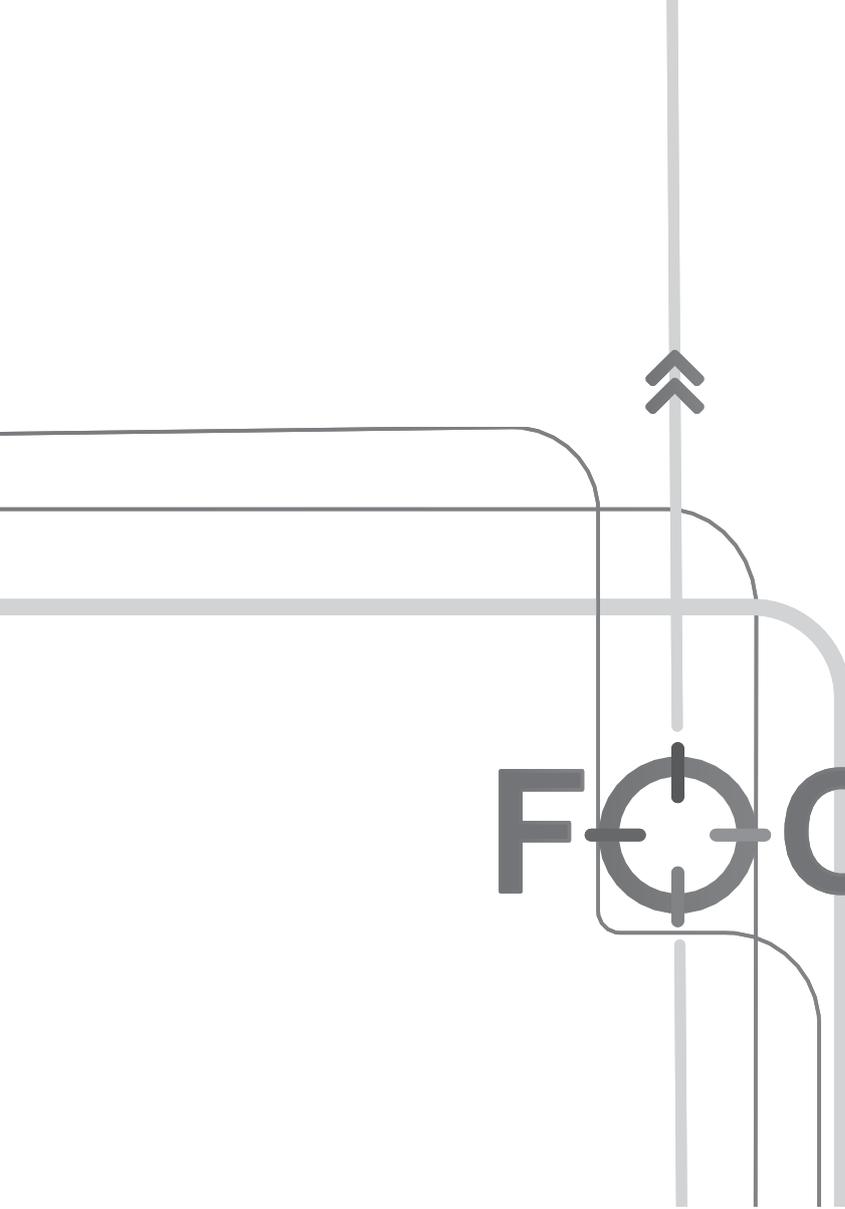


FOCUSSED
SECURELY AHEAD

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FOCUSSED

SECURELY AHEAD

Our solid track record over the years demonstrates our commitment to excellence and consistent performance. The strength we derive from being a part of the strongest conglomerate in the country gives us the impetus to move ahead with greater strength and fortitude. Marking our journey with many milestones we have with a far-sighted vision and focused strategies to create an indelible impact in the financial services space.

About this Report

Singer Finance (Lanka) PLC, a subsidiary of Singer (Sri Lanka) PLC was incorporated on 19th April 2004 to operate as a finance leasing entity within the provisions of the Finance Companies Act No. 78 of 1988 as amended by Act No. 23 of 1991, which was subsequently replaced by the Finance Business Act No. 42 of 2011. The Company envision to become the foremost finance company in Sri Lanka and engages in the financing of capital goods, agricultural equipment and a variety of products marketed by Singer Sri Lanka, and of their own. With a foundation build on Synergy, Stability and Service excellence, the Company continue to grow as a reliable financial institution within the industry.

This report presents key financial and non-financial performance of Singer Finance (Lanka) PLC in the financial year 2019/2020.

OUR VISION

To be the foremost Finance Company in Sri Lanka.

OUR MISSION

To continuously improve the quality of life of Sri Lankans by providing convenient financial solutions whilst encouraging savings by providing the most friendly and reliable fixed deposit services within the regulatory framework.

