Transaction Policy consistent with the provisions of the Code and the Rules for adoption by the Board of Directors of the Company and its listed subsidiaries.
2. Reviewing in advance all proposed Related Party Transactions ("RPTs") in compliance with the provisions of the Code
3. Advising the Board on making Immediate Market Disclosures and Disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Code and the Rules.

Policies & Procedures Adopted by the BRPTRC for reviewing Related Party Transactions (RPT's)

1. Relevant information to capture RPTs is fed into the Company data collection system.
2. All officers concerned are informed of the applicable regulatory requirements relating to the reporting of RPTs
3. Key Management Personnel (KMPs) and

their Close Family members (CFMs) are identified half yearly together with their NIC numbers and business registration numbers. This information is in the system.

4. Systems are updated with KMP and their CFM details on a half yearly basis or as and when the need arises in the event of a material change.
5. Data is extracted from the system, verified and validated.
6. All managers are advised to report RPTs to the Finance Director of the parent company who has been identified as the Focal Point, for this purpose.
7. Data is shared with the Finance Director of the parent company to meet the regulatory requirements if required.

Review Function of the Committee

Review of the relevant related party transactions was done commencing 15th November 2016. Further it has communicated its observations to the Board on the RPTs published in the Note No. 35 to the Financial Statements.

Reporting to the Board

The Minutes of the BRPTRC meetings are tabled at Board meetings enabling all Board members to have access to same. On behalf of the Board Related Party Transactions Review Committee



Deepal Sooriyaarachchi
Chairman - Board Related Party Transactions Review Committee

Colombo, Sri Lanka
02nd June 2017

Board of Directors *Communication Policy*

Policy Statement

Singer Finance (Lanka) PLC (the "Company") values the input and insights of all its stakeholders, including lenders, creditors, shareholders and borrowers and other interested parties and believes that effective communication strengthens the role of the Company's Board of Directors (the "Board") as an active, informed and engaged body. To facilitate communication, this Policy outlines the procedures for communicating with the Board, its Committees and its members.

This policy has been approved by the Board of Directors and shall become effective from the 31st of March 2016. The Board of Directors will oversee this Policy and will review it and may recommend any changes from time to time. The Board can modify this Policy unilaterally at any time without notice.

Communications to the Board

Stakeholders and other interested parties can communicate with the Board as a whole, the independent directors, or any individual member of the Board or any Committee of the Board. All such communications should be submitted by mail to the following address,

The Company Secretary
Singer Finance (Lanka) PLC
 No 80, Nawam Mawatha
 Colombo-02

Procedures for Handling Communications to the Board

The Board has designated the Company's Board Secretary as its agent to receive and review written communications addressed to the Board, any of its Committees, or any Board member or group of members. The Board Secretary may communicate with the sender for any clarification. In addition, the Board Secretary will promptly forward to the Chairman of the Audit Committee any communication regarding legal, ethical or compliance issues by management or any other matter deemed by the Board Secretary to be potentially material to the Company.

As an initial matter, the Board Secretary will determine whether the communication is a proper communication for the Board. The Board Secretary will not forward to the Board, any Committee or any Director communications of a personal nature or not related to the duties and responsibilities of the Board, including, without limitation, junk mail and mass mailings, business solicitations, opinion survey polls or any other communications deemed by the Board Secretary to be immaterial to the Company.

Separately, the Company's Audit Committee has established a Whistle-blower Policy for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, fraud and unethical business practices, sexual harassment/ misconduct, racial or religious discrimination and the confidential, anonymous submission by employees or any other concerned persons of concerns regarding questionable practices or events that would be harmful to the Company's progress and reputation.

The Board Secretary will maintain a log and copies of all communications, which any director may review upon request. The Board Secretary will review the log periodically, but not less than annually, with the Chairman of the Audit Committee.



99.7%
Factoring





Increased 
Rs.57.8 Mn

The factoring business gained momentum with a 100% increase in the portfolio. Small and medium sized businesses gained working capital support and financial strength through Singer Finance Factoring services. We see this segment offering much potential for growth and hope to be a driving force in empowering SME's to realize their financial aspirations.

Financial Calendar - 2016/17

Annual Report 2015/16	31st May 2016
Ninth Annual General Meeting	30th June 2016
First and Final Dividend Payment	20th June 2016
Interim Financial Statements in terms of listing Rule 8.3 of the Colombo Stock Exchange.	
1st Quarter	
For the three months ended 30th June 2016 (Unaudited)	11th August 2016
2nd Quarter	
For the six months ended 30th September 2016 (Unaudited)	15th November 2016
3rd Quarter	
For the nine months ended 31st December 2016 (Unaudited)	15th February 2017
4th Quarter	
For the twelve months ended 31st March 2017 (Unaudited)	31st May 2017
Annual Report & Annual General Meeting	
Annual Report 2016/17 Approved on	02nd June 2017
Tenth Annual General Meeting	27th June 2017
First and Final Dividend Payment	23rd June 2017

Proposed Financial Calendar 2017/18

1st Quarter Results	
For the three months period ending 30th June 2017 (Unaudited)	August 2017
2nd Quarter Results	
For the six months period ending 30th September 2017 (Unaudited)	November 2017
3rd Quarter Results	
For the nine months period ending 31st December 2017 (Unaudited)	February 2018
4th Quarter Results	
For the twelve months period ending 31st March 2018 (Unaudited)	May 2018
Annual Report and Accounts for 2017/18 (audited)	June 2018
Eleventh Annual General Meeting	June 2018

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 2017.

Review of the Year

The Chairman's Letter (pages 8 to 11), the Group Chief Executive Officer's Review (pages 12 to 15), Chief Executive Officer's review (Pages 16 to 18) and Operations Review (pages 38 to 42), describe the Company's affairs and mention important events that occurred during the year, and up to the date of this Report. The Financial Review on pages 43 to 47 elaborates the financial results of the Company. These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

Principal Activities

The principal activities of the Company consist of finance leasing, mobilizing of fixed and saving deposits, financing of consumer durables under loan scheme, factoring business including invoice discounting, granting loans including Micro Loans and credit card business.

Independent Auditor's Report

The independent Auditor's report on the Financial Statements is given on page No. 127 in this Annual Report.

Financial Statements

The Financial Statements for the year ended 31st March 2017 are prepared in accordance with Sri Lanka Accounting Standards, SLFRS/LKAS', issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of Section 151 of the Companies Act No.7 of 2007.

The Financial Statements duly signed by the Directors are provided on pages 128 to 173 in this Annual Report.

Accounting Policies

The accounting policies adopted in preparing the Financial Statements are provided in detail in the notes to the Financial Statements on pages 132 to 142. The accounting policies adopted are consistent with the previous financial year.

Property, Plant & Equipment

During the year under review, the Company invested a Rs. 38.9 million (including Capital Working Progress) (2015/16, Rs. 64.1 million) in Property, Plant & Equipment. Rs. 10 million was spent on renovating and upgrading leasehold premises. Further Rs. 17.9 million, Rs. 4.5 million, and Rs. 3 million were spent on purchasing of EDP Equipment, office equipment and furniture & fittings respectively.

Details of Property, Plant and equipment and their movements are given in note No. 20 to the Financial Statements.

Intangible Assets

During the year under review, the Company acquired Rs 29.3 million worth of software to develop the IT infrastructure of the Company. Total investment in software as at Balance Sheet date was Rs. 100.6 million. Details of intangible assets are given under note No. 19 to the Financial Statements.

Directors' Responsibilities

The Statement of the Directors' Responsibility is given on page No.126.

Corporate Governance

The Company has complied with Corporate Governances Rules laid down under the listing rules of Colombo Stock Exchanges and the Corporate Governance Direction No 3 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No 4 of 2008 issued by the Central Bank of Sri Lanka. The corporate governance section on pages 61 to 107 describes the good corporate governance principles adopted by the Company.

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

Profit and Appropriations

	2017 Rs.	2016 Rs.
Company profit before tax for the year ended 31st March after deducting all expenses, known liabilities and depreciation amounts to	568,213,878	646,812,860
From this has to be deducted the provision for income tax cost	198,384,575	205,958,126
Making a profit after tax for the year of	369,829,303	440,854,734
To this has to be added a balance brought forward from the previous year	1,056,934,366	845,509,112
Final dividend of Rs. 1.5 per share (2015/16) - (Rs. 1.25 per share in 2014/15)	248,000,001	206,666,668
Leaving a total available for appropriation of	1,178,763,668	1,079,697,178
The following appropriations have been proposed:		
Transfer to Reserve fund	18,491,465	22,042,737
Transfer from investment fund	-	-
First and Final Dividend Proposed	175,253,334	248,000,001
Actuarial Loss on Retirement Benefit Obligation	(1,609,346)	1,000,104
Tax on Other Comprehensive Income	450,617	(280,029)
Making a total appropriation before Other Comprehensive Income	192,586,070	270,762,813
Leaving a balance on Company basis to be carried forward of	1,161,430,932	1,056,934,366

Dividends

In terms of Article 7 of the Articles of Association of the Company, a final dividend of Rs. 1.06/- per share has been approved by the Directors for the Financial Year ended 31st March 2017, for payment on 23rd June 2017. 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 dispatch of the dividend payment.

Reserves

The Company's Reserves and Retained Equity as at 31st March 2017 amounted to Rs. 1,275 million vs Rs. 1,152 million as at 31st March 2016. 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 2017 and was unchanged during the year.

Details and movement of the stated capital are given in Note 28 to the Financial Statements on page No. 158.

Events 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 the final Dividend of Rs. 1.06 per Ordinary Share for the year ended 31st March 2017, for payment on 23rd June 2017.

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors' Responsibility on page 126.

Directors Interests and Interest Register

Details of transactions with Director- related entities are disclosed in Note 36 to the Financial Statements on page No. 173 and have been declared at the Board Meetings, pursuant to the Section 192 (2) of the Companies Act No. 07 of 2007.

Board Committees

Audit Committee

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

Mr. J.A. Setukavalar – Chairman

Mr. Russell De Mel

Mr. M.M.C. Priyanjith (Secretary)

The Report of the Audit Committee on page No. 109 sets out the manner of compliance by the Company in accordance with the requirements of Finance Companies (Corporate Governance) Direction No. 03 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No. 04 of 2008 issued by The

Central Bank of Sri Lanka and the Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

Integrated Risk Management Committee

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

Mr. Russell De Mel

Chairman

Mr. J.A. Setukavalar

Mr. M.M.C. Priyanjith

Secretary

Mr. R.S. Wijeweera

Chief Executive Officer

Mr. T.A. Amarasuriya

Head of Finance

Mr. I. Perera

Head of Business Development

Mr. J. Jayawardena

Senior Credit Manager

Mr. O.G.S.E. Jayaweera

Manager Financial Reporting and Compliance

The Report of the Integrated Risk Management Committee on page No. 111 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:

Mr. Gavin J Walker

Chairman

Dr. Saman Kelegama

Mr. J.A. Setukavalar

Mr. N.I.R De Mel

Mr. K.K.L.P.Yatiwella

Secretary

By Invitation

Mr. H.A. Pieris

The Report of the Remuneration Committee on page No. 113 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 10 and 36 to the Financial Statements on pages 144 and 173.

Board Nomination Committee

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

Dr. S. Kelegama

Chairman

Mr. J.A Setukavalar

Mr. N.I.R De Mel

Mr. K.K.L.P Yatiwella

Secretary

The Report of the Board Nomination Committee on page No. 110 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.

Related Party Transactions Review Committee

The Parent Company's Board of Directors formed the Board Related Party Transactions Review Committee to assist the Board in reviewing all related party transactions in accordance with the requirements of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka. Mr. J.A Setukavalar is representing Singer Finance (Lanka) PLC and following are the other Directors comprising the Board Related Party Transaction Review Committee from the parent company,

Mr. Deepal Sooriyaarachchi

Chairman

Mr. Gavin Walker

Mr. Ranil De Silva

Mr. Asoka Pieris

Mr. K.K.L.P.Yatiwella

Secretary

The Board of Directors formed the Board Related Party Transactions Review Committee to assist the Board in reviewing all related party transactions in accordance with the requirements of the Section 9 of the Listing Rules of Colombo Stock Exchange.

The report of the Board-Related Party Transactions Review Committee on page No. 116 sets out the manner of compliance by the Company.

Directors' Indemnity and Insurance

The Directors and Officers of the Company are covered in respect of the Directors' and officers' liability by the Insurance Policy obtained by the Company.

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

Share Information and Substantial Shareholdings

The distribution of shareholding, Public holding percentage, market value of shares, twenty largest Shareholders are given on pages 178 to 179 in this Annual Report.

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

Retirement, Re-election and Appointment of Directors

Mr. Joe Kan resigned from serving as a Non-Executive Director of the Company with effect from 30th June 2016 and the Nomination Committee of the Company has approved the appointment of Mr. Jagath Dissanayake Non-Executive Director of the Company with effect 1st July 2016.

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

In terms of Article 24 (5) of the Article of Association of the Company, Mr. Jagath Dissanayake was appointed as Director of the Company on 1st July 2016, and being eligible, is recommended for election.

Directors' Interest in Ordinary Shares and Debentures

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

Name of the Director	Shareholding		Debenture	
	31.03.2017	01.04.2016	31.03.2017	01.04.2016
	No of shares	No of shares	No of Debenture	No of Debenture
Dr. S. Kelegama	-	-	-	-
Mr. J.A. Setukavalar	-	-	-	-
Mr. Russell De Mel	-	-	20,000	-
Mr. G.J. Walker	-	-	-	-
Mr. J. Hyun	-	-	-	-
Mr. Y.C. J. Kan *	-	-	-	-
Mr. N.J.K. Dissanayake **	-	-	-	-
Mr. R. S. Wijeweera	31,003	31,003	10,000	-
Mr. J. Mendis	59,000	59,000	15,000	15,000
Mr. S. Ramanathan	-	-	-	-
Mr. K.K.L.P. Yatiwella	15,000	15,000	10,000	-
Mr. C.A. Samarasinghe ***	-	-	-	-
Mr. T.A. Amarasinghaya ***	43,555	43,555	-	-
Mr. A.G.I.H. Perera ***	8,000	8,000	-	-

* Resigned w.e.f 30th June 2016

** Appointed to the Board on 1st July 2016

*** Appointed to the Board on the 5th of May 2016

The names of Directors of the Company as at 31st March 2017 and their brief profiles are shown on pages 19 to 25.

Employment

The number of persons employed by the Company as at 31st March 2017 was 317 (2016 – 298).

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

Independence of Directors

In accordance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, Finance Companies (Corporate Governance Amendment) Direction No. 4 of 2008, Section A 5.4 of Code of Best Practice on Corporate Governance and Rule 7.10.2(b) of the Colombo Stock Exchange (CSE) Listing Rules, Dr. Saman Kelegama, Mr. J.A. Setukavalar and Mr. Russell De Mel who are Non-Executive Directors of the Company, have submitted a signed and dated declaration as per the specimen given in appendix 7A 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), Finance Companies (Corporate Governance Amendment) Direction No. 4 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.

- His high standing in society and business sector
- His experience and knowledge particularly in the field of Economics will continue to be an asset to the Company
- 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.
- He does not participate in executive decision making.