OUR VALUES

Community

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

Competitors

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

Consumers

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

Employees

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

Environment

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

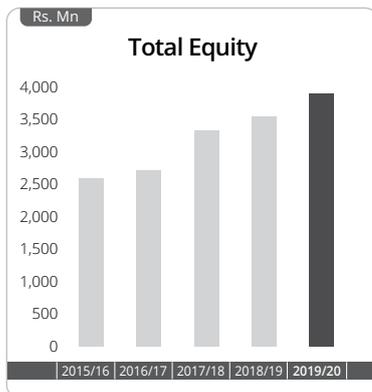
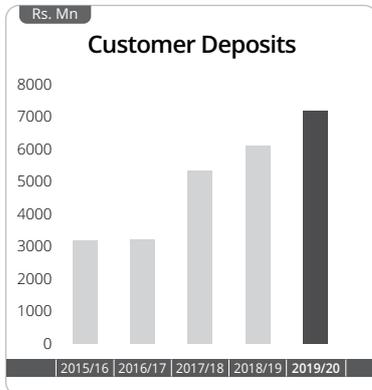
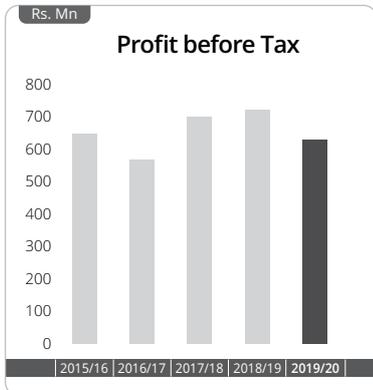
Shareholders

We provide a reasonable return while safeguarding their investment.

ABOUT SINGER FINANCE

Singer Finance (Lanka) PLC, a subsidiary of Singer (Sri Lanka) PLC was incorporated on 19th April 2004 to operate as a finance leasing entity within the provisions of the Finance Companies Act No. 78 of 1988 as amended by Act No. 23 of 1991, which was subsequently replaced by the Finance Business Act No. 42 of 2011. With an avowed mission to become the foremost finance company in Sri Lanka, Singer Finance engages in the financing of capital goods, agricultural equipment and a variety of products marketed by Singer (Sri Lanka), and of their own.

Key Data



Branches	2018/19	2019/20
	28	35
Net Assets per Share (Rs)	2018/19	2019/20
	17.54	19.35

Employees	2018/19	2019/20
	518	624
Mega Service Centers	2018/19	2019/20
	12	11

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SRI LANKA 2019



Financial Highlights

For the year ended 31st March	2020	2019	Change (%)
Financial Performance (Rs. '000)			
Gross Income	4,598,412	4,129,759	11
Interest Income	4,310,449	3,818,504	13
Interest Expense	1,991,392	1,645,624	21
Profit before Tax	630,310	722,904	(13)
Income Tax Expense	241,269	181,170	33
Profit after Tax	389,041	541,734	(28)
Revenue to the Government	670,645	555,419	21
Gross Dividends	-	222,281	(100)
Financial position at the year end (Rs. '000)			
Total Equity	3,909,182	3,543,936	10
Deposits from Customers	7,175,552	6,095,816	18
Hire Purchase, Leases, Loans & Advances	20,157,566	17,848,131	13
Total Assets	22,547,442	19,539,068	15
Growth In Advances (%)	13	24	(11)
Growth In Deposits (%)	18	14	4
Investor Information			
Earnings per Share (Rs.)	1.93	2.68	(28)
Dividend per Share (Rs.)	-	1.10	(100)
Net Assets per Share (Rs.)	19.35	17.54	10
Price Earning Ratio (Times)	4.47	4.70	(5)
Dividend Payout Ratio	-	41.03	(100)
Dividend Cover (Times)	-	2.44	(100)
Ratios			
Gross Non-Performing Advances Ratio (%)	5.01	3.10	
Net Non-Performing Advances Ratio (%)	1.40	-0.06	
Non Interest Expense (Personal Cost, Admin, Selling, Impairment and VAT on FS) to Gross Income (%)	42.99	42.65	
Gross Interest Margin (%)	53.80	56.90	
Net Interest Margin (NIM) (%)	11.71	12.91	
Return on Assets (After Tax) (%)	1.85	3.04	
Return On Average Shareholder's Fund (%)	10.44	15.75	
Interest Cover (Times)	1.32	1.44	
Equity : Interest Bearing Liabilities (Times)	0.22	0.24	
Debt : Equity Ratio (Times)	4.46	4.19	
Quick Assets Ratio (%)	0.79	0.81	
Fitch Rating	BBB[ka]	BBB[ka]	
	Outlook Stable	Outlook Stable	
Statutory Ratios			
Liquid Assets (%)	11.77	10.49	
Core Capital Ratio (%) Minimum Requirement 6.5%	13.87	14.08	
Regulatory Capital to Risk Weighted Assets (%) (Minimum Requirement 10.5%)	13.87	14.08	
Shareholders Funds : Public Deposits (%) (Minimum Requirement 10%)	54.48	58.14	

Chairman's Review

“Although the company was unable to replicate profitability levels of FY2018/19, it still managed to gather sufficient forward momentum in the second half of the year...”