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

Despite of the fact that the Board consider Dr. Saman Kelegama to be an Independent Non-Executive Director, The Board has designated Mr. J.A. Setukavalar as a Senior Independent Director in order to ensure compliance with the section 4 (4) of Finance Companies (Corporate Governance) Direction No. 3 of 2008 by virtue of the ability to make such appointment vested by section 7 (2) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008

Independent Non-Executive Directors

Dr. S. Kelegama

Mr. J.A. Setukavalar (Senior Independent Non-Executive Director)

Mr. Russell De Mel (Independent Non-Executive Director)

Corporate Governance

Director's Declaration

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

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

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

Donations

During the year, the Company has made Rs. 107,000 as donations. (2016 the donated balance was Rs. 269,500)

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 Accountant as Auditors of the Company for the year 2017/18.

The audit and non-audit fees paid to the Auditors by the Company is disclosed in Note 10 on page No. 144 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 10th Annual General Meeting will be held at Singer Finance (Lanka) PLC, No. 80, Nawam Mawatha, Colombo 02, on Tuesday, 27th June 2017 at 10.00 a.m.

The Notice of the Annual General Meeting of the shareholders is given on pages No. 182.

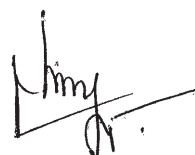
For and on behalf of the Board,



J.A. Setukavalar
Senior Independent Director



R.S. Wijeweera
Director/CEO



Ms. Pramila Liyanage, ACA,CGMA(UK)
Company Secretary

Singer Finance (Lanka) PLC
Colombo

02nd June 2017

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 and in terms of Article 7 (2) of the Articles of Association of the Company, the Board of Directors have authorized the payment of dividends, being satisfied based on information available 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.

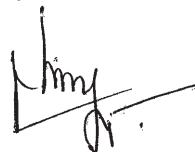
Board of Directors has obtained the Certificate of Solvency from the Auditors in respect of the dividends paid. In respect of the authorised final dividend, the Company shall forward to CSE, prior to the date of dispatch of the dividend payment, a certificate by the Auditors to the effect that the Company 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 No. 127 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



Ms. Pramila Liyanage, ACA
Company Secretary

Singer Finance (Lanka) PLC
Colombo

02nd June 2017

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
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Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF SINGER FINANCE (LANKA) PLC

Report on the Financial Statements

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, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out in pages 128 to 173 of the Annual Report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Company as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion, scope and limitations of the audit are as stated above
- In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS

Colombo
02nd June 2017

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. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA		
Ms. C.T.K.N. Perera ACA		

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March

	Note	2017 Rs.	2016 Rs.
Gross Income	4	2,610,297,455	2,113,395,716
Interest Income	5	2,418,122,004	1,982,888,590
Less: Interest Expense	6	978,996,146	688,134,510
Net Interest Income		1,439,125,858	1,294,754,080
Fee and Commission Income	7	113,109,837	94,376,104
Trading Income	8	558,091	741,268
Other Operating Income	9	78,507,523	35,389,754
Total Operating Income		1,631,301,309	1,425,261,206
Less: Impairment charges for Loans and Other Losses	10.1	70,540,741	29,143,097
Net Operating Income		1,560,760,568	1,396,118,109
Less: Expenses			
Personnel Cost	10.2	353,893,133	281,589,606
Administration and Selling Expenses		470,407,310	368,445,623
Depreciation & Amortization		58,929,809	29,470,447
Operating Profit Before Value Added Tax	10	677,530,316	716,612,433
Less: Value Added Tax on Financial Services		109,316,438	69,799,573
Profit Before Income Tax		568,213,878	646,812,860
Less: Income Tax Expense	11	198,384,575	205,958,126
Profit for the Year		369,829,303	440,854,734
Other Comprehensive Income			
Items that will never be Classified to Profit or Loss			
Add: Employee Benefit Plan Actuarial Gain / (Loss)	27.1	1,609,346	(1,000,104)
Add: Deferred Tax on Actuarial (Gain) / Losses on Defined Benefit Obligation	26.1	(450,617)	280,029
Total Other Comprehensive (Income) / Expenses for the Year		1,158,729	(720,075)
Total Comprehensive Income for the Year		370,988,032	440,134,659
Earnings per Share	12	2.24	2.67
Dividend per Share	13	1.06	1.50

The Notes on pages 132 through 173 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March		2017	2016
	Note	Rs.	Rs.
Assets			
Cash and Cash Equivalents	14.1	166,811,200	43,737,433
Placements with Banks		81,128,395	85,671,491
Hire Purchase Receivables	15.1	320,895,390	908,307,507
Lease Rental Receivables	15.2	9,305,471,330	7,661,731,504
Loans and Advances	15.3	1,926,093,526	1,466,256,195
Inventories		-	21,960,000
Financial Instruments - Available-for-Sale	16	41,300	41,300
Financial Instruments - Held-to-Maturity	17	549,255,803	536,916,508
Other Debtors and Prepayments	18	192,113,184	163,912,175
Intangible Assets	19	32,010,696	36,041,481
Property, Plant and Equipment	20	124,657,736	111,233,376
Total Assets		12,698,478,560	11,035,808,970
Liabilities & Equity			
Liabilities			
Other Financial Liabilities Due to Customers	21	3,210,547,585	3,173,767,463
Interest Bearing Loans and Borrowings	22	5,015,163,634	3,625,508,918
Trade and Other Payables	23	539,819,082	667,907,345
Due to Related Companies	24	569,369,484	421,199,128
Bank Overdraft	14.2	478,180,936	353,420,475
Current Tax Liabilities	25	87,997,648	111,517,483
Deferred Tax Liabilities	26	39,941,693	54,344,543
Retirement Benefit Obligations	27	36,842,050	30,515,198
Total Liabilities		9,977,862,112	8,438,180,553
Equity			
Stated Capital	28	1,445,333,342	1,445,333,342
Statutory Reserves	29	113,852,174	95,360,709
Retained Earnings		1,161,430,932	1,056,934,366
Total Equity		2,720,616,448	2,597,628,417
Total Liabilities & Equity		12,698,478,560	11,035,808,970
Contingencies	33.2	1,050,000	750,000

The Notes on pages 132 through 173 form an integral part of these Financial Statements.


I certify that the financial statements of the Company comply with the requirements of the companies Act 07 of 2007



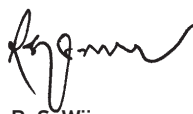
T. A. Amarasuriya
Chief Financial Officer

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

Signed for on behalf of the board,



J.A. Setukavalar
Senior Independent Director



R. S. Wijeweera
Director/Chief Executive Officer

Colombo.
02nd June 2017

Statement of *Changes in Equity*

	Attributable to Equity Holders of the Company			Total
	Stated Capital Rs.	Reserve Fund Rs.	Retained Earnings Rs.	Rs.
Balance as at 1st April 2015	1,445,333,342	73,317,972	845,509,112	2,364,160,426
Total Comprehensive Income For The Year				
Profit for the Year	-	-	440,854,734	440,854,734
Other Comprehensive Income				
Re-measurment of Defined Benefit Obligation	-	-	(1,000,104)	(1,000,104)
Deferred Tax on Actuarial Losses on Defined Benefit Obligation	-	-	280,029	280,029
Total Comprehensive Income for the Year	-	-	440,134,659	440,134,659
Transactions with Owners of the Company, Recognized Directly in Equity				
Distribution to Owners of the Company				
Transferred to/(from) during the year	-	22,042,737	(22,042,737)	-
Final Dividends - 2014/15	-	-	(206,666,668)	(206,666,668)
Total Transactions with Equity Owners	-	22,042,737	(228,709,405)	(206,666,668)
Balance as at 31st March 2016	1,445,333,342	95,360,709	1,056,934,366	2,597,628,417
Balance as at 1st April 2016	1,445,333,342	95,360,709	1,056,934,366	2,597,628,417
Total Comprehensive Income for the year				
Profit for the Year	-	-	369,829,303	369,829,303
Other Comprehensive Income				
Employee Benefit Plan Actuarial Loss	-	-	1,609,346	1,609,346
Deferred tax on Actuarial Losses on Defined Benefit Obligation	-	-	(450,617)	(450,617)
Total Comprehensive Income for the Year	-	-	370,988,032	370,988,032
Transactions with Owners of the Company, Recognized Directly in Equity				
Distribution to Owners of the Company				
Transferred to/(from) during the year	-	18,491,465	(18,491,465)	-
Final Dividends - 2015/16	-	-	(248,000,001)	(248,000,001)
Total Transactions with Equity Owners	-	18,491,465	(266,491,466)	(248,000,001)
Balance as at 31st March 2017	1,445,333,342	113,852,174	1,161,430,932	2,720,616,448

The Notes on pages 132 through 173 form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

Cash Flow Statement

For the Year Ended 31st March

	Note	2017 Rs.	2016 Rs.
Cash Flows from Operating Activities			
Profit Before Tax		568,213,878	646,812,860
Adjustments for			
Non-Cash Items Included in Profit Before Tax			
Interest Income From Investing Activities		(55,017,243)	(45,573,057)
Interest Income From Placement With Banks		(8,566,703)	(6,163,420)
Finance Cost		908,112,061	641,760,441
Depreciation/Amortisation		28,620,043	24,356,841
Software Impairment		30,309,767	5,113,606
Provision for Define Benefit Plans - Gratuity	27	8,457,338	7,235,033
Allowances for Impairment Charges for Loan and Other Losses	15.4.1	70,540,741	29,143,097
Debenture Issue Cost		10,029,901	8,167,940
Operating Profit Before Changes In Operating Assets And Liabilities		1,560,699,783	1,310,853,341
Changes in;			
Increase in Lease Rentals Receivables		(1,677,667,249)	(3,067,562,741)
Decrease in Hire Purchase Receivables		593,025,598	1,147,867,336
Increase in Loans & Advances		(502,064,130)	(304,202,887)
Increase in Other Debtors & Prepayments		(4,124,055)	(27,927,852)
(Increase)/Decrease In Inventory		21,960,000	(21,960,000)
Decrease in Public Deposits		(6,890,753)	(902,559,949)
(Increase)/Decrease in Amounts Due to Related Companies		148,170,356	(130,125,830)
Increase/(Decrease) in Trade and Other Payables		(129,352,952)	123,835,747
Cash Flows From/ (Used In) Operations		3,756,598	(1,871,782,835)
Finance Cost Paid		(802,774,498)	(679,230,619)
Retiring Gratuity Paid		(521,140)	(88,629)
ESC Paid		(29,000,834)	-
Income Tax Paid	25	(231,833,998)	(157,722,412)
Net Cash Used In Operating Activities		(1,060,373,872)	(2,708,824,495)
Cash Flows From Investing Activities			
Acquisition of Property Plant & Equipment		(38,951,210)	(64,110,457)
Incurred on Software Development		(29,372,174)	(15,178,807)
Net Change in Investment Securities		(5,000,009)	78,999,993
Net Change in Bank Deposits		5,000,000	5,000,000
Interest Income Received		55,787,756	53,483,464
Net Cash Flows From/ (Used In) Investing Activities		(12,535,637)	58,194,193
Cash Flows From Financing Activities			
Issue of Debenture		991,482,053	1,483,794,857
Issue of Commercial Papers	22.3	534,362,906	-
Loans Obtained During the Year Other Than Related Party	22.2	2,200,000,000	2,010,000,000
Loans Obtained During the Year from Related Party	24.2.1	500,000,000	500,000,000
Repayment of Loans Other Than Related Party		(1,560,000,000)	(1,472,700,000)
Repayment of Interest Bearing Loans of Related Party	24.2.1	(500,000,000)	-
Repayment of Commercial Papers	22.3	(431,220,832)	-
Repayment of Debenture		(416,666,000)	-
Dividend Paid		(246,735,312)	(205,846,101)
Net Cash Flows From Financing Activities		1,071,222,815	2,315,248,756
Net decrease In Cash And Cash Equivalents		(1,686,694)	(335,381,545)
Cash And Cash Equivalents At The Beginning Of The Year		(309,683,042)	25,698,503
Cash And Cash Equivalents At The End Of The Year	14	(311,369,736)	(309,683,042)

The Notes on pages 132 through 173 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 ("Company"), regulated under the Finance Business Act No. 42 of 2011, was incorporated on 19th April 2004 as a Public Limited Liability Company domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007.

The registered office of the Company is located at No.80, Nawam Mawatha, Colombo 02 and the principal place of business is situated at the same place.

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

The Staff strength of the Company as at 31st March 2017 was 317 (298 as at 31st March 2016).

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, factoring, credit card, authorised foreign currency dealer and mobilising fixed deposits and savings.

There were no significant changes in the nature of the principal business activities of the Company during the financial year under review.

1.1.3. Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Singer (Sri Lanka) PLC. The Company's ultimate parent undertaking and controlling party is Retail Holdings NV, which is incorporated in the Netherlands, Antilles.

1.2. Basis of Preparation

1.2.1. Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

1.2.2. Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Statement of Director's Responsibilities" and the Certification on the Statement of Financial Position.

These Financial Statements include the following components:

- A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review.
- A Statement of Financial Position providing the information on the financial position of the Company as at the year-end.
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company.
- A Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

1.2.3. Approval of Financial Statement

The Financial Statements for the year ended 31st March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 02nd June 2017.

1.2.4. Basis of Measurement

The Financial Statements have been prepared on an accrual basis except for cash flow information and under the historical cost convention except for following material items in the statement of financial position:

- Financial investments – Available – for- sale measured at fair value.
- Liability for Defined Benefit Obligations is recognised as the present value of the defined benefit obligation.

1.2.5. Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the Functional Currency).

There was no change in the Company's Presentation and Functional Currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees, the Company's Functional and Presentation Currency.

1.2.6. Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statements of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

1.2.7. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 01 on "Presentation of Financial Statements".

1.2.8. Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

1.2.9. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

1.2.10. Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 on "presentation of Financial Statements".

1.2.11. Comparative Information

Comparative information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

1.2.12. Events After the Reporting Date

Events after the reporting date are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the Reporting Period have been considered and appropriate disclosures are made in the Financial Statements where necessary.

1.2.13. Use of Judgments and Estimates

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs the management has made judgments, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The most significant areas of estimation, uncertainty and critical judgments in applying Accounting Policies that have most significant effect on amounts recognised in the Financial Statements of the Company are as follows:

- Note 2.1.10 - Impairment of Financial Assets
- Note 2.11 - Employee Benefit
- Note 2.20 - Commitments and Contingencies
- Note 2.13.2 - Deferred Taxation

2. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated.

2.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement**2.1.1. Date of Recognition**

The Company initially recognises Lease and Hire Purchase receivables, loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

2.1.2. Initial Measurement of Financial Instruments

The classification of Financial Instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

All Financial Instruments are initially measured at their fair value plus transaction costs, that are directly attributable to acquisition or issue of such Financial Instruments except in the case of financial assets and financial liabilities as per the Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments : Recognition and Measurement" recorded at fair value through profit or loss.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

2.1.2.1 "Day 1" Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Interest Income and Personnel Expenses'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Profit or Loss when the inputs become observable, or when the instrument is de-recognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR)

Notes to the *Financial Statements*

over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.1.3. Classification and Subsequent Measurement of Financial Assets

Company classifies financial assets into one of the following categories:

- Loans and receivables;
- Held-to-maturity;
- Available for Sale

The subsequent measurement of the financial assets depends on their classification.

2.1.3.1 Loans and Receivables

'Loans and receivables' comprised of non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss
- Those that the Company, upon initial recognition, designates as available for sale
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration

'Loans and receivables' include Lease Rental Receivables, Hire Purchase Receivables, Loans and Advances and other debtors of the Company.

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Amounts receivable under finance leases are included under "Lease Rentals Receivable". Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received, unearned lease income and the provision for impairment.

Assets sold to customers under fixed rate hire agreements, which transfer all risk and rewards as well as the legal title at the end of such contractual period are classified as 'Hire Purchase Receivable'. Such assets are accounted for in a similar manner as finance leases.

After initial measurement, 'loans and advances' are subsequently measured at amortised cost using the EIR, less provision for impairment except when the Company designates loans and receivables at fair value through profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income'. The losses arising from impairment are recognised in the Income Statement in

'Impairment charges for loans and other losses' in the Income Statement.

2.1.3.2 Held to Maturity Financial Investments

Held to Maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement in 'Impairment charges for loans and other losses'.

Held to Maturity Investments include Investments in Treasury bills and Treasury Bonds.

2.1.3.3 Available for Sale Financial Investments

Available-for-sale investments include long term equity securities and debt securities. Equity investments classified as Available-for-Sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in Equity through Other Comprehensive Income in the 'Available-For-Sale Reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in Equity is recycled to Income Statement in 'Other operating income'. Interest earned whilst holding Available-for-Sale financial investments is reported as 'Interest Income' using the EIR.

Dividends earned whilst holding Available-for-Sale financial investments are recognised in the Income Statement as 'Other operating income' when the right to receive the payment has been established. The losses arising from impairment of such investments too are recognised in the Income Statement in 'Impairment losses on financial investments' and removed from the 'Available for Sale reserve'.

Available for Sale Investments include Investments in Equity Shares.

2.1.3.4 Cash & Cash Equivalents

Cash and cash equivalents comprise of cash in hand and cash at bank and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to an insignificant risk of changes in their fair value.

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

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

2.1.4. Classification and Subsequent Measurement of Financial Liabilities

Company records financial liabilities at amortized cost.

2.1.4.1 Financial Liabilities at Amortised Cost

Financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Other Financial Liabilities Due to Customers', 'Interest Bearing Borrowings', 'Trade and Other payables', 'Due to Related Companies' and 'Bank Overdraft' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in 'Interest Expenses' in the Income Statement. Gains and losses are recognised in Income Statement when the liabilities are de-recognised as well as through the EIR amortisation process.

2.1.5. Reclassification of Financial Assets and Liabilities

The Company reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standards - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed off. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to profit or loss.

The Company may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further, the Company does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

2.1.6. De Recognition of Financial Assets and Financial Liabilities

2.1.6.1 Financial Assets

Financial assets (or, where applicable or a part of a financial asset or part of a group of similar financial assets) is de-recognised when;

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the Company has transferred substantially all the risks and rewards of the assets, or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flow from an asset or has entered in to a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the assets nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it. In that case, the Company also recognises an associated liability. The transferred assets and the associated liabilities are measured on a basis that reflects the right and obligation that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Notes to the *Financial Statements*

2.1.6.2 Financial Liabilities

A financial liability is de-recognised when the obligation under liability is discharged or cancelled or expired.

2.1.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

2.1.8. Amortised Cost Measurement

An 'Amortised Cost' of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

2.1.9. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Level 1

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price

quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses, credit models, option pricing models and other relevant valuation models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined by using valuation models that have been tested against prices or inputs to actual market transactions and also using the best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on de-recognition of the instrument.

2.1.10. Identification and Measurement of Impairment of Financial Assets

At each Reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include:

- significant financial difficulty of the borrower or issuer,
- reschedulement of credit facilities,
- default or delinquency by a borrower,
- restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security, or
- other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered as an objective evidence of impairment.

2.1.10.1 Impairment of Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost (such as lease rental and hire purchase receivables, loans and receivables to other customers as well as held to maturity investments), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the Income Statement.

For the purpose of collective evaluation of impairment, financial assets are grouped on a basis which takes in to consideration credit risk characteristics.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

2.1.10.2 Impairment of Financial Investments - Available for Sale

For available for sale financial investments, the Company assesses at each Reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount/ impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income on such assets too is recorded within 'Interest income'.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement is removed from equity and recognised in the Income Statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income.

2.1.10.3 Collateral Repossessed

The Company's policy is to sell the repossessed assets at the earliest possible opportunity. Such collateral repossessed are held on a memorandum basis without de recognising the underlying receivable.

Notes to the *Financial Statements*

2.2 Property, Plant and Equipment

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

2.2.1 Basis of recognition and measurement

Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

The Company applies the Cost Model to all Property, Plant & Equipment and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing). The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

2.2.2 Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

2.2.3 Depreciation

Depreciation is calculated to write-off the cost of items of Property, Plant & Equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Motor Vehicle	7 years
Furniture & Fittings	10 years
Equipment	10 years
EDP Equipment	5 years
EDP Server	7 years

Improvements on Leasehold Premises

Head office	5 years
Branches	7 years

The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognised.

2.2.4 Change in Depreciation Rate

Depreciation methods, useful lives and residual values are reassessed at each Reporting date and adjusted, if required.

2.2.5 De-recognition

An item of Property, Plant & Equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in 'Other Operating Income' in profit or loss in the year the asset is de-recognised. When replacement costs are recognised in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is de-recognised as required by Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment'.

2.2.6 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost.

2.3 Intangible Assets

The Company's intangible assets include the value of Computer Software.

2.3.1 Basis of recognition and measurement

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

2.3.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

2.3.3 Amortisation of intangible assets

Intangible assets are amortised using the straight line method to write down the cost over its estimated useful economic lives specified below:

Computer Software	10 Years
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2.3.4 De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

2.4 Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.4.1 Operating Leases

2.4.1.1 Operating Leases – Company as a Lessee

Leases that do not transfer to the Company substantially all risks and benefits incidental to ownership of the leased assets are operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

2.4.1.2 Operating Leases – Company as a Lessor

Leases where the Company does not transfer substantially all risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

2.4.2 Finance Leases

2.4.2.1 Finance Leases – Company as a Lessee

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the

lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

2.4.2.2 Finance Leases – Company as a Lessor

When the Company is the lessor under finance leases the amounts due under the leases, after deduction of Unearned charges, are included in 'Lease rentals receivables', as appropriate. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

2.5 Impairment of Non-Financial Assets

At each Reporting date, the Company reviews the carrying amounts of its non – financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating unit (CGU) exceeds its estimated recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the *Financial Statements*

2.6 Inventory

Inventories include new vehicles purchased for the purpose of lease out under finance leases. Those inventories are valued at cost or net realisable value whichever is lower. The cost of an inventory is the purchase price. Net realisable value is the estimated realisable value less estimated cost necessary to make the sale.

2.7 Dividend Payables

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors.

2.8 Deposits due to Customers

These include term deposits and certificates of deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the effective interest method, except where the Company designates liabilities at fair value through profit or loss. Interest paid / payable on these deposits recognised in profit or loss.

2.8.1 Deposit Insurance Scheme

In terms of the Finance Companies Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month.

2.9 Debt Securities Issued and Subordinated Term Debts

These represent the funds borrowed by the Company for long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method, except where the Company designates debt securities issued at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

2.10 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

2.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in 'Interest Expense' in profit or loss.

2.12 Employee Benefits

2.12.1 Defined Benefit Plan (DBP) - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefit falling due more than 12 months after the reporting date are discounted to present value.

The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "employee benefits".

Actuarial gains and losses in the period in which they occur have been recognised in the other Comprehensive income (OCI).

The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements.

Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19- "Employee Benefits".

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service.

The Company is liable to pay gratuity in terms of the relevant statute.

The gratuity liability is not externally funded.

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

A Defined contribution plan is a post- employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to Defined Contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2.12.2.1 Mercantile Services Provident Society (MSPS)

The Company and employees contribute 12% respectively on the salary of each employee to the Fund Managed by Mercantile Services Provident Society.

2.12.2.2 Employees' Trust Fund (ETF)

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund managed by the Central Bank of Sri Lanka.

2.13 Recognition of Income and Expenses

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. The following specific criteria are used for the purpose of recognition of revenue.

2.13.1 Interest Income and Expense

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

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

Interest income and expense presented in the Income Statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated using EIR method;

2.13.2 Over Due Interest

Over Due Interest have been accounted for on a cash received basis.

2.13.3 Fees and Commission Income and Expense

Fees and commission income and expense that are integral to the EIR on a financial asset or liability are included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

2.13.4 Net Gain / (Loss) from Trading

'Net gain / (loss) from trading' comprise gains less losses related to trading assets and liabilities, and include all realised and unrealised fair value changes and dividends.

2.14 Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

2.14.1 Current Taxation

'Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted, at the Reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

Notes to Financial Statements include the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

2.14.2 Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the Reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the Reporting date, to recover or settle the carrying amount of its assets and liabilities.

2.15 Value Added Tax on Financial Services

The value base for the computation of value added tax on financial services is calculated by adjusting the depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before Income Tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

2.16 Nation Building Tax on Financial Services (NBT)

With effect from January 01, 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on Financial services as explained in notes to the Financial Statements.

2.17 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

Notes to the *Financial Statements*

2.18 Withholding Tax on Dividends Distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

2.19 Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

2.20 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For each of the strategic divisions, the Company's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on a Company basis and are not allocated to operating segments. Detailed information on the results of each reportable segment as required by the Sri Lanka Accounting Standard – SLFRS 8 “Operating Segments” is provided in Notes to the Financial Statements.

2.21 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

2.22 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the “Indirect Method” of preparing Cash Flows in accordance with the Lanka Accounting Standard LKAS - 07 “Cash Flow Statements”. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and favourable and/ or unfavourable balances with banks.

3 New Accounting Standards not Effective at the Reporting Date

A number of new standards and amendments to standards, which have been issued but not yet effective as at Reporting date, have not been applied in preparing these Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these Financial Statements and the Company plans to apply these standards on the respective effective dates.

SLFRS 9 “Financial Instruments Classification and Measurement”

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39- Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of Financial Instruments, including a new expected credit loss model for calculating impairment on financial Assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instrument from LKAS 39.

Effective date of SLFRS 9 has been deferred till January 01, 2018.

The Company's is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 9.

Given the nature of the Company's operations, this standard is expected to have a pervasive impact on the Company's Financial Statements. In particular, calculation of impairment of financial instrument on an expected credit loss model is expected to result in an increase in the overall level of impairment allowances.

SLFRS 15 “Revenue from Contracts with Customers

SLFRS 15, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on “Revenue”, and LKAS 11 on “Construction Contracts”.

SLFRS 15 is effective for annual reporting periods beginning on or after January 01, 2018.

The Company's is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 15.

IFRS 16 Leases

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) assets representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard.

The standard is effective for annual periods beginning on or after 01st January 2019.

The Company's is assessing the potential impact on its Financial Statements resulting from the application of IFRS 06.

For the Year Ended 31st March

2017

2016

Rs.

Rs.

4 Gross Income**4.1 Summary**

Gross Income	2,610,297,455	2,113,395,716
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4.2 Analysis of Gross Income

Interest Income (Note 5)	2,418,122,004	1,982,888,590
Fee and Commission Income (Note 7)	113,109,837	94,376,104
Trading Income (Note 8)	558,091	741,268
Other Operating Income (Note 9)	78,507,523	35,389,754
	2,610,297,455	2,113,395,716

5 Interest Income

Interest Income on Hire Purchase	125,764,109	305,646,626
Interest Income on Lease	1,609,610,789	1,162,082,130
Interest Income on Loans	458,454,004	338,679,768
Income on Financial Instruments - Held-to-Maturity	55,017,243	45,573,057
Interest Income on Placements with Banks	8,566,703	6,163,420
Interest on Inter Company Receivable	39,424,117	20,618,039
Over Due Interest	121,285,039	104,125,550
	2,418,122,004	1,982,888,590

6 Interest Expense

Interest on Other Financial Liabilities Due to Customers	320,709,995	313,522,110
Interest on Bank Loans	152,766,468	34,150,852
Interest on Commercial Papers	22,541,139	-
Interest on Inter Company Payable	38,983,019	28,942,973
Interest on Debenture	412,094,458	294,087,478
Debenture Issue Cost	10,002,961	8,968,366
Interest on Bank Overdrafts	21,898,106	8,462,731
	978,996,146	688,134,510

7 Fee and Commission Income

Service Charge	75,687,557	66,354,834
Commission Income	3,787,364	3,580,324
Reimbursement Fee Credit Card	5,203,669	438,496
Insurance Commission	28,431,247	24,002,450
	113,109,837	94,376,104

8 Trading Income

Foreign Exchange from Other Customers	558,091	741,268
	558,091	741,268

Notes to the Financial Statements

For the Year Ended 31st March	2017	2016
	Rs.	Rs.

9 Other Operating Income

Gain on Translation of Foreign Currency	185,813	434,494
Unwinding Interest Income on Employee Loans	5,452,349	648,500
Loan Loss Recoveries	11,580,359	13,576,510
Other Operating Income on Credit Card	6,822,535	117,557
Other Income	54,466,467	20,612,693
	78,507,523	35,389,754

For the Year Ended 31st March	2017	2016
	Rs.	Rs.

10 Profit from ordinary activities before VAT on Financial Services and Tax Stated after charging all expenses including the following:

Directors' Emoluments	18,794,830	18,776,928
Auditors' Remuneration - Statutory Audit	450,000	400,000
- Audit Related Services	1,380,000	1,290,000
- Non-Audit Services	275,000	955,000
Amortization of Intangible Assets	3,093,192	4,751,541
Impairment of Intangible Assets (Note 19.2)	30,309,767	5,113,606
Depreciation on Property Plant & Equipment	25,526,850	19,605,300
Legal Expense	7,213,316	6,440,642
Personnel Cost (Note 10.2)	353,893,133	281,589,606
Operating Lease Rentals	47,218,157	38,677,597

10.1 Impairment Charge for Loans and Other Losses

Impairment Reversal on Hire Purchase Receivables (Note 15.1.3)	(5,613,481)	(1,852,205)
Impairment Charge on Lease Receivables (Note 15.2.4)	33,927,423	7,801,676
Impairment Charge on Loans and Advances (Note 15.3.4)	42,226,799	23,193,626
	70,540,741	29,143,097

10.2 Personnel Cost

Staff Cost	321,808,358	253,337,468
Defined Benefit Plan Costs -Retiring Gratuity (Note 27.1)	8,457,338	7,235,033
Defined Contribution Plan Costs - MSPS and ETF	23,627,437	21,017,105
	353,893,133	281,589,606

11 Income Tax Expense

Current Income Tax Expense (Note 11.2)	212,705,425	212,144,009
Over Provision for Previous Year	532,617	(28,838,179)
	213,238,042	183,305,830
Deferred Tax Expenses (Note 26.1)	(14,853,467)	22,652,296
Income Tax Charge for the Year (Note 11.1)	198,384,575	205,958,126

For the Year Ended 31st March	2017	2016
	Rs.	Rs.