Dear Shareholders,

I would like to welcome you to the Thirteenth Annual General Meeting of Singer Finance (Lanka) PLC and place before you the Annual Report and Audited Financials for FY2019/20. We have every reason to be proud of our resilient performance through the year under review which marked two extraordinary incidents, one at the beginning and other at the end with devastating impact on the economy. Although the company was unable to replicate the achievements of FY2018/19, your company has still managed to gather sufficient momentum in the second half of the year despite the initial setback in the immediate aftermath of the Easter Sunday attack. The proactive management team at Singer Finance proved equal to the task, managing to steer the company to safety despite significant challenges posed through the year under review.

Economic Backdrop

Sri Lanka's economic performance in 2019 was influenced by the spill-over effects of the Easter Sunday attacks in April 2019, political instability and the Presidential election, along with a downturn in tourism and construction sectors. The Central Bank continued to take policy measures aimed at reducing pressures on Balance of Payments (BOP) and the exchange rate, which together with steps taken to revive the economy, contributed to notable slippages in the fiscal sector. During the year under review, growth of credit to the private sector declined sharply, driven by subdued economic activity and weak business confidence, affecting the performance of the financial sector. The COVID-19 outbreak which spread all over the world, eventually engulfed Sri Lanka, eroding any prospect of further

economic recovery in the last quarter of the financial year.

Globally, economic growth recorded its weakest pace since the end of global financial crisis a decade ago, reflecting common influences across countries and country-specific factors. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally.

Performance of Leasing Finance Companies (LFCs)

The lack of business confidence and the effects of the April attacks caused the LFC sector performance to deteriorate during the year, with negative credit growth, declining profitability and increase in Non-Performing Loans (NPLs) The Central Bank continued to take prudential measures to maintain the stability of the sector with much consideration on reviving LFCs with supervisory guidance. The total asset base of the Non-bank Financial Institutions (NBFI) stood at Rs. 1,432.7 billion, which expanded marginally by 0.1% (Rs. 1.3 billion) during the year, compared to a 5.6% growth reported in 2018. Lending activities of the sector slowed during 2019 in response to prudential policy measures to curtail importation of motor vehicles and directions of Loan-to-Value (LTV) ratios for credit facilities granted in respect of motor vehicles. The prevailing higher market interest rates on lending, and sluggish economic and commercial activities due to loss of business confidence added to the detriment of the NBFI Lending.

Company Performance

The company recorded Profit before tax (PBT) of Rs. 630.3 Mn and Profit after tax (PAT) of Rs. 389 Mn. Meanwhile, gross income increased to Rs. 4.6 Bn. from Rs. 4.1 Bn.

Notwithstanding the less – than – ideal operating environment, the Company expanded its income earning portfolio by 12.9% to Rs 20.157 Bn and the deposit base by 18% to Rs 7.176 Bn. These are two significant KPI's frequently monitored in the industry and the comparison of this performance vis a vis the industry indicates a superlative performance which would stand in good stead going forward as the portfolio will accrue interest at a high rate and the deposit base will be re-priced given a low interest regime that is expected to last in the first three quarters of the next financial year.

Our Non Performing Advances (NPA) ratio as of 31 March 2020 increased to 5.01% compared to the last 3-month average of 4.1%, and the increase was mainly attributable to the lockdown, imposed on mid-March 2020 onwards, which resulted in a drastic decline in installment payments by our customers. Nevertheless, our NPA ratio still remains below the industry average of 10.6%.

Singer Finance was on the verge of finalizing a public debenture issue of Rs. 1 Bn and a syndicated loan of Rs. 1.3 Bn from two banks. Demonstrating the resilience and strong relationship with funding partners, your company was able to successfully complete the debenture issue of Rs. 1 Bn while the country was still in the lockdown.

On a positive note, Singer Finance proceeded with the opening of 4 new branches during the year, while three more were relocated to attractive and visible locations. The company extended its branding visibility by changing its facades, an exercise started last year. Singer Finance was supported through the year with the backing of its parents, Singer (Sri

“Sri Lankan businesses are back in operation and getting back to normalcy. Singer Finance has revised its strategies to allow the company to move forward securely and swiftly by overcoming current challenges”

Lanka) and Hayleys PLC. We were able to take advantage of the joint synergies and despite the tough months ahead, we perceive opportunities arising out of the group synergies. Our principles of environmental and social governance are drawn from the group companies which we uphold and deeply value.

Looking Ahead

Sri Lankan businesses are back in operation and gradually resuming to normalcy. Singer Finance has revised its strategies to allow the company to move forward securely and swiftly by overcoming current challenges. We have planned technological enhancements and are taking steps to broaden our deposit base through increasing Fixed Deposits. The company has postponed certain capital expenditure and further recruitment due to prevailing conditions in the country and is carefully monitoring expenses and payments in order to be profitable and liquid in this difficult time. We will re-look at might consider further branch openings towards the latter part of 2020/21.