11.1 Reconciliation Between Income Tax Expenses and the Accounting Profit.

Accounting Profit Before Tax	568,213,878	646,812,860
Tax expenses as per accounting profit	159,099,886	181,107,601
Tax effect of capital portion of lease rentals	30,038,584	28,796,373
Tax effect of disallowed expenses	57,868,270	35,786,217
Tax effect of deductible expenses	(34,301,315)	(33,532,182)
Tax effect on qualifying payments	-	(14,000)
Deferred tax expenses	(14,853,467)	22,652,296
Prior period under/(over) provision (Note 11)	532,617	(28,838,179)
Income tax expenses reported in the statement of comprehensive income at the effective tax rate	198,384,575	205,958,126

2016/2017	Leasing Business Rs.	Other Business Rs.	Total Rs.
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11.2 A Reconciliation between Tax Expense and the Accounting Profit based on the Statutory Tax Rate

Accounting profit before tax	479,089,730	89,124,148	568,213,878
Adjustments			
Capital portion of leasing rental due	3,048,031,029	-	3,048,031,029
Disallowable expenses	139,824,297	66,848,100	206,672,397
Allowable expenses	(3,023,630,979)	(39,624,093)	(3,063,255,072)
Total statutory income	643,314,077	116,348,155	759,662,232
Taxable income	643,314,077	116,348,155	759,662,232
Income tax rate (%)	28	28	28
Income tax (Note 11)	180,127,942	32,577,483	212,705,425
Effective tax rate (%)	37.60	36.55	37.43

2015/2016	Leasing Business Rs.	Other Business Rs.	Total Rs.
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A Reconciliation between Tax Expense and the Accounting Profit based on the Statutory Tax Rate

Accounting profit before tax	453,874,389	192,938,471	646,812,860
Adjustments			
Capital portion of leasing rental due	2,415,064,394	-	2,415,064,394
Disallowable expenses	78,198,336	49,609,580	127,807,917
Allowable expenses	(2,385,493,132)	(46,484,865)	(2,431,977,997)
Total statutory income	561,643,987	196,063,186	757,707,173
Qualifying payments	(30,592)	(19,408)	(50,000)
Taxable income	561,613,395	196,043,778	757,657,173
Income tax rate (%)	28	28	28
Income tax (Note 11)	157,251,751	54,892,258	212,144,009
Effective tax rate (%)	34.65	28.45	32.80

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

Notes to the *Financial Statements*

12 Earnings per Share

The Company's Basic Earning Per Share is computed on the net profit attributable to equity holders of the Company during the year as required by LKAS 33 "Earning Per Share"

For the Year Ended 31st March	2017	2016
	Rs.	Rs.
Amount Used as the Numerator		
Net Profit Attributable to Equity Holders of the Company	369,829,303	440,854,734
Amount Used as the Denominator		
Weighted Average number of Ordinary Shares in issue	165,333,334	165,333,334
Basic Earnings per Share	2.24	2.67

13 Dividend per Share

Ordinary Shares

Proposed First & Final Dividend 2016/17 - Rs. 1.06/- (2015/16 - Rs. 1.50/-)	175,253,334	248,000,001
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As at 31st March	2017	2016
	Rs.	Rs.

14 Cash and Cash Equivalents

14.1 Favourable Cash and Cash Equivalent Balances

Cash in hand	26,924,372	6,078,355
Cash at Banks in Local Currency	120,893,864	32,330,664
Cash at Banks in Foreign Currency	18,992,964	5,328,414
	166,811,200	43,737,433

14.2 Unfavourable Cash and Cash Equivalent Balances

Bank Overdrafts	(478,180,936)	(353,420,475)
Net Cash and Cash Equivalents for the purpose of Cash Flow Statement	(311,369,736)	(309,683,042)

As at 31st March		2017	2016
		Rs.	Rs.
15	Loans and Receivables from Customers		
15.1	Hire Purchase Receivables		
	Rental Receivable	394,896,938	1,144,945,480
	Unearned Interest Income	(50,533,673)	(204,846,995)
	Gross Receivable	344,363,265	940,098,485
	Collective Impairment Allowance for Hire Purchase Receivables (Note 15.1.3)	(23,467,875)	(31,790,978)
	Net Receivables	320,895,390	908,307,507
15.1.1	Hire Purchase Rentals Receivable within One Year from Reporting Date		
	Rentals Receivable within One Year	259,287,079	570,283,876
	Unearned Interest Income	(37,979,040)	(127,074,682)
	Net Receivables within One Year	221,308,039	443,209,194
15.1.2	Hire Purchase Rentals Receivable after One Year but before Five Years from Reporting Date		
	Rentals Receivable after One Year but before Five Years	135,609,859	574,661,604
	Unearned Interest Income	(12,554,633)	(77,772,313)
	Net Receivables after One Year but before Five Years	123,055,226	496,889,291
	Gross Receivables	344,363,265	940,098,485
15.1.3	Movement in Collective Impairment Allowance for Hire Purchase Receivables		
	Balance as at 1st April	31,790,978	39,606,373
	Reversal for the year	(5,613,481)	(1,852,205)
	Written off during the year	(2,709,622)	(5,963,190)
	Balance as at 31st March	23,467,875	31,790,978
15.2	Lease Rental Receivables		
	Rental Receivable	12,314,455,306	10,038,601,270
	Unearned Interest Income	(2,897,566,624)	(2,274,981,343)
	Gross Receivable	9,416,888,682	7,763,619,927
	Collective Impairment Allowance for on Lease Rentals Receivables (Note 15.2.4)	(111,417,352)	(101,888,423)
	Net Receivables	9,305,471,330	7,661,731,504
15.2.1	Lease Rentals Receivable within One Year from Reporting Date		
	Rentals Receivable within One Year	4,807,387,334	3,763,982,964
	Unearned Interest Income	(1,399,084,259)	(1,118,534,152)
	Net Receivables within One Year	3,408,303,075	2,645,448,812
15.2.2	Lease Rentals Receivable after One Year but before Five Years from Reporting Date		
	Rentals Receivable after One Year but before Five Years	7,505,262,447	6,267,707,360
	Unearned Interest Income	(1,498,450,241)	(1,156,366,025)
	Net Receivables after One Year but before Five Years	6,006,812,206	5,111,341,335

Notes to the *Financial Statements*

As at 31st March	2017	2016
	Rs.	Rs.

15.2.3 Lease Rentals Receivable after Five Years from Reporting Date

Rentals Receivable after Five Years	1,805,525	6,910,946
Unearned Interest Income	(32,124)	(81,166)
Net Receivables after Five Years	1,773,401	6,829,780
Gross Receivables	9,416,888,682	7,763,619,927

15.2.4 Movement in Collective Impairment Allowance for Lease Rentals Receivables

Balance as at 1st April	101,888,423	133,571,011
Charge for the year	33,927,423	7,801,676
Written off during the year	(24,398,494)	(39,484,264)
Balance as at 31st March	111,417,352	101,888,423

15.3 Loans and Advances

Loans and Advances	2,204,908,473	1,680,059,151
Unearned Interest Income	(249,091,212)	(209,247,990)
Receivables on Loans against Fixed Deposits	29,734,568	37,770,364
	1,985,551,829	1,508,581,525
Collective Impairment Allowance for Loans and Advances (Note 15.3.4)	(59,458,303)	(42,325,330)
Net Receivables	1,926,093,526	1,466,256,195

15.3.1 Loans and Advances Receivable within One Year from Reporting Date

Loans and Advances Receivable within One Year	1,897,247,180	1,379,767,874
Receivables on Loans against Fixed Deposits	29,734,568	37,770,364
Unearned Interest Income	(215,493,540)	(176,558,321)
Net Receivables	1,711,488,208	1,240,979,917

15.3.2 Loans and Advances Receivable after One Year but before Five Years from Reporting Date

Loans and Advances Receivable after One Year but before Five Years	307,286,059	299,999,518
Unearned Interest Income	(33,597,632)	(32,689,360)
Net Receivables after One Year but before Five Years	273,688,427	267,310,158

15.3.3 Loans and Advances Receivable after Five Years from Reporting Date

Loans and Advances Receivable after Five Years	375,234	291,759
Unearned Interest Income	(40)	(309)
Net Receivables after Five Years	375,194	291,450
Gross Receivables	1,985,551,829	1,508,581,525

As at 31st March	2017	2016
	Rs.	Rs.

15.3.4 Movement in Collective Impairment for Loans & Advances

Balance as at 1st April	42,325,330	39,044,780
Charge for the year	42,226,799	23,193,626
Written off during the year	(25,093,826)	(19,913,076)
Balance as at 31st March	59,458,303	42,325,330

15.4 Allowance for Impairment

15.4.1 Movement in Collective Allowance for Impairment

Balance as at 1st April	176,004,731	212,222,164
Charge for the year	70,540,741	29,143,097
Written off during the year	(52,201,942)	(65,360,530)
Balance as at 31st March	194,343,530	176,004,731

15.4.2 Allowance for Impairment consist of Provisioning Against

Hire Purchase Receivables (Note 15.1.3)	23,467,875	31,790,978
Lease Receivable (Note 15.2.4)	111,417,352	101,888,423
Loans and Advances (Note 15.3.4)	59,458,303	42,325,330
	194,343,530	176,004,731

15.5 Analysis by Sector

Sector wise analysis of Company's Hire Purchase, Lease Receivable and Loan Portfolio's reflecting the exposure to credit risk in the various sectors of the economy is depicted below:

As at 31st March	2017		2016	
	Rs.	%	Rs.	%
Agriculture	1,823,024,455	15.8	1,856,823,716	18.5
Tourism	94,834,963	0.8	13,439,067	0.1
Transport	3,308,123,073	28.6	2,172,114,751	21.6
Construction	89,219,836	0.8	21,794,699	0.2
Services	2,589,791,879	22.4	2,500,191,790	24.9
Individual	3,647,466,040	31.6	3,471,931,183	34.7
	11,552,460,246	100.0	10,036,295,206	100.0

Notes to the *Financial Statements*

As at 31st March		2017	2016
	No. of Ordinary Shares	Cost of Investment Rs.	Cost of Investment Rs.

16 Financial Instruments - Available-For-Sale

Credit Information Bureau of Sri Lanka	100	41,300	41,300
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As at 31st March		2017	2016
		Rs.	Rs.

17 Financial Instruments - Held-to-Maturity

Investment in Treasury Bills	460,383,227	449,968,870
Investment in Treasury Bonds	88,872,576	86,947,638
	549,255,803	536,916,508

18 Other Debtors and Prepayments

Loans to Employees (Note 18.1)	44,596,899	47,014,217
Notional Tax Receivable	5,309,230	4,309,990
Economic Service Charge Receivables	29,000,834	-
Prepayments	82,472,514	67,080,544
Advances and Other Receivables	30,733,707	45,507,424
	192,113,184	163,912,175

18.1 Loans to Employees

Balance as at 1st April	47,014,217	44,548,463
Loans granted during the year	11,410,000	32,856,095
Loan recoveries during the Year	(13,827,318)	(30,390,341)
Balance as at 31st March	44,596,899	47,014,217
Due within one Year	17,082,584	15,819,017
Due after one Year	27,514,315	31,195,200
	44,596,899	47,014,217

As at 31st March	2017	2016
	Rs.	Rs.

19 Intangible Assets

19.1 Cost

Balance as at 1st April	71,252,777	56,073,970
Additions	29,372,174	15,178,807
Balance as at 31st March	100,624,951	71,252,777

19.2 Accumulated Amortization and Impairment

Balance as at 1st April	(35,211,296)	(25,346,149)
Amortization During the Year	(3,093,192)	(4,751,541)
Impairment During the Year (Note 19.6)	(30,309,767)	(5,113,606)
Balance as at 31st March	(68,614,255)	(35,211,296)

19.3 Carrying Amount

At Cost	32,010,696	36,041,481
Total Carrying Amount of EDP Software	32,010,696	36,041,481

19.4 During the financial year, the Company acquired Software to the aggregated value of **Rs. 29,372,174** (2015/16 - Rs. 15,178,807).

19.5 EDP Software included fully amortized assets having gross carrying amount of **Rs. 64,695,264** (2015/16 - Rs. 5,553,844).

19.6 As a result of Company taking steps in implementing the new system *eFinancials* existing software will be scraped and will have no value in use, as a result the management had decided to fully write off the balance net book value of the old software *Inbank*.

	Balance as at 1st April 2016	Additions	Disposal	Balance as at 31st March 2017
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20 Property, Plant and Equipment

20.1 Cost

Improvement on Leasehold Premises	101,874,470	10,042,741	-	111,917,211
Equipments	27,301,432	4,499,601	-	31,801,033
EDP Equipments	39,936,943	17,943,878	-	57,880,821
Motor Vehicles	6,980,000	3,200,000	-	10,180,000
Furniture and Fittings	22,297,079	3,015,107	-	25,312,186
	198,389,924	38,701,327	-	237,091,251

Capital Work in Progress	-	249,883	-	249,883
	198,389,924	38,951,210	-	237,341,134

Notes to the *Financial Statements*

	Balance as at 1st April 2016	Depreciation	Disposal	Balance as at 31st March 2017
20.2 Accumulated Depreciation				
Improvement on Leasehold Premises	(46,015,669)	(12,409,594)	-	(58,425,263)
Equipments	(8,278,282)	(2,760,682)	-	(11,038,964)
EDP Equipments	(21,416,212)	(7,120,436)	-	(28,536,648)
Motor Vehicles	(2,226,905)	(1,025,714)	-	(3,252,619)
Furniture and Fittings	(9,219,480)	(2,210,424)	-	(11,429,904)
	(87,156,548)	(25,526,850)	-	(112,683,398)

As at 31st March	2017	2016
	Rs.	Rs.

20.3 Carrying Amount		
Improvement on Leasehold Premises	53,491,948	55,858,801
Equipments	20,762,069	19,023,150
EDP Equipments	29,344,173	18,520,731
Motor Vehicles	6,927,381	4,753,095
Furniture and Fittings	13,882,282	13,077,599
Capital Work In Progress	249,883	-
	124,657,736	111,233,376

20.4 During the Financial Year, the Company acquired Property, Plant and Equipment to the aggregated value of **Rs. 38,951,210** (2015/16 - Rs. 64,110,457) on cash basis .

As at 31st March	2017	2016
	Rs.	Rs.

20.5 Cost of Fully depreciated assets which are still in use as at reporting date is as follows:		
Improvement on Leasehold Premises	19,612,510	17,095,263
Equipments	1,959,660	1,480,660
EDP Equipments	13,204,078	9,197,097
Furniture and Fittings	1,557,519	1,387,621
	36,333,767	29,160,641

20.6 There were no items of Property Plant & equipment pledge as security for liabilities of the Company as at the reporting date.

As at 31st March	2017	2016
	Rs.	Rs.

21 Other Financial Liabilities Due to Customers

Fixed Deposits at Amortized Cost	3,169,265,018	3,122,971,911
Saving Deposits	41,282,567	50,795,552
	3,210,547,585	3,173,767,463

As at 31st March	2017			2016		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.

22 Interest-Bearing Loans and Borrowings

Debenture (Note 22.1)	507,730,323	2,895,847,269	3,403,577,592	449,760,534	2,311,268,614	2,761,029,148
Bank Loans (Note 22.2)	1,143,111,910	362,300,000	1,505,411,910	352,179,770	512,300,000	864,479,770
Commercial Papers (Note 22.3)	106,174,132	-	106,174,132	-	-	-
	1,757,016,365	3,258,147,269	5,015,163,634	801,940,304	2,823,568,614	3,625,508,918

							As at 31st March	
Type	No of Debenture Listed	Face Value Rs.	Interest Rate %	Issued Date	Maturity Date		2017 Rs.	2016 Rs.

22.1 Debenture

36 Months Unsecured redeemable Debentures	A	4,166,660	416,666,667	14.00	10th Sep 2013	10th Sep 2016	-	415,325,887
48 Months Unsecured redeemable Debentures	B	4,166,660	416,666,667	14.25	10th Sep 2013	10th Sep 2017	415,596,330	413,333,998
60 Months Unsecured redeemable Debentures	C	4,166,680	416,666,666	14.50	10th Sep 2013	10th Sep 2018	413,816,347	412,146,679
60 Months Secured Debentures	D	15,000,000	1,500,000,000	9.95	17th June 2015	16th June 2020	1,523,509,174	1,520,222,584
36 Months Secured Debentures	E	4,093,000	409,300,000	11.50	06th April 2016	06th April 2019	429,657,608	-
48 Months Secured Debentures	F	5,907,000	590,700,000	12.00	06th April 2016	06th April 2020	620,998,133	-
		37,500,000	3,750,000,000				3,403,577,592	2,761,029,148

Notes to the Financial Statements

	As at 1st April 2016 Rs.	Loans Obtained Rs.	Repayments Rs.	Accrued Interest Rs.	As at 31st March 2017 Rs.
22.2 Bank Loans					
Movement of Bank Loans					
Sampath Bank	492,501,370	1,000,000,000	(600,401,370)	1,799,450	893,899,450
Nations Trust Bank	201,009,004	1,200,000,000	(911,009,004)	944,936	490,944,936
Seylan Bank	170,969,396	-	(50,769,396)	367,524	120,567,524
	864,479,770	2,200,000,000	(1,562,179,770)	3,111,910	1,505,411,910

22.2.1 The bank loan payable within one year bears the interest rate between 10% to 14%.

22.2.2 Bank Loan Repayable after One Year

Bank	Rate of Interest (p.a.)	Repayment Terms	Security	2017 Rs.	2016 Rs.
Sampath Bank	Fixed Rate 9.75%	Monthly Repayment	Lease Receivables	292,500,000	392,100,000
Seylan Bank	Fixed Rate 14%	Monthly Repayment	Lease Receivables	69,800,000	120,200,000
				362,300,000	512,300,000

	As at 1st April 2016 Rs.	New Issues Rs.	Repayments Rs.	Accrued Interest Rs.	As at 31st March 2017 Rs.
22.3 Commercial Papers					
Commercial Papers	-	534,362,906	(431,220,832)	3,032,058	106,174,132
	-	534,362,906	(431,220,832)	3,032,058	106,174,132

As at 31st March	2017 Rs.	2016 Rs.
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23 Trade and Other Payables

Trade Payables	266,924,558	394,370,930
VAT on Financial Services	12,231,780	7,926,077
VAT Payable	3,005,500	22,604,389
Accrued Expenses	120,856,508	99,681,343
Insurance Payable	43,611,923	47,058,911
Dividend Payable	4,114,659	2,849,970
Other Payables	89,074,154	93,415,725
	539,819,082	667,907,345

As at 31st March		2017	2016
	Relationship	Rs.	Rs.

24 Amounts Due to Related Companies

24.1 Non-Trade

Singer (Sri Lanka) PLC	Parent Company	69,369,484	(78,800,872)
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24.2 Loan from Related Party

Singer (Sri Lanka) PLC	Parent Company (Note 24.2.1)	500,000,000	500,000,000
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569,369,484 421,199,128

24.2.1 Movement of Loan from Related Party

	As at 1st April 2016 Rs.	Loans Obtained Rs.	Repayments/ Transfer Rs.	As at 31st March 2017 Rs.
Singer (Sri Lanka) PLC	500,000,000	500,000,000	(500,000,000)	500,000,000
	500,000,000	500,000,000	(500,000,000)	500,000,000

24.3 Singer (Sri Lanka) PLC

Company obtained this facility based on the fund requirement as a short term loan and will be settled with in one year or once the Company is able to pay before the expiration of one year. Interest is charged based on the lowest AWPLR prevail in the respective month +0.50%

	2017	2016
	Rs.	Rs.

25 Current Tax Liabilities

Balance as at 1st April	111,517,483	91,362,143
Add: Expenses recognised in Profit or Loss (Note 11)	213,238,042	183,305,830
Less: Income Tax Paid	(231,833,998)	(157,722,412)
Less: WHT Set off	(613,889)	(1,016,274)
Less: Notional Tax Set off	(4,309,990)	(4,411,804)
Balance as at 31st March	87,997,648	111,517,483

Notes to the Financial Statements

As at 31st March	2017	2016
	Rs.	Rs.

26 Deferred Tax Liabilities

26.1 Deferred Tax Liability

Balance as at 1st April	54,344,543	31,972,276
Origination of timing differences - recognized in Profit or Loss (Note 11)	(14,853,467)	22,652,296
Origination of timing differences - recognized in Other Comprehensive Income	450,617	(280,029)
Balance as at 31st March	39,941,693	54,344,543

26.2 Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against tax liabilities and when the deferred tax relate to the same fiscal authority.

26.3 Composition of Deferred Tax Assets and Liabilities

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows.

As at 31st March	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment	-	18,014,662	-	14,691,489
Intangible Assets	-	5,169,468	-	5,706,961
Allowance for Impairment	-	-	14,621,571	-
Retirement Benefit Obligation	10,315,774	-	8,544,256	-
Lease Rental Receivables	-	27,073,337	-	57,111,920
	10,315,774	50,257,467	23,165,827	77,510,370
Net Deferred Tax		39,941,693		54,344,543

As at 31st March	2017	2016
	Rs.	Rs.

27 Retirement Benefit Obligations

Present Value of Unfunded Gratuity	36,842,050	30,515,198
	36,842,050	30,515,198

Provision for Retiring Gratuity

Balance as at 1st April	30,515,198	22,368,690
Expenses recognised in Profit or Loss (Note 27.1)	8,457,338	7,235,033
Actuarial Loss in Other Comprehensive Income	(1,609,346)	1,000,104
	37,363,190	30,603,827
Benefits Paid during the Year	(521,140)	(88,629)
Balance as at 31st March	36,842,050	30,515,198

The Company maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees expressed in term of final monthly salary and service. The Gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by a professionally qualified actuary Mr. Pushpakumara Gunasekara of Smiles Global (Pvt) Limited who is a qualified Actuary, Associate of the Institute of Actuaries of Australia (AIAA).

For the Year Ended 31st March	2017	2016
	Rs.	Rs.

27.1 Expense recognized in Profit or Loss:

Current Service Cost	4,593,422	4,141,571
Interest Cost	3,863,916	3,093,462
	8,457,338	7,235,033
Expenses recognized in Other Comprehensive Income	(1,609,346)	1,000,104

27.2 Actuarial Assumptions

Following key assumptions were made in arriving at the above figures

		11.5% p.a (Net of tax)	10.5% p.a (Net of tax)
(a) Rate of Discount			
(b) Salary Increment Rate	Year 1	10%	10%
	Year 2+	10%	9%
(c) Retirement Age			
Males		60 years	60 years
Females		60 years	60 years
(d) Staff Turn Over Rate		1%	1%

- (e) Assumptions regarding future mortality are based on A1967/70 Mortality Table, issued by the Institute of Actuaries, London. The demographic assumptions underlying the valuation are with respect to retirement age, early withdrawal from service and retirement on medical grounds.

Notes to the *Financial Statements*

	As at 1st April 2016	Issued for Cash during the Year	Issued for Non-Cash Consideration	As at 31st March 2017
28 Stated Capital				
28.1 Issued and Fully Paid				
Number of Ordinary Shares	165,333,334	-	-	165,333,334
	165,333,334	-	-	165,333,334
Rupee Value of Ordinary Shares	1,445,333,342	-	-	1,445,333,342
	1,445,333,342	-	-	1,445,333,342

As at 31st March	2017	2016
	Rs.	Rs.

29 Statutory Reserves

Reserve Fund (Note 29.1)	113,852,174	95,360,709
	113,852,174	95,360,709

29.1 Reserve Fund

Balance as at 1st April	95,360,709	73,317,972
Amount Transfer during the year	18,491,465	22,042,737
Balance as at 31st March	113,852,174	95,360,709

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 fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

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

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

30 Financial Reporting by Segments as Per Provision of the Sri Lanka Accounting Standard SLFRS 8

As per the SLFRS 8 'Operating Segments', Company is required to disclose information to enable users of its Financial Statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, below information gives the segmental information on performance of the Company's main business line.

For the Year Ended 31st March	Finance Lease		Hire Purchase		Loan & Advances		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
30.1 Business Segments (Rs.'000)										
Interest	1,709,275	1,235,619	141,201	333,268	464,638	341,647	103,008	72,355	2,418,122	1,982,889
Net Fee and Commission Income	81,986	73,504	925	2,592	22,597	17,842	7,602	438	113,110	94,376
Net Trading Income	-	-	-	-	-	-	558	741	558	741
Other Operating Income	10,682	12,585	4,071	6,052	13,761	9,315	49,994	7,438	78,508	35,390
Total Revenue	1,801,943	1,321,708	146,197	341,912	500,996	368,804	161,161	80,972	2,610,297	2,113,396
Interest Expense	(730,398)	(483,730)	(25,187)	(57,347)	(151,182)	(92,573)	(72,229)	(54,485)	(978,996)	(688,135)
Depreciation & Amortization	(43,966)	(20,713)	(1,516)	(2,456)	(9,100)	(3,965)	(4,348)	(2,336)	(58,930)	(29,470)
Administration & Selling Expense	(614,985)	(460,543)	(21,207)	(54,598)	(127,293)	(88,136)	(60,815)	(46,758)	(824,300)	(650,035)
Bad debts	(33,927)	(7,802)	5,613	1,852	(32,388)	(23,193)	(9,839)	-	(70,541)	(29,143)
Value Added Tax on Financial Services	(81,558)	-	(2,812)	(19,577)	(16,881)	(31,603)	(8,065)	(18,620)	(109,316)	(69,800)
Profit Before Income Tax	297,109	348,920	101,088	209,786	164,152	129,334	5,865	(41,227)	568,214	646,813
Income Tax Expense	(68,935)	(118,913)	(29,917)	(32,448)	(53,829)	(32,951)	(45,704)	(21,646)	(198,385)	(205,958)
Profit For The Year	228,174	230,007	71,171	177,338	110,323	96,383	(39,839)	(62,873)	369,829	440,855
Segment Assets	9,305,471	7,683,692	320,895	908,308	1,926,094	1,466,256	1,146,019	977,553	12,698,479	11,035,809
Segment Liabilities	8,095,657	6,227,140	273,090	711,084	1,175,281	895,928	433,835	604,029	9,977,862	8,438,181
Segment assets include the additions to non current assets	28,174	52,135	972	6,183	5,832	9,980	2,786	5,878	37,764	74,176

Notes to the Financial Statements

31 Maturity Analysis of Assets and Liabilities

An analysis of the interest bearing assets and liabilities employed by the Company as at 31st March 2017, based on the remaining period at the reporting date to the respective contractual maturity date is given below.

As at 31st March	2017					Total Rs.
	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	
	Rs.	Rs.	Rs.	Rs.	Rs.	
Interest Earning Assets						
Cash and Cash Equivalents	166,811,200	-	-	-	-	166,811,200
Placements with Banks	81,128,395	-	-	-	-	81,128,395
Hire Purchase Receivables	62,539,254	135,300,910	122,344,336	710,890	-	320,895,390
Lease Rental Receivables	950,162,581	2,346,723,142	4,696,044,746	1,310,767,460	1,773,401	9,305,471,330
Loans and Advances	658,817,935	993,211,970	258,273,026	15,415,401	375,194	1,926,093,526
Financial Instruments - Held-to-Maturity	227,012,875	240,000,000	-	13,218,933	69,023,995	549,255,803
Total Interest Earning Assets	2,146,472,240	3,715,236,022	5,076,662,108	1,340,112,684	71,172,590	12,349,655,644
Percentage(%)	17.4	30.1	41.1	10.9	0.5	100.0

Interest Bearing Liabilities

Other Financial Liabilities Due to Customers	926,631,926	1,835,457,188	370,939,695	66,133,252	11,385,524	3,210,547,585
Interest Bearing Loans and Borrowings	1,136,786,042	528,096,330	682,816,347	2,667,464,915	-	5,015,163,634
Due to Related Companies	69,369,484	500,000,000	-	-	-	569,369,484
Bank Overdraft	478,180,936	-	-	-	-	478,180,936
Total Interest Bearing Liabilities	2,610,968,388	2,863,553,518	1,053,756,042	2,733,598,167	11,385,524	9,273,261,639
Percentage(%)	28.2	30.9	11.4	29.5	0.1	100.0

As at 31st March	2016					Total Rs.
	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	
	Rs.	Rs.	Rs.	Rs.	Rs.	
Interest Earning Assets						
Cash and Cash Equivalents	43,737,433	-	-	-	-	43,737,433
Placements with Banks	85,671,491	-	-	-	-	85,671,491
Hire Purchase Receivables	125,549,968	285,868,248	456,770,732	40,118,559	-	908,307,507
Lease Rental Receivables	676,674,912	1,866,885,477	3,758,529,482	1,352,811,853	6,829,780	7,661,731,504
Loans and Advances	383,142,879	815,511,708	248,321,989	18,988,169	291,450	1,466,256,195
Financial Instruments - Held-to-Maturity	536,916,508	-	-	-	-	536,916,508
Total Interest Earning Assets	1,851,693,191	2,968,265,433	4,463,622,203	1,411,918,581	7,121,230	10,702,620,638
Percentage(%)	17.3	27.7	41.7	13.2	0.1	100.0

Interest Bearing Liabilities

Other Financial Liabilities Due to Customers	1,066,930,632	1,571,807,869	505,963,445	18,719,502	10,346,015	3,173,767,463
Interest Bearing Loans and Borrowings	239,679,770	527,825,887	1,125,480,677	1,732,522,584	-	3,625,508,918
Due to Related Companies	421,199,128	-	-	-	-	421,199,128
Bank Overdraft	353,420,475	-	-	-	-	353,420,475
Total Interest Bearing Liabilities	2,081,230,005	2,099,633,756	1,631,444,122	1,751,242,086	10,346,015	7,573,895,984
Percentage(%)	27.5	27.7	21.5	23.1	0.1	100.0

32 Financial Instruments

32.1 Financial Risk Management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standard and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Board Audit Committee is assisted in its oversight role by internal audit of the parent company and outsourced audit firms. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Board Audit Committee.

32.1.1 Credit Risk

Credit risk' is the risk of financial loss to the Company if customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers and other banks and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

- (a) The Board of Directors has delegated responsibility for the oversight of credit risk to its Company Delegated Credit Committee (DCC). A separate Credit evaluation department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Large facilities require approval by Company credit, the Head of Credit, the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewal and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counter-parties, geographies and industries (for loan and advances, financial guarantees and similar exposures) and by issuer, credit rating band, market liquidity and country (for investment securities).

Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios and provided to Group Credit Committee, which may require appropriate corrective action to be taken.

Providing advice, guidance and specialist skills to business units to promote best practice throughout the group in the management of credit risk.

Regular audits of business units and Company Credit processes are under taken by internal Audit.

Notes to the *Financial Statements*

(b) 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

As at 31st March	Carrying Amount (Net of Impairment)	
	2017	2016
	Rs.	Rs.
Loans & receivables from Customers	11,552,460,246	10,036,295,206
	11,552,460,246	10,036,295,206

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

Individual Customers	11,369,923,726	9,993,054,340
Corporate Customers	182,536,520	43,240,866
	11,552,460,246	10,036,295,206

(c) Credit Concentration risk

(i) Product Concentration

Company reviews on a regular basis its concentration of credit granted in each of the product offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Company is maintained.