It is with pride that I bring to your notice that the company remains liquid and has honoured depositor's requests throughout the difficult period. The company has availed funds through various borrowing options and the deposit flow to the company remains positive. As a result of the ceiling rates imposed for deposits and debt, the NBFi sector is not comparatively attractive for prospective depositors and lenders for investments as some banks offer similar rates that of the NBFIs offer and sometimes even go beyond the deposits rates offered by the NBFIs. However, Singer Finance being an established and trusted company still remains attractive to the investors.

Unfortunately, some small scale micro lending and investment companies, which are not registered with the Central Bank of Sri Lanka, are taking the liberty of marketing themselves as 'finance and leasing companies', which puts legally registered NBFIs at a disadvantage. When these unregulated entities fail due to misappropriation of funds, the entire sector suffers from the bad publicity, despite, the Singer Finance and other such registered NBFIs are strictly regulated by the Central Bank of Sri Lanka.

The future looks challenging as the economy is operating well below its potential due to combination of external and internal factors. The current soft patch of the construction sector and gloomy phase of tourism sector has negative impact on the overall economy as these two sectors contribute to a significant share of direct and indirect employments. We remain optimistic that the agriculture sector will perform better in 2020/21, which will favour Singer Finance as many branches are in agri-focused regions.

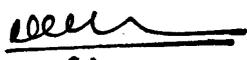
Chairman's Review

“It is with pride that I bring to your notice that the company remains liquid and has honoured depositor requests throughout the period.”

Appreciation

I take this opportunity to place on record my sincere gratitude to the entire team at Singer Finance for their pursuit of financial and operational excellence despite challenging circumstances. I am humbled by the confidence placed in me by my fellow Directors on the Board and the Board of Directors of both parent groups, led by Singer (Sri Lanka) Chairman Mr. Mohan Pandithage and Group Co-Chairman Mr. Dhammika Perera. Our customers, Deposit Holders, suppliers and business partners have remained loyal and form key pillars of our success.

In conclusion, I would like to thank the Governor, the Central Bank of Sri Lanka, Director - Non-Bank Supervision of the Central Bank of Sri Lanka and his officials, the Controller of Exchange and the General Manager and the staff of Credit Information Bureau for guiding us through a challenging year and thank all the banks, lenders & depositors who had maintained trust on us for their continued support.



Aravinda Perera

Chairman -Singer Finance (Lanka) PLC

Colombo
14th May 2020

Chief Executive Officer's Review - Singer Group

“Singer Finance’s mission to continuously improve the quality of life of Sri Lankans by providing convenient financial solutions remains at the forefront ...”

Dear Shareholders,

Despite the numerous challenges posed by the extraordinary turn of events during FY2019/20, Singer Finance (Lanka) PLC contributed the highest profitability to the Singer Group during this period. Cognizant of the serious ramifications that the Easter Sunday attacks in April 2019 would have on its performance for the rest of the year, Singer Finance got down to business and managed the fallout.

Gross income increased to Rs. 4.6 Bn from Rs. 4.1 Bn reported in the previous year, a growth of 11% despite almost the same quantum of lending of Rs. 16 Bn in the previous year, made possible due to prudent lending rates. Meanwhile, Net Interest Income grew by Rs. 146 Mn during the year to reach Rs. 2.3 Bn as at 31st March 2020. Total impairment charges against loans and advances rose as a natural corollary to the extenuating circumstances to Rs. 358 Mn, an increase of Rs. 76 Mn. or 27% over the previous year. Total operating expenses grew by Rs. 140 Mn against the previous year, a creditable performance given the challenging economic and operating environment. Both, the total asset base and the deposit base grew by 15.4% and 17.7% over the preceding financial year. The mix in the deposit base between institutional and retail grew in favour of the latter from 74% in the prior year to 85% in March 2020, fulfilling yet another key internal KPI.

Strategic Direction

In keeping with the future strategy articulated in the previous year’s annual report, the company was on course to enhance cost efficiencies which would enable us to re-invest in areas that would yield better returns. Singer Finance’s mission to continuously improve the quality

of life of Sri Lankans by providing convenient financial solutions remains at the forefront, as we offer greater accessibility to our warm customer service and attractive product portfolio. The Singer Finance brand remains strong and one of the most reputable brands in the industry that has stood the test of time. Adherence to Corporate governance and reporting best practices have been a time honoured good practice of the company. The Silver award won at the 55th Annual Report Awards conducted by CA Sri Lanka in the category of “Finance and Leasing Companies with Total Assets up to Rs. 20 Bn is a personification of our ethos in good governance principles.

I would also like to congratulate Singer Finance for being certified as a ‘Great Place to Work’ in Sri Lanka. Singer Finance, by leveraging on its robust and progressive approach to human capital management, has achieved this certification keeping in line with the Singer Groups time tested credo of being an employee friendly organization. Our people are our brand ambassadors and live the values of the brand in their daily interactions with customers.