As at 31st March	Carrying Amount (Net of Impairment)			
	2017		2016	
	Rs.	%	Rs.	%
Leasing	9,305,471,330	81	7,661,731,504	76
Hire Purchase	320,895,390	3	908,307,507	9
Loans and Advances	1,926,093,526	17	1,466,256,195	15
	11,552,460,246	100	10,036,295,206	100

(ii) Geographical Concentration

Company reviews its geographical diversification on a regular basis at the review meetings and sets long-term target in achieving a geographically well diversified credit portfolio. Group's strategy on geographical diversification was executed through the establishment of distribution network of the group. The geographical concentration is considered when selecting prospective location for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

Geographical Concentration

As at 31st March	Carrying Amount (Net of Impairment)			
	2017		2016	
	Rs.	%	Rs.	%
Central	1,623,471,987	15	1,453,327,329	15
Eastern	469,310,088	4	421,601,446	4
North Central	1,192,412,489	10	1,136,684,025	11
North Western	2,828,234,938	25	2,496,128,994	25
Northern	137,423,634	1	163,370,285	2
Sabaragamuwa	488,581,226	4	439,731,589	4
Southern	1,667,852,189	14	1,392,485,395	14
Uva	461,571,667	4	392,108,425	4
Western	2,683,602,028	24	2,140,857,718	21
	11,552,460,246	100	10,036,295,206	100

(iii) Sector Wise Analysis of Credit Exposures

Company manages its credit exposure to a single industry by regularly reviewing the portfolio. As there is more concentration on vehicle related financing of the Company, there is an inherent concentration on the transport sector.

Company has set targets to bring down the exposures to each industry to a level accepted by the Group based on its risk appetite.

Sector Wise Analysis of Credit Exposures

As at 31st March	Carrying Amount (Net of Impairment)			
	2017		2016	
	Rs.	%	Rs.	%
Agriculture	1,823,024,455	16	1,856,823,716	18
Tourism	94,834,963	1	13,439,067	0
Transport	3,308,123,073	29	2,172,114,751	22
Construction	89,219,836	1	21,794,699	0
Services	2,589,791,879	22	2,500,191,790	25
Individual	3,647,466,040	31	3,471,931,183	35
	11,552,460,246	100	10,036,295,206	100

(iv) Allowance for Impairment

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

The Company assesses the impairment for Loans and Advances to customers on collective basis. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of losses incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data.

Notes to the Financial Statements

Impairment Losses

The aging of receivables at the reporting date was

As at 31st March	2017			2016		
	Gross Rs.	Impairment Rs.	Net Rs.	Gross Rs.	Impairment Rs.	Net Rs.
Not past due	6,965,922,757	3,376,093	6,962,546,664	6,495,620,548	2,753,896	6,492,866,652
Past due 1-30 days	2,505,034,184	4,286,154	2,500,748,030	1,882,854,285	2,312,088	1,880,542,197
Past due 31-120 days	1,898,533,093	10,233,330	1,888,299,763	1,461,438,621	6,321,951	1,455,116,670
Past due 121-180 days	128,508,332	10,829,964	117,678,368	130,330,982	8,022,345	122,308,637
Past due 181-360 days	103,986,136	29,589,213	74,396,923	94,601,912	20,876,218	73,725,694
Past due more than 360 days	144,819,274	136,028,776	8,790,498	147,453,589	135,718,233	11,735,356
	11,746,803,776	194,343,530	11,552,460,246	10,212,299,937	176,004,731	10,036,295,206

(v) Credit Risk on Other Financial Assets

(a) Placement with Banks

As at 31st March	2017		2016	
	Rs.		Rs.	
Rating				
AA+	People's Bank	20,440,000	People's Bank	20,100,685
AA-	HNB/NDB	40,541,683	HNB/NDB	40,532,450
A-	Seylan Bank	20,146,712	Seylan Bank	25,038,356
		81,128,395		85,671,491

(b) Financial Instruments - Held-to-Maturity

As at 31st March	2017	2016
	Rs.	Rs.
Rating		
AA-	549,255,803	536,916,508
	549,255,803	536,916,508

* Primary dealer - Commercial Bank of Ceylon PLC, the entire portfolio consists of Government Treasury Bills.

(c) Cash & Cash Equivalents

Cash and cash equivalents comprise of cash in hand and cash at bank and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments.

The cash at banks are held with the reputed commercial banks.

32.1.2 Liquidity Risk

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

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

31st March 2017	Carrying Amount	Contractual Cash flows	6 months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non Derivative Financial Liabilities							
Secured Bank Loans	1,505,411,910	1,687,278,660	1,159,045,285	165,933,375	150,000,000	212,300,000	-
Unsecured Debenture Issues	829,412,677	942,951,817	-	441,916,225	501,035,592	-	-
Secured Debenture Issues	2,574,164,915	3,363,939,396	124,323,389	124,102,659	247,886,182	2,867,627,166	-
Unsecured Commercial Papers	106,174,132	109,206,190	109,206,190	-	-	-	-
Due to Related Companies	569,369,484	569,369,484	569,369,484	-	-	-	-
Trade Other Payables	539,819,082	539,819,082	539,819,082	-	-	-	-
Other Financial Liabilities Due to Customers	3,210,547,585	3,210,547,585	1,716,648,906	1,045,440,208	370,939,695	66,133,252	11,385,524
Bank Overdrafts	478,180,936	478,180,936	478,180,936	-	-	-	-
	9,813,080,721	10,901,293,150	4,696,593,272	1,777,392,467	1,269,861,469	3,146,060,418	11,385,524

31st March 2016	Carrying Amount	Contractual Cash flows	6 months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non Derivative Financial Liabilities							
Secured Bank Loans	864,479,771	920,235,358	306,514,570	101,420,788	249,600,000	262,700,000	-
Unsecured Debenture Issues	1,240,806,564	1,508,949,218	504,282,313	61,681,097	503,115,295	439,870,513	-
Secured Debenture Issues	1,520,222,584	2,151,176,747	74,890,711	74,665,813	149,918,241	331,479,397	-
Due to Related Companies	421,199,128	421,199,128	-	-	-	-	-
Trade Other Payables	667,907,345	667,907,345	667,907,345	-	-	-	-
Other Financial Liabilities Due to Customers	3,173,767,463	3,289,734,095	648,220,548	1,310,383,261	844,944,770	121,250,817	364,934,699
Bank Overdrafts	353,420,475	353,420,475	353,420,475	-	-	-	-
	8,241,803,330	9,312,622,366	2,976,435,090	1,548,150,959	1,747,578,306	1,155,300,727	364,934,699

32.1.3 Market Risk

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

- (a) Interest Rate Risk
- (b) Currency Risk

Notes to the Financial Statements

(a) Interest Rate Risk

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

Profile

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

As at 31st March	2017 Rs.	2016 Rs.
Fixed Rate Instruments		
Financial Assets	12,182,844,444	10,658,883,205
Financial Liabilities	(7,774,585,365)	(7,000,285,385)
	4,408,259,079	3,658,597,820
Variable Rate Instruments		
Financial Assets	-	-
Financial Liabilities	(2,038,495,356)	(975,628,607)
	(2,038,495,356)	(975,628,607)

Cash Flow Sensitivity for Variable Rate Instruments

A reasonable possible change of 100 basis points (1%) in interest rate at the Reporting date would increased/ (decreased) equity and profit or loss by amounts shown below. This analysis assumes that all other variables remain constant:

	Profit or Loss		Equity Net of Tax	
	1% Increase Rs.	1% Decrease Rs.	1% Increase Rs.	1% Decrease Rs.
31st March 2017				
Variable Rate Instruments	(20,384,954)	20,384,954	(14,677,167)	14,677,167
Cash Flow Sensitivity (Net)	(20,384,954)	20,384,954	(14,677,167)	14,677,167
31st March 2016				
Variable Rate Instruments	(9,756,286)	9,756,286	(7,024,526)	7,024,526
Cash Flow Sensitivity (Net)	(9,756,286)	9,756,286	(7,024,526)	7,024,526

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company, as at the reporting date, do not hold 'Financial instruments' denominated in currencies other than its functional / reporting currency, hence do not get exposed to currency risk arising from translation of such balances in to the functional / reporting currency, which is Sri Lankan Rupees.

The only currency risk faced by Singer Finance (Lanka) PLC is from the foreign currency held by the Company from its Foreign Exchange Operation.

The Company monitors exchange rates daily and take necessary steps to mitigate the Currency Risk by adjusting its Foreign Currency Exchange rates accordingly

Therefore, currency risk to the Company is minimal.

32.1.4 Operational Risk

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

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

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

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

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

Notes to the *Financial Statements*

32.2 Classification of Financial Assets and Financial Liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31st March 2017	Note	Loans and Other Receivables Rs.	Held-to- maturity Rs.	Available- for- sale Rs.	Other Financial Liabilities Rs.	Total Rs.	Fair Value Rs.	Fair Value Measurement Level
Financial Assets								
Cash and Cash Equivalents	14.1	166,811,200	-	-	-	166,811,200	-	-
Placements with Banks		81,128,395	-	-	-	81,128,395	-	-
Hire Purchase Receivables	15.1	320,895,390	-	-	-	320,895,390	-	-
Lease Rental Receivables	15.2	9,305,471,330	-	-	-	9,305,471,330	-	-
Loans and Advances	15.3	1,926,093,526	-	-	-	1,926,093,526	-	-
Financial Instruments - Available-for-Sale	16	-	-	41,300	-	41,300	41,300	-
Financial Instruments - Held- to-Maturity	17	-	549,255,803	-	-	549,255,803	-	-
Total Financial Assets		11,800,399,841	549,255,803	41,300	-	12,349,696,944	-	
Financial Liabilities								
Other Financial Liabilities Due to Customers	21	-	-	-	3,210,547,585	3,210,547,585	-	-
Debentures	22	-	-	-	3,403,577,592	3,403,577,592	-	-
Bank Loans	22	-	-	-	1,505,411,910	1,505,411,910	-	-
Commercial Papers	22	-	-	-	106,174,132	106,174,132	-	-
Trade Other Payables	23	-	-	-	539,819,082	539,819,082	-	-
Due to Related Companies	24	-	-	-	569,369,484	569,369,484	-	-
Bank Overdraft	14.2	-	-	-	478,180,936	478,180,936	-	-
Total Financial Liabilities		-	-	-	9,813,080,721	9,813,080,721	-	

As at 31st March 2016	Note	Loans and Other Receivables Rs.	Held-to- maturity Rs.	Available- for- sale Rs.	Other Financial Liabilities Rs.	Total Rs.	Fair Value Rs.	Fair Value Measurement Level
Financial Assets								
Cash and Cash Equivalents	14.1	43,737,433	-	-	-	43,737,433	-	-
Placements with Banks		85,671,491	-	-	-	85,671,491	-	-
Hire Purchase Receivables	15.1	908,307,507	-	-	-	908,307,507	-	-
Lease Rental Receivables	15.2	7,661,731,504	-	-	-	7,661,731,504	-	-
Loans and Advances	15.3	1,466,256,195	-	-	-	1,466,256,195	-	-
Financial Instruments - Available-for-Sale	16	-	-	41,300	-	41,300	41,300	-
Financial Instruments - Held- to-Maturity	17	-	536,916,508	-	-	536,916,508	-	-
Total Financial Assets		10,165,704,130	536,916,508	41,300	-	10,702,661,938	-	
Financial Liabilities								
Other Financial Liabilities Due to Customers	21	-	-	-	3,173,767,463	3,173,767,463	-	-
Debentures	22	-	-	-	2,761,029,148	2,761,029,148	-	-
Bank Loans	22	-	-	-	864,479,770	864,479,770	-	-
Trade Other Payables	23	-	-	-	667,907,345	667,907,345	-	-
Due to Related Companies	24	-	-	-	421,199,128	421,199,128	-	-
Bank Overdraft	14.2	-	-	-	353,420,475	353,420,475	-	-
Total Financial Liabilities		-	-	-	8,241,803,329	8,241,803,329	-	

Amortized cost for Hire Purchase, Lease, Loans and Advances and Liabilities is computed using market interest rate. Therefore amortized cost is a reasonable approximation to its Fair value. The Company has used market yield rates published by Central Bank for the fair value computation of Held-to-Maturity Financial Instruments.

32.3 Capital Management

The Board's policy is to maintain a strong capital base to maintain confidence of the investors, creditors and the market while sustaining future development of the business 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.

32.3.1 Capital Adequacy

Capital adequacy is a measure of financial institutions financial strength and stability. This widely accepted concept tries to specify the limit up to which a business can expand in terms of its risk – weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on companies' exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The capital adequacy ratio is calculated as a percentage on Company's capital to its risk weighted assets as specified by the direction. No 02 of 2006, Finance Companies (Risk-Weighted Capital Adequacy Ratio) and there are two measures to defined the capital adequacy of the Company namely Core capital to Risk-Weighted asset ratio and Total Capital to Risk-Weighted assets ratio.

The minimum requirement for Core Capital adequacy ratio and Total capital adequacy ratio are 5% and 10% respectively.

The core capital represents the permanent shareholders', equity and reserves created or increase by appropriations of retained earnings or other surpluses and the total capital include in addition to the core capital, the revaluation reserves, general provisions and other hybrid capital instruments and unsecured subordinated debts.

The Risk Weighted Assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka.

Notes to the *Financial Statements*

Details of the computation and the resulting ratio are given below:

	Balance			Risk-Weighted Balance	
As at 31st March	2017	2016	Risk-Weighted Factor	2017	2016
	Rs.	Rs.	%	Rs.	Rs.
Total Risk-Weighted Assets Computation					
Assets					
Cash and Bank Balance	1,244,292,125	43,751,953	-	-	-
Investment in Government Securities	549,255,803	536,916,508	-	-	-
Bank Deposits	81,128,395	86,559,162	20	16,225,679	17,311,832
Loans Against Fixed Deposits	30,784,568	38,520,365	-	-	-
Staff Loans Secured by Provident Fund Balances	59,352,828	63,901,364	-	-	-
Loans against Real Estate	3,065,465	2,491,071	50	1,532,733	1,245,536
Loans and Advances	2,397,504,595	1,420,755,822	100	2,397,504,595	1,420,755,822
Finance Lease Receivable	9,253,942,967	7,607,381,310	100	9,253,942,967	7,607,381,310
Hire Purchase Receivable	308,722,012	893,112,258	100	308,722,012	893,112,258
Other Assets	234,684,521	229,557,514	100	234,684,521	229,557,514
Fixed Assets	156,668,435	147,270,217	100	156,668,435	147,270,217
Total Risk - Weighted Assets	14,319,401,714	11,070,217,544		12,369,280,942	10,316,634,489
Total Capital Base Computation					
Stated Capital				1,445,333,342	1,445,333,342
Reserved Fund				95,360,709	73,317,972
Published Retained Earnings				808,934,365	845,509,112
Total Core Capital				2,349,628,416	2,364,160,426
Supplementary Capital				-	-
Total Supplementary Capital				-	-
Capital Base				2,349,628,416	2,364,160,426
Capital Adequacy ratio					
As at 31st March				2017	2016
				%	%
Core Capital Ratio	Core Capital			19.00	22.92
	Risk- Weighted Assets				
Total Capital Ratio	Capital Base			19.00	22.92
	Risk- Weighted Assets				

33 Commitments and Contingencies

33.1 Capital Commitments

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

Operating Lease commitments as at 31st March 2017, is as follows:

Within one year	Rs. 25.9 million
Between one to five years	Rs. 68.3 million
Over five years	Rs. 1.7 million

33.2 Contingencies

33.2.1 As at 31st March 2017, the Company has provided letters of guarantee totalling to Rs. 1,050,000/- against Fixed Deposits of Rs. 1,207,190.14/-

33.2.2 During the financial year of 2015/16, the Commissioner General of Inland Revenue has issued an assessment notice for the year of assessment 2012/13 on Singer Finance (Lanka) PLC pertaining to an additional tax liability on account of disallowing Administration fees, Advertising and Promotional expenses, Royalty fees, and Provision for Bad and Doubtful Debt for Leasing. The assessment is for a value Rs 48.6 million and a penalty of Rs 24.2 million totalling to Rs 72.8 million. The Company after carefully reviewing the advice of tax consultant's, is of the opinion that there is no basis for the Company to be made liable, hence, no provision has been made in the financial statements. The Company has appealed against the assessment, requesting the entire tax and penalty be held over pending settlement of the appeal under section 173 (6) of the Inland Revenue Act, No 10 of 2006.