Customer - centricity is the cornerstone of the ‘Singer’ brand’s success. Singer Finance operates within Singer Mega outlets, through which Singer Mega customers are able to obtain a range of financial facilities. Recognising the fact the Company operates within a large diversified group of Companies, Hayleys PLC and Singer (Sri Lanka) PLC the Company is well-positioned to optimise group synergies. This is also an opportunity to leverage cross-selling opportunities within the Group.

The Company intends to focus on enhancing the core business whilst

Chief Executive Officer's Review - Singer Group

“The company intends to focus on enhancing the core business whilst infusing technology into products and processes to enrich customer experience ...”

infusing technology streamlining business processes which will enrich customer experiences and increase system efficiencies.

Adapting to a New Normal

The global pandemic has created a host of critical challenges for businesses in Sri Lanka. However, shored by sound fundamentals, Singer Finance looks ahead with optimism. The company has postponed certain capital expenditure initiatives until the situation improves and is devising a strategy to work in the new normal era. The fact that the company's liquidity position is stable and it has taken initiatives to garner more funding to mitigate threats posed by COVID-19, places Singer Finance in a comfortable position to face the prevailing economic condition of the country. A steady inflow of deposits despite the lockdown and curfew reflects the level of trust and confidence placed in the company. Customers were encouraged to use online tools to make payments under the new normal.

Undoubtedly, weaker GDP will impact the performance of every sector and the finance sector is no exception. Lower GDP will mean lower business sentiments, limited business opportunities, lower lending, high arrears and so on. All these factors

will impact profitability in the months ahead. Nevertheless, we have the greatest confidence in the ingenuity of our team and in the wisdom of our parent group to ensure Singer Finance emerges as unscathed as possible from this situation. The government is expected to play a major role in terms of managing the economy in turbulent times ahead. To this end, at the time of writing this report monetary easing by the regulator has resulted in improving liquidity in the market which is expected to stimulate economic growth.

Acknowledgement

I would like to express my thanks to Singer Finance employees, ably guided by the Chief Executive Officer and his committed team for their valuable contribution to the profitability of the parent group. Chairman Mr. Aravinda Perera and the Board of Directors have been instrumental in delivering this notable financial contribution to the Group. I wish to thank the Group Chairman Mr. Mohan Pandithage and Group Co-Chairman Mr. Dhammika Perera for their foresight and vision for the company.

The support received from our stakeholders, including our customers, suppliers and business partners, remains invaluable for our continued success. We are also grateful to the Governor of the Central Bank, Director Non-Bank Supervision of

the Central Bank of Sri Lanka and his officials, the Controller of Exchange and the General Manager and the staff of Credit Information Bureau for supporting our journey as we grow from strength to strength.



Mahesh Wijewardene
Group Chief Executive Officer

Colombo
14th May 2020

Chief Executive Officer's Review

“Whilst we look after our customers, employees and shareholders, there is a world beyond these valuable stakeholders which may need our assistance. We as a responsible corporate citizen have always been committed and cognisant of the need to assist society to the best of our ability.”

Dear Shareholders,

Singer Finance revived its financial performance by regaining momentum in the 2nd half of the financial year amidst a highly turbulent economic environment where external environmental challenges proliferated with the unfortunate set back caused by the Easter Sunday attacks resulting in an already lacklustre economy being plagued by a major slowdown in business activity with a tourism sector led downfall that had a direct impact on other sectors such as transport and construction. At the culmination of the financial year, the spread of the COVID-19 virus into a pandemic situation resulted in far reaching negative outcomes to human lives and economic activity from both a local and global perspective with governments locking down countries with the hope of controlling the spread of the pandemic. Your Company which is built on very solid business principals was poised to grow in double digit numbers in the financial year 2020/21, however, due to the impact of the pandemic, growth expectations are subdued in the 1st quarter of the new financial year. Despite these sentiments I am happy to keep you informed that we have once again marshalled our staff to revisit the basics and begin from where we were forced to slow down. The strategies formulated together with the guidance and support of the board of directors have already shown results and progress, so much so that we are once again confident of recouping our performance from the 2nd quarter onwards.

Economic and Industry Overview

In a year where the rupee devaluation and exchange rate fluctuations had an adverse impact on most industries, the Finance and Leasing industry too was directly impacted due to vehicle prices escalating alongside the sustained control of loan to value ratios in all vehicle categories

imposed by the regulator as a result of policy decisions taken to curtail vehicle imports due to its direct relationship to the unfavourable balance of trade. The impact from both these control measures on Singer Finance was minimal as our portfolio mainly consists of registered vehicle financing in which the price increases have no major impact and the Loan to value ratio value requirement is less compared to financing of brand new vehicles. The market price of gold continued to rise steadily during this period with the highest price of a sovereign in March reaching Rs 79,514 from Rs 58,317/- in the same period last year. Gold loans are an integral product on which the company will focus and the escalation in gold value will provide for growth opportunities in the portfolio.

It was a testing year for the Finance and Leasing industry having to contend with rising non performing assets and fluctuating cost of funds which made it challenging to price financial products. The immediate aftermath of the Easter Sunday attacks saw impact on many customers financially, resulting in a significant portion of the Leased assets being pawned to third parties posing a major challenge in recovery. This resulted in having to reinvent recovery strategies to collect dues. Overall, the Finance and Leasing industry had to face a gloomy outlook with a lot of courage overcoming continuous obstacles in their stride. The Finance House Association worked in unison and lobbied the regulator on some key issues facing the industry. The response from the regulator was quite positive as they took cognisance of key matters which the industry needs to be supported. Together, the industry overcame the major challenges we had to contend with, in turbulent times.

Operating Results

After the Hayley's Group invested in the Singer Group, the Board strategized to shift the company into a growth momentum, having operated

Chief Executive Officer's Review

with a risk averse approach over many years as per the wishes of the previous shareholders. As the Company's fundamentals and capacity to grow are strong, we decided to move ahead despite the external challenges posted by the Easter attacks. We opened new branches in Gampola, Kalutara, Malabe, Gampaha, Corporate branch in R.A De Mel Mawatha and shifted window locations in Vavuniya, Panadura and Wellawatte to more spacious and visible branches in prime locations in these respective towns. We also expanded our gold loan operations into 21 locations as at end of March 2020 compared to 14 locations in the prior year. These investments though increasing our cost to income ratio from 49% in March 2019 to 52% was justifiable from a long term perspective. I am confident that the strategy of the Board to sustain growth momentum even during challenging times will pay rich dividend in the future as Singer Finance moves into the big league of Finance Companies with an Asset base of over Rs 20 Bn.

Singer Finance expanded the income earning assets portfolio by 12.9% to Rs 20.157Bn year on year (YoY). This was a significant increase compared to the industry where growth was stymied. Portfolio growth is a key measure of progress of a finance company and the fact that we were able to embark on a parallel strategy of both expanding our loan book without losing focus on recoveries, differentiates us from the majority of industry players who generally scale down on lending in pursuit of recovery during times of economic upheaval. Although, the NPA ratio increased to 5.01% as at year end this remained way below the industry ratio of 10.6%. The growth in interest income too was impressive as the company moved up from Rs 3.818 Bn to Rs 4.310 Bn or 12.8% YoY. Impairment for bad debts increased by 27% to Rs 358Mn and proved to be the most sensitive cost driver. When the economy improves, it is inevitable

that some of these provisions will be recouped which augurs well for the future. The fixed deposit base of the Company grew by 17.7% to Rs 7.175 Bn most of this increase accrued from the retail deposit base in line with the company strategy to broad base the fixed deposit franchise.

We ended the year with a Profit before tax (PBT) of Rs. 630.3 Mn and Profit after tax (PAT) of Rs. 389 Mn. PAT contracted by 28% over the previous year. This is after the negative growth over PY being as high as 64% in the early months of the financial year followed by a concerted and focused recovery drive to improve results.

A Great Place to Work

I am delighted to inform you that for the second consecutive year, your Company was certified as a "Great Place to Work" by "Great Place to work Sri Lanka". Having previously being reviewed as a part of the wider Singer Group, Singer Finance is now reviewed independently and to be certified in such manner is a great achievement for us, being a young and energetic Company. I am certain that our parent company too is cognisant that the great ethos of looking after Company employees well, a time honoured practice of the Singer Group is sustained by us, ensuring that group wide policies and philosophies are continued.

In the year under review the Company provided 106 employment opportunities and increased the staff strength to 624. The gender mix as of the year end was 77% male and 23% female, whilst most of the marketing positions in our industry are male dominated by default and results in the mix being skewed towards the males, we are cognisant of and wish to improve on the gender balance by offering more opportunities for females. We have made great progress in this regard with the first lady Branch Manager already on board and a new

team of female dominated officers making great progress in the fixed deposits and operational departments of the Company.

New Normal in Work Practices

Our staff braved the initial threats posed by the pandemic and moved into offices in lesser numbers to the previous status quo to conduct necessary official duties with the approval of the relevant authorities. As a result, we ensured that dues of our deposit holders and other stakeholders were paid on time. In order to support and provide convenience, Company paid the monthly interest of deposit holders in advance of the due dates in the months of April and May. Within a very short time period we streamlined our operations enabling opportunity to work from home. This new norm also showed us with first-hand experience that a segment of staff may work from home which will augur well for the future as many businesses continue to face challenges with regard to office space and parking due to congestion. Staff allocated to work from home shall also be able to produce higher levels of efficiency as they adapt to the new normal and come to realise the benefits of not having to face the rigours of travelling, escalated by worsening traffic conditions. It would however, be vital that we find ways of eliminating the downside of alienation from human interaction.