33.3 Assets Pledged

Company has given a negative pledge over the Company's Lease receivable and Hire Purchase receivable, for the following banks over the Loans, Overdrafts & Debentures having a carrying value of Rs. 6,175,595,000 against Loans, Overdraft & Trust Deed obtained to the value of Rs. 1,602,300,000, 610,000,000 & 2,500,000,000 respectively, as at the year end:

Bank/Company	Exposure	Type of Facility	Outstanding Credit Facility Rs.	Carrying Value Rs.
Sampath Bank	135% of the Banks's exposure	Loan	892,100,000	
		Overdraft Facility	300,000,000	1,609,335,000
Commercial Bank	150% of the Banks's exposure	Overdraft Facility	200,000,000	300,000,000
Seylan Bank	130% of the Banks's exposure	Loan	120,200,000	
		Overdraft Facility	100,000,000	286,260,000
Nations Trust Bank	130% of the Banks's exposure	Loan	490,000,000	
		Overdraft Facility	10,000,000	750,000,000
Bank of Ceylon	130% of the Company exposure	Loan	100,000,000	130,000,000
Deutsche Bank	110% of the Debenture exposure	Debenture	2,500,000,000	3,100,000,000
			4,712,300,000	6,175,595,000

Notes to the *Financial Statements*

34 Events after the Reporting Period

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

34.1 First & Final Dividend 2016/17

On the 09th June 2017, the Board of Directors approved a Final Dividend of Rs. 1.06 per share amounting to Rs. 175 million for the year ended 31st March 2017.

The dividend will be paid on 23rd June 2017.

35 Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosure", the details of which are reported below.

The Company's immediate Parent Undertaking is Singer (Sri Lanka) B.V. The Company's Ultimate Parent Undertaking is Retail Holdings N.V.

35.1 Transactions with parent company and affiliate companies

During the year, the Company had the following transactions with the its Parent Company and Related Entity.

Name of the Company and Relationship	Nature of Transaction	2017 Rs.	2016 Rs.
Singer (Sri Lanka) PLC (Parent Company)	Dividend Paid (Gross)	197,402,615	166,163,818
	Debenture Issued	462,090,000	450,000,000
	Debenture Interest Paid	108,160,729	39,977,934
	Withdrawals of Rental Collections From Singer (Sri Lanka) PLC	2,586,021,249	1,751,568,394
	Sales Financed to purchase goods from Singer (Sri Lanka) PLC	620,039,178	463,900,706
	Balance Settlement During The Year	-	200,000,000
	Loans Obtained During The Year	500,000,000	500,000,000
	Loans Settled During The Year	500,000,000	-
	Purchase of Assets	3,490,709	2,497,409
	Interest Expense	1,249,661	8,324,934
	Rental Collections through Singer (Sri Lanka) PLC	3,422,298,503	2,423,516,173
	Service Charge Income	14,529,309	7,766,609
	Collection Commission Paid	28,457,646	22,055,521
	Royalty Expense Charged During The Period	25,320,636	20,853,136
	Royalty Paid Through Singer (Sri Lanka) PLC	24,846,849	38,362,864
	Rent Reimbursed	16,200,486	14,318,962
	Expenses Paid Through Singer (Sri Lanka) PLC	331,564,783	256,000,764
	Balance Payable	569,369,484	421,199,128
Singer Industries (Ceylon) PLC (Related Entity)	Invested in Fixed Deposits	114,200,004	102,835,323
	Deposits Interest Payment (Gross)	4,606,172	6,656,642
Singer Business School (PVT) Ltd (Related Entity)	Expenses Paid Through Singer Business School (PVT) Ltd	-	71,279
	Expenses Settled to Singer Business School (PVT) Ltd	-	71,279
	Balance Payable	-	-

35.2 The amount due to Singer(Sri Lanka) PLC as at 31st March 2017, are disclosed in Note 24 of the Financial Statements.

36 Transactions with Key Management Personnel

36.1 According to LKAS 24 - "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company and its parent company (Including Executive and Non Executive Directors) and their immediate family members have been classified as Key Management Personnel of the Company.

	31st March 2017	31st March 2016
	Rs.	Rs.
(i) Transactions Key Management Personnel or close Family Members		
Deposit kept by Key Management Personnel or their close family members	22,911,877	14,833,615
(ii) Compensation of Key Management Personnel		
Short-Term Employee Benefits	18,794,830	18,776,928

In addition to their salaries the Company provides non-cash benefits to the Key Management Personnel and contributes to a past employment defined benefit plan on their behalf. Directors emoluments are disclosed in Note 10 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.

37 Directors' Responsibility

Directors of the Company are responsible for the preparation and presentation of these Financial Statements.

Parent ,Associate & Related Companies

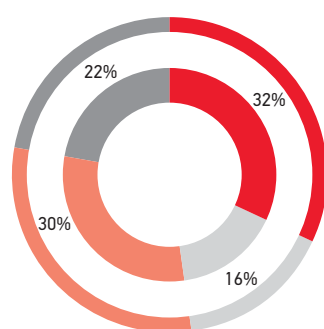
Company Name	Principal Activity	Directors
Singer (Sri Lanka) PLC	Trading in Sewing Machines, Industrial Machines, Electrical Equipment & Consumer Durables, Personal Computers, Agricultural Equipment & Furniture	Dr. Saman Kelegama Mr. H.A. Pieris Mr. L. N. S. Kumara Samarasinghe Mr. M.H. Wijewardene Mr. P.J. O'Donnell Mr. G.J. Walker Mr. J. J. Hyun Mr. A. S. Paranavitane Mr. D. T. R. De Silva Mr. Deepal Sooriyarachchi Mr. K. K. L. P. Yatiwella Mr. S.H. Goodman Mr. G.M.Gellecanao Mr. H.A.P.S.Perera
Singer Industries (Ceylon) PLC	Manufacturing Sewing Machines	Dr. Saman Kelegama Mr. Ranil De Silva Mr. G.J. Walker Mr. H.A.Pieris Mr. V.G.K. Vidyarthne Mr. K.D. Kospelawatta Mr. A.C.M. Irzan
Singer Business School (PVT) Ltd	Educational Services	Mr. H.A.Pieris Mr. M.H.Wijewardena Mr. K. K. L. P. Yatiwella

Ten Year Summary

Year Ended 31st March	2017 Rs.000	2016 Rs.000	2015 Rs.000	2014 Rs.000	2013 Rs.000	2012 Rs.000	2011 Rs.000	2010 Rs.000	2009 Rs.000	2008 Rs.000
Operating Results										
Income	2,610,297	2,113,396	1,986,040	1,894,761	1,755,601	1,277,360	1,002,382	705,115	460,394	257,791
Interest Expenses	978,996	688,135	669,413	759,449	742,013	407,774	283,008	316,422	283,228	146,620
Non-Interest Expenses	953,771	708,648	711,726	732,390	669,288	557,252	459,739	279,974	147,733	94,512
Value Added Tax on Financial Services	109,316	69,800	38,766	28,428	20,908	26,595	34,808	21,700	13,011	5,041
Profit Before Tax	568,214	646,813	566,135	374,493	323,391	285,739	224,826	87,019	16,422	40,399
Provision for Taxation	198,385	205,958	177,469	105,897	66,857	70,058	105,371	32,900	3,691	(2,281)
Profit After Tax	369,829	440,855	388,666	268,597	256,535	215,681	119,456	54,119	12,731	13,899
Other Comprehensive Income for the Year, Net of Taxes	(1,159)	720	1,563	447	-	-	-	-	-	-
Total Comprehensive Income for the Year	370,988	440,135	387,103	268,149	256,535	215,681	119,456	54,119	12,731	36,419
Dividends	175,253	248,000	206,667	107,467	107,467	85,333	42,667	20,000	10,000	15,000
As at 31st March										
Assets										
Liquid assets	797,196	666,326	766,506	815,542	402,973	325,844	211,141	174,094	171,710	100,115
Investments	41	41	41	41	41	41	41	41	41	41
Advances	11,552,460	10,036,295	7,841,541	7,047,463	6,590,722	6,182,774	4,007,415	2,981,079	1,791,804	1,186,006
Other Assets	192,113	185,872	141,412	116,219	151,236	174,967	124,203	61,954	81,397	69,527
Property, Plant & Equipment	124,658	111,233	66,728	72,711	53,461	29,554	27,993	22,928	24,566	18,142
Intangible Assets	32,011	36,041	30,728	32,383	25,262	13,650	12,346	7,314	8,978	10,749
Deferred Tax Assets	-	-	-	-	33,780	11,858	13,420	8,581	-	-
Income Tax Receivable	-	-	-	-	-	9,288	-	-	-	-
Total Assets	12,698,479	11,035,808	8,846,956	8,084,359	7,257,475	6,747,976	4,396,559	3,255,991	2,078,496	1,384,580
Liabilities										
Interest-Bearing Loans & Borrowings	5,493,345	3,978,929	1,592,323	1,325,231	1,009,276	1,223,338	81,968	40,017	362,126	386,585
Deposit from Customers	3,210,548	3,173,767	4,150,193	4,277,335	3,318,927	2,740,998	1,882,620	1,518,043	1,097,979	642,198
Amount due to Related Companies	569,369	421,199	51,325	28,679	661,651	1,299,856	1,187,515	997,250	223,781	4,879
Retirement Benefit Obligations	36,842	30,515	22,369	14,947	11,521	7,479	5,572	3,751	2,843	1,643
Deferred Tax Liability	39,942	54,345	31,972	14,543	34,755	4,879	3,986	2,904	8,654	9,179
Other Liabilities	627,817	779,425	634,614	339,100	297,504	359,292	295,779	228,247	161,453	116,166
Total Liabilities	9,977,863	8,438,180	6,482,796	5,999,835	5,333,634	5,635,842	3,457,440	2,790,212	1,856,836	1,160,650
Equity										
Stated Capital	1,445,333	1,445,333	1,445,333	1,445,333	1,445,333	800,000	800,000	400,000	200,000	200,000
Statutory Reserves	113,852	95,361	73,318	136,128	108,437	65,161	20,990	10,748	8,042	3,013
Retained Earnings	1,161,431	1,056,934	845,509	503,063	370,071	246,973	118,129	55,031	13,618	20,917
Total Equity	2,720,616	2,597,628	2,364,160	2,084,524	1,923,841	1,112,134	939,119	465,779	221,660	223,930
Total Liabilities & Equity	12,698,479	11,035,808	8,846,956	8,084,359	7,257,475	6,747,976	4,396,559	3,255,991	2,078,496	1,384,580
Investor Information										
Gross Dividend (Rs.)	175,253	248,000	206,667	107,467	107,467	85,333	42,667	20,000	10,000	15,000
Dividend per share (Rs.)	1.06	1.50	1.25	0.65	0.65	0.79	0.40	0.25	0.25	0.38
Dividend Cover (Times)	2.11	1.78	1.88	2.50	2.39	2.53	2.80	2.71	1.27	2.43
Net Assets Per Share (Rs.)	16.46	15.71	14.30	12.61	13.17	10.33	14.83	8.22	11.08	11.20
Market Price Per Share (Rs.) -Maximum	23.60	27.90	21.40	15.70	18.50	44.20	55.70	-	-	-
Market Price Per Share (Rs.) -Minimum	16.60	16.50	12.00	10.50	10.90	15.20	35.00	-	-	-
Share Price as at Year End (Rs.)	17.10	18.10	18.30	12.10	12.60	16.20	36.50	-	-	-
Price Earning Ratio (Times)	7.64	6.79	7.78	7.45	7.18	8.09	19.35	-	-	-
Earnings Per Share (After Tax)	2.24	2.67	2.35	1.62	1.76	2.00	1.89	0.96	0.64	1.82
Ratios										
Annual Income Growth (%)	23.51	6.41	4.82	7.93	37.44	27.43	42.16	53.15	78.59	56.25
Growth In Interest Expenses (%)	42.27	2.80	-11.86	2.35	81.97	44.09	-10.56	11.72	93.17	126.60
Growth In Non Interest Expenses (%)	34.59	-0.43	-2.82	9.43	20.11	21.21	64.21	89.51	56.31	26.62
Growth In Profit After Tax (%)	-15.71	13.70	44.36	4.53	18.94	80.55	120.73	325.09	-65.04	228.25
Growth In Advances (%)	15.11	27.99	11.27	6.93	6.60	54.28	34.43	66.37	51.08	59.92
Growth In Deposits (%)	1.16	-23.53	-2.97	28.88	21.08	45.59	24.02	38.26	70.97	122.55
Growth In Shareholder's Fund (%)	4.73	9.88	13.41	8.35	72.99	18.42	101.62	110.13	-1.01	2.94
Equity: Assets (%)	21.42	23.54	26.72	25.78	26.51	16.48	21.36	14.31	10.66	16.17
Debt: Equity (Times)	3.41	2.95	2.43	2.69	2.59	4.73	3.36	5.49	7.60	4.62

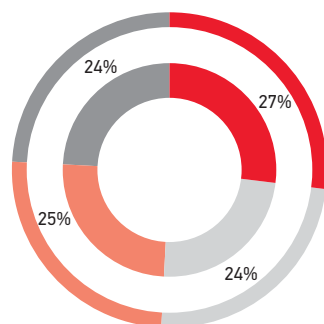
Value Added Statement

Year Ended 31st March	2017		2016	
	Rs.	%	Rs.	%
Income Earned by Providing Financial Services	2,418,122,004		1,982,888,590	
Cost of Services	(1,449,403,455)		(1,056,580,133)	
Value Added by Financial Services	968,718,549		926,308,457	
Non-Financial Income	192,175,451		130,507,126	
Provision for Impairment Losses	(70,540,741)		(29,143,097)	
	1,090,353,259		1,027,672,486	
Value Allocated				
To Employees as Remuneration	353,893,133	32	281,589,606	27
To Shareholders as Dividend	175,253,334	16	248,000,001	24
To Government as Tax				
- Income Tax	213,238,042	20	183,305,830	18
- FS VAT	109,316,438	10	69,799,573	7
To Business Expansion and Growth				
- as Depreciation	58,929,810	5	29,470,447	3
- as Retained Earnings	194,575,969	18	192,854,733	19
- as Deferred Taxation	(14,853,467)	-1	22,652,296	2
	1,090,353,259	100	1,027,672,486	100



Value Distribution 2016/17

- To employees as remuneration
- To shareholders as dividend
- To government as tax
- To business expansion and growth



Value Distribution 2015/16

- To employees as remuneration
- To shareholders as dividend
- To government as tax
- To business expansion and growth