Sustainability and CSR

The Company and the staff are committed towards building a sustainable business environment. As an employment creator we strive to establish jobs that are fulfilling and sustainable. When an employee joins us we ensure that he or she is mentored and developed until reaching the fullness of his or her potential. These are proven by the fact that 167 of our staff are with us for more than 5 years in service. This

is 27% of the total staff count as at end of March 2020 and 32% from the count as of end March 2019. Thus these numbers bears testimony to our credibility as a sought after employer in the country. As a part of our sustainability measures we insist on the highest ethical standards being followed by all employees. We also relentlessly strive to inculcate in our staff the importance of educating our customers on the financial propositions most suitable for them, as some of our new customers are not acquainted to formal financial services, their knowledge in financial instruments of our sector are not as advanced as the banking sector customer. Hence, we believe that educating the customer is one of the priorities of building a sustainable business relationship.

Whilst we look after our customers, employees and shareholders, there is a world beyond these valuable stakeholders which may need our assistance. We as a responsible corporate citizen have always been committed and cognisant of the need to assist society to the best of our ability. A detailed description of activities conducted in the year is reflected in the sustainability report.

Future Prospects

At the time of writing this report, there are many uncertainties in terms of external factors linked with the COVID-19 pandemic. As we did in the previous financial year, the Board and Management wish to seek opportunities that have presented itself within the challenging paradigm. We plan to expand our branch network by at least another six locations during the year ahead. During the pandemic period our teams set out to improve the digital capabilities of the Company with new payment options, internet banking with CEFTS facility, and a mobile application on the verge of being introduced, the successful roll out of these digital amenities will make the customer journey more convenient

offering many opportunities for Singer Finance to capitalise on.

Company made use of the fiscal measures taken by the government to improve liquidity in the market and consolidated our position to exceedingly comfortable levels, thereby, securing the financial position of the company in the aftermath of the Covid-19 lockdown. I can confidently state that our strong liquidity position alleviates any worries that deposit holders had due to industry specific risk. Our deposit marketing teams are positioned to capitalise on this strength as we look at the future with hope of consolidating our base. The company retained the investment grade credit rating of BBB (lka) with a stable outlook by Fitch Ratings. We were also the first organization to successfully raise funds in the market during the lock down period by way of a listed debenture of Rs 1Bn which was oversubscribed on the opening day. These are positive indicators of the strength of the Company's balance sheet and its fundamentals.

Measures taken by the government to reduce the corporate tax rate to 24% and to eliminate the debt recovery levy will improve the effective tax rate of the Company, providing further leverage for growth. We are cognisant of the fact that the government expects financial institutions to pass on some of these benefits to the customers and will embark on a mutually beneficial journey ensuring that expectations of key stakeholders are met to the best of our ability. Our industry has been a significant partner in financial inclusion and contributes to the economic upliftment of the SME and Agriculture sector. Singer Finance has contributed immensely in this regard having a significant number of branches in agro areas and being a leading financier of consumer durables in the sector. We intend to increase our contributions to these sectors in the years ahead as well.

Having entered the big league of finance companies exceeding an asset base of Rs 20Bn, Singer Finance has the correct fundamentals and the strong corporate backing to compete with the top players in the industry, we are poised to relentlessly pursue this objective.

Appreciation

I take this opportunity to place on record my sincere appreciation to all my staff at Singer Finance for their relentless efforts in the year under review despite many challenging circumstances we had to face, a special note of appreciation is extended to the Senior Management team and Regional Management who worked tirelessly providing me close knit support throughout the year.

I am extremely grateful to the Chairman Mr. Aravinda Perera and the Board of Directors, the Board of Directors of both parent groups, led by Singer (Sri Lanka) Chairman Mr. Mohan Pandithage, Group Co-Chairman Mr. Dhammika Perera and Group Chief Executive Officer Mr. Mahesh Wijewardene for their guidance and support. I also thank all other stakeholders who includes our shareholders, customers, deposit holders, suppliers and business partners who have placed their trust on us throughout our journey.

In conclusion, I would like to thank the Governor of the Central Bank, Director - Non-Bank Supervision of the Central Bank of Sri Lanka and his officials, the Controller of Exchange and the General Manager and the staff of Credit Information Bureau for their guidance and support throughout the year.



Thushan Amarasuriya
Chief Executive Officer

Colombo
14th May 2020.

Board of Directors



From left to right

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

Mr. Aravinda Perera
Chairman/Non-Executive Director

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

Mr Aravinda Perera counts over 36 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012. Presently, he is the Managing Director of Royal Ceramics Lanka PLC.

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

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

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

Mr. Jayendran Setukavalar
Senior Independent Non-Executive Director

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

He also serves on the Boards of Swiss Trading Group (Pvt) Ltd and Swiss Hotels Management Academy (Pvt) Ltd. Mr. Setukavalar is a member of the Board of Trustees of Ceylon schools for the Deaf and Blind Sri Lanka. He is also a member of the Board of Governors of the CMS Schools in Sri Lanka and is the current Chairman of its Finance Committee. Mr. Setukavalar is a current Chairman of the Audit committee, Related Party Transactions Review Committee and the alternate Chairman of the Risk Committee of Ceylinco Life Insurance Limited.