Share Information

1. Stated Capital

	31st March 2017	31st March 2016
Issued and Fully-paid Capital (Rs.)	1,445,333,342	1,445,333,342
No. of Shares- Ordinary Shares	165,333,334	165,333,334
Class of shares	Ordinary Shares	
Voting Rights	One Vote per Ordinary Share	

2. Stock Exchange Listing

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

3. Directors Shareholdings

Name of the Director	31st March 2017 No of Shares	31st March 2016 No of Shares
Dr. S. Kelegama	-	-
Mr. J.A. Setukavalar	-	-
Mr. N.I. Russel de Mel	-	-
Mr. J. Hyun	-	-
Mr. G.J. Walker	-	-
Mr. N.J.K. Dissanayake (Appointed w.e.f. 1st July 2016)	-	-
Mr. J. Kan (Resigned w.e.f. 30th June 2016)	-	-
Mr. R.S. Wijeweera (Chief Executive Officer)	31,003	31,003
Mr. J. Mendis	59,000	59,000
Mr. S. Ramanathan (Alternate Director to Mr. J.J. Hyun)	-	-
Mr. K.K.L.P. Yatiwella (Alternate Director to Mr. G.J. Walker)	15,000	15,000
Mr. C.A. Samarasinghe (Alternate Director to Mr. N.J.K. Dissanayake) (Appointed w.e.f. 5th May 2016)	-	-
Mr. T.A. Amarasuriya (Alternate Director to Mr. R.S. Wijewera) (Appointed w.e.f. 5th May 2016)	43,555	43,555
Mr. A.G.I.H. Perera (Alternate Director to Mr. J. Mendis) (Appointed w.e.f. 5th May 2016)	8,000	8,000

4. Analysis of Shareholders According to the Number of Shares as at 31st March 2017

No. of Shareholders: 31st March 2017 - **7,133** (31st March 2016 - 7,431)

Shares	Resident Shareholders			Non Resident Shareholders			Total Shareholders		
	No.of Holders	Total Holdings	%	No.of Holders	Total Holdings	%	No.of Holders	Total Holdings	%
1 - 1000	5,211	2,328,817	1.41	11	6,810	-	5222	2,335,627	1.41
1001 - 10000	1,524	5,332,801	3.23	13	66,012	0.04	1537	5,398,813	3.27
10001 - 100000	337	10,245,932	6.20	8	257,270	0.16	345	10,503,202	6.35
100001 - 1000000	31	7,840,764	4.74	1	500,000	0.30	32	8,340,764	5.04
1000001 - 10000000	2	5,823,874	3.52	-	-	-	2	5,823,874	3.53
OVER 10000001	1	132,931,054	80.40	-	-	-	1	132,931,054	80.40
	7,106	164,503,242	99.50	33	830,092	0.50	7,139	165,333,334	100.00

5. Analysis of Shares

Categories of Shares	31 st March 2017		31 st March 2016	
	No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares
Individuals	6,956	18,931,465	7,254	20,570,557
Institutions	183	146,401,869	182	144,762,777
	7,139	165,333,334	7,436	165,333,334

6. Market Value Per Share

For the Year Ended 31st March	2017		2016	
	Rs.	Date	Rs.	Date
Highest Value per share during the Year	23.60	16th May 2016	27.90	12th Aug 2015
Lowest Value per share during the Year	16.60	24th March 2017	16.50	9th March 2016
Closing Price	17.10	31st March 2017	18.10	31st March 2016

7. Dividends

Interim Dividend 2016/17 - **Nil** (2015/16 - Nil)

Final Dividend 2016/17 - **Rs. 1.06/-** (2015/16 - Rs. 1.50/-)

Share Information

8. Twenty Largest Shareholders

As at 31st March		2017	
Name		No of Shares	%
1	Singer (Sri Lanka) Limited	132,931,054	80.40
2	Employees Trust Fund Board	3,440,878	2.08
3	Associated Electrical Corporation Ltd	2,382,996	1.44
4	Mrs.Hemalatha Gracelin Elizabeth Arumugampillai	556,000	0.34
5	United Motors Lanka Plc	555,729	0.34
6	Ceylon Investment Plc	500,000	0.30
7	Elgin Investments Ltd	500,000	0.30
8	Hatton National Bank PLC / Shakir Asgerally Lukmanjee	452,000	0.27
9	Unimo Enterprises Ltd	426,997	0.26
10	Mercantile Investments And Finance PLC	400,000	0.24
11	Seylan Bank PLC / Lasantha Chandika Ranaweera Pathirana	375,956	0.23
12	People's Leasing & Finance PLC / Hi Line Trading (Pvt) Ltd	372,844	0.23
13	Mr. Chelliah Ramachandran	365,200	0.22
14	A E C Properties (Pvt) Ltd	360,000	0.22
15	Mr. Arunasalam Sithampalam	333,325	0.20
16	Mr. Ganegoda Hitirachchige Sarath Kumara	317,555	0.19
17	Seylan Bank Plc / Channa Nalin Rajahmoney	288,364	0.18
18	Mr. Loku Narangodage Sarath Kumara Samarasinghe	275,000	0.17
19	Mr. Vidyaratne Ganitaguruge Kulatunge Vidyaratne	205,000	0.12
20	Pan Asia Banking Corporation / A.C. Jayasinghe	185,206	0.11
		145,224,104	87.84
	Others	20,109,230	12.16
		165,333,334	100.00

As at 31st March		2016	
Name		No of Shares	%
1	Singer (Sri Lanka) PLC	132,931,054	80.40
2	Employees Trust Fund Board	2,381,000	1.44
3	Associated Electrical Corporation Ltd	1,169,356	0.71
4	Mr. Mushtaq Mohamed Fuad	759,819	0.46
5	Mrs. Hemalatha Gracelin Elizabeth Arumugampillai	680,487	0.41
6	Mr. Shakir Asgerally Lukmanjee	677,266	0.41
7	Mercantile Investments And Finance PLC	501,000	0.30
8	Mr. Chelliah Ramachandran	500,000	0.30
9	Mr. Christopher Rohan Martin	454,994	0.28
10	A E C Properties (Pvt) Ltd	400,000	0.24
11	Mr. Arunasalam Sithampalam	400,000	0.24
12	Seylan Bank Limited/Ruwan Prasanna Sugathadasa	365,200	0.22
13	Mr. Loku Narangodage Sarath Kumara Samarasinghe	360,000	0.22
14	Mr. Gunasena Dangampola	349,778	0.21
15	Waldock Mackenzie Limited/Mrs. A.C. Jayasinghe	337,644	0.20
16	Mr. Periyasaami Pillai Thevarajah	333,325	0.20
17	Mr. Vidyaratne Ganitaguruge Kulatunge Vidyaratne	288,364	0.18
18	Mr. Kadupitige Gabriel Gerard Fernando	275,000	0.17
19	Mr. Saifuddin Esmail Patel	254,790	0.15
20	Asha Financial Services Limited/Mr. C.N. Pakianathan	240,664	0.15
		143,659,741	86.89
	Others	21,673,593	13.11
		165,333,334	100.00

9. Public Holdings

Public holding as at 31st March 2017 is **19.50%** (31st March 2016 is 19.53%).

10. Share Trading

For the Year Ended 31st March	2017	2016
Number of Transactions	5,073	8,950
Number of Shares Traded	10,150,221	25,579,590
Value of Shares Traded (Rs.)	213,049,363	616,201,644

11. Record of Scrip Issues

Year ended 31st March	Issue	Basis	No. of shares	Share Capital Rs'000
2011	Prior to Public Issue	-	80,000,000	400,000
2011	Initial Public Issue	-	106,666,667	800,000
2012	Rights Issue (at Rs.11.20)	1 : 0.55	165,333,334	1,445,333
Total No. of Shares			165,333,334	1,445,333

12. Listed Debentures

Details regarding the listed debentures are as follows:

	Interest rate of Comparable Government Securities as at Issue Date (%)
Fixed rate 14.25% debentures unsecured redeemable on 10.09.2017	11.17
Fixed rate 14.50% debentures unsecured redeemable on 10.09.2018	11.17
Fixed rate 9.95% debentures secured redeemable on 16.06.2020	8.35
Fixed rate 11.50% debentures secured redeemable on 06.04.2019	13
Fixed rate 12% debentures secured redeemable on 06.04.2020	13

Interest rate of Comparable Government Securities as at 31st March 2017 was 12.89%

Highest traded price, lowest traded price, last traded price as at 31st March 2017, interest yield and yield to maturity of trade are as follows:

	Highest Traded Price Rs.	Lowest Traded Price Rs.	Last Traded Price Rs.	Interest Yield %	Yield to Maturity %
Fixed rate 14.50% unsecured redeemable debentures	102.00	102.00	102.00	15.31	13.40
Fixed rate 11.50% secured redeemable debentures	100.00	98.45	99.88	12.01	11.82
Fixed rate 12% secured redeemable debentures	100.00	100.00	100.00	12.55	11.99

Debt/equity ratio, Interest Cover and Quick asset ratio are given in Financial Highlights on Page No. 04 of this report.

Glossary of *Financial Terms*

Accounting Policies

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

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortization

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

Available For Sale - Financial Instruments

All assets not in any of the three categories namely held to maturity, fair value through profit or loss and loan and receivables. It is a residual category does not mean that the entity stand ready to sell these all the time.

Borrowings

All interest bearing liabilities.

Capital Adequacy Ratio

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international best practices on maintenance of capital for financial Institutions, to suit the local requirements.

Capital Employed

Total assets less interest free liabilities, deferred income and provisions.

Cash Equivalents

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

Capital Reserves

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

Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Contingent Liabilities

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

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and other.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Debt

Total liabilities, excluding deferred income.

Deferred Taxation

The net tax effect on items which have been included in the income statement, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover

Profit attributable to ordinary shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Earnings per share(EPS)

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

Equity

Shareholders' fund.

Fair Value

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

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 recognized when cash is actually collected) after when six instalments or more are overdue, as there is reasonable doubt regarding the collectability of its instalments of capital and interest.

Held To Maturity Investments (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

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

Parent

A parent is an entity which has one or more subsidiaries.

Price Earnings Ratio

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

Related Parties

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

Return on Average 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.

Supplementary Capital

Supplementary capital that consist of revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments that combine characteristics of equity and debt.

Working Capital

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

Notice of *Annual General Meeting*

SINGER FINANCE (LANKA) PLC

[Company Registration No. PB 813 PQ]

NOTICE is hereby given that the Tenth Annual General Meeting of Singer Finance (Lanka) PLC will be held on Tuesday, 27th June 2017, at Singer Finance (Lanka) PLC, No. 80, Nawam Mawatha, Colombo 02, at 10.00 a.m.

AGENDA

1. To receive, consider and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2017 with the Report of the Auditors thereon.
2. To elect Mr. Nayana Jagath Kumar Dissanayake who was appointed as a Director of the company and is being recommended for election
3. To re-elect Mr. Jayendran Arulraj Setukavalar who retires by rotation and who being eligible is being recommended for re-election.

4. To Authorise Directors to determine contribution to charities.
5. 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

(Sgd.)

P. Liyanage (ACA,ACMA(UK),CGMA)
Secretary
Singer Finance (Lanka) PLC

Colombo
02nd June 2017

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/her.

Form of Proxy

I / We of
 being a Member/
 Members of the above-named Company, hereby appoint
 of
 or failing him/her

- | | | |
|---|-------------------------------------|----------------|
| 1 | Dr. Saman Kelegama | or failing him |
| 2 | Mr. Jayendran Arulraj Setukavalar | or failing him |
| 3 | Mr. Nilendra Imal Russell De Mel | or failing him |
| 4 | Mr. Gavin John Walker | or failing him |
| 5 | Mr. John J. Hyun | or failing him |
| 6 | Mr. Nayana Jagath Kumar Dissanayake | or failing him |
| 7 | Mr. Robert Shanthapriya Wijeweera | or failing him |
| 8 | Mr. Janaka Mendis | |

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 Tuesday, 27th June 2017, at Singer Finance (Lanka) PLC, No. 80, Nawam Mawatha, Colombo 02, 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 2017 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To elect Mr. Nayana Jagath Kumar Dissanayake as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Jayendra Arulraj Setukavalar who retires by rotation	<input type="checkbox"/>	<input type="checkbox"/>
4. To Authorise Directors to determine contribution to charities.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint 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 2017

Signature of Shareholder

Instructions for Completion of Form of Proxy

- If a Proxy other than the names mentioned overleaf is preferred, delete the names printed and add the name of the Proxy preferred and initial the alteration.
- Please indicate how your Proxy should vote by marking "X" in the cage provided for each resolution. If no indication is given, or if there is, in the view of the Proxy Holder, any doubt (by reason of the manner in which the instruction contained in the Proxy have been completed) as to the way in which the Proxy Holder should vote, the Proxy Holder in his/her discretion may vote as he/she thinks fit.
- A Company/Corporation should execute the Proxy under its seal in the manner authorised by its Articles of Association or Statute creating it or under the hand of an Officer or Attorney duly authorised.
- If the Form of Proxy is signed by an attorney, a certified copy (certified by Notary Public) of the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company and the original of the Power of Attorney should be produced for inspection at the meeting if required.
- Unless the completed Form of Proxy is deposited at the Registered Office of the Company at No. 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. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Accounting Year

31st March

Registered Office

No.80, Nawam Mawatha,
Colombo 02, Sri Lanka.

Telephone : 94-11-2316416 /2303717

Fax : 94-11-2303715

E-mail : financecompany@singersl.com

Company registration Number

Old – N (PBS) 1171

New – PB 813 PQ

Tax Payer Identification Number

134011718

Bankers

Bank of Ceylon

Commercial Bank of Ceylon PLC

Deutsche Bank

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Sampath Bank PLC

Seylan Bank PLC

Auditors

KPMG

Chartered Accountants

No.32A, Sir Mahamed Macan Markar

Mawatha,

P.O.Box 186,

Colombo 03.

Registrars

Business Intelligence Ltd

No.08, Tickell Road,

Colombo 08.

Secretary

Pramila Liyanage

Lawyers

Neelakandan & Neelakandan

Attorneys-at-Law & Notaries Public

M&N Building (Level 5),

No.02, Deal Place,

Colombo 03.

Directorate

Dr. Saman Kelegama

Chairman / Director

Mr. J. A. Setukavalar

Senior Independent Non- Executive Director

Mr. N. I. Russell De Mel

Independent Non- Executive Director

Mr. J. J. Hyun

Non Executive Director

Mr. G. J. Walker

Non Executive Director

Mr. J. Kan

Non Executive Director

(Resigned w.e.f. 30.06.2017)

Mr. Jagath Dissanayake

Non Executive Director

(Appointed on 01.07.2016)

Mr. R. S. Wijeweera

Executive Director / Chief Executive Officer

Mr. J. Mendis

Non Executive Director

Mr. S. Ramanathan

Alternate Director to Mr. J. J. Hyun

Mr.K.K.L.P. Yatiwella

Alternate Director to Mr. G. J. Walker

Mr. Chandana Samarasinghe- Alternate

Director to Mr. Jagath Dissanayake

Mr. Thushan Amarasuriya – Alternate

Director to Mr. R.S. Wijeweera

Mr. Iman Perera – Alternate Director to Mr.

Janaka Mendis

Senior Management

Mr. R. S. Wijeweera

Director / Chief Executive Officer

Mr. Thushan Amarasuriya

Head of Finance

Mr. Iman Perera

Head of Business Development

Mr. R. I. Jayasuriya

Head of Credit & Recoveries

Mr. J. Wijeyagoonewardene

Head of Deposits

Mr. Thilan Rupasinghe

Head of Cards