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

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

Mr. Priyath Salgado
Independent Non-Executive Director

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

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

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

Mr. Jayanth Perera
Independent Non-Executive Director

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

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

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

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

Mr. Thushan Amarasuriya
CEO/ Executive Director

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

Mr. Amarasuriya was appointed as the Chief Executive Officer of the company on 1st July 2018. He has over 16 years

Board of Directors

of managerial experience in Retailing FMCG, Retailing Consumer Goods and in Financing and Leasing Industry.

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

Prior to joining Singer Finance, Mr. Amarasuriya held many responsible positions at Singer India Retail, Singer (Sri Lanka) PLC and Cargills Food City. He also serves in honorary positions as the treasurer of Saukyadana Movement and Vice President of the Mercantile Cricket Association.

Ms. Darshini Talpahewa Non-Executive Director

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

Ms. Talpahewa joined Hayleys Group in 2010 and is a Member of the Hayleys Group Management Committee. She is responsible for Human Resources, Legal services and Corporate Communications for the Hayleys Group. Serves as a Director of Hayleys Group Services (Pvt) Ltd. and HJS Condiments Ltd.

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

Mr. Mahesh Wijewardene Non-Executive Director

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

Mr. Mahesh Wijewardene was appointed as an Executive Director and the Chief Executive Officer of Singer (Sri Lanka) PLC and its subsidiary companies with effect from 1st November 2018. Mr. Wijewardene holds a Master's Degree in Business Administration from the University of Southern Queensland. He also holds a Diploma in General Management from the Open University of Sri Lanka.

Mr. Wijewardene is the past Chairman of the Ceylon Chamber of Commerce – Import section and Sri Lanka – China Business Council and currently serves in the Executive Council of Sri Lanka Retailers Association. He is a member of the Hayleys Group Management Committee.

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

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

Mr. Sadeep Perera Non-Executive Director

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

Mr. Perera is currently working as the Manager Finance of Vallibel One PLC. He holds a Bachelor of Science in Business Administration (Special) Degree from the University of

Sri Jayawardenapura and is an Associate Member of the Institute of Chartered Accountants of Sri Lanka.

Mr. Lalith Yatiwella Alternate Director to Ms. Darshini Talpahewa

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

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

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

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

Senior Management



Mr. Ruwan Jayasuriya

Ms. Chandrika Alwis

Mr. Joe Wijeyagoonewardene

Mr. Eraj Fernando

Mr. Iman Perera



Mr. Suranga Jayaweera

Mr. Jeevaka Jayawardena

Mr. Thilan Rupasinghe

Ms. Harshani Mapatuna

Mr. Rajindra Gamage

Senior Management

Mr. Iman Perera Chief Operating Officer

Iman was appointed as the Chief Operating officer on 1st July 2018. He counts for over 26 years work experience in the Finance Industry covering retail banking, Business development and Sales/ Marketing functions in Leasing and Asset Financing. He has been heading the branch network and Marketing/ Business Development Division of Singer Finance since 2006.

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

Ms. Chandrika Alwis Consultant to the Chairman

Chandrika joined Singer Finance in 2018, counts over 38 years of experience in the areas of deposits, credit, recoveries including 23 years of experience in gold loans, and her career features many managerial positions.

Chandrika is a specialist in Gold Loans and is regarded as an industry stalwart, having setup Gold Loans successfully in two other Financial institutions prior to joining SFL.

Mr. Ruwan Jayasuriya Chief Credit & Recoveries Officer

Ruwan was appointed as the Chief Credit and Recoveries officer on 1st July 2018. He has been with Singer Group for over 24 years, of which eight years were with the parent company managing sales, administration and hire purchase of consumer durables.

He joined Singer Finance when the company was established in 2004

and is heading Credit, Recoveries and Operations divisions of the company.

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

Mr. Eraj Fernando Head of Finance

Eraj has over 20 years of experience in the field of Accounting, Auditing and Finance, joined Singer group in 2006 and served in Singer (Sri Lanka) PLC, Singer Finance (Lanka) PLC and Regnis (Lanka) PLC.

He has served in the capacity of Company Secretary of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC and Regnis Appliances (Pvt) Ltd. Prior to joining Singer Group, he worked at Ernst & Young as an Assistant Audit Manager.

He holds a MBA from University of Colombo and, is a member of the Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka.

Mr. Thilan Rupasinghe Head of Treasury and Digital Transformation

Thilan joined Singer Finance team in April 2016 as Head of Cards. Thilan has been with the Singer Group for over 27 years, out of which 13 years in the Senior Management. Also, he has worked in the positions of Department Head in Treasury, Financial Services and Budget Departments at Singer (Sri Lanka) PLC.

He holds an MBA from Australian Institute of Business (AIB) Adelaide, Australia. Also, he is an Associate Member of the Institute of Certified Management Accountants of Australia (CMA) and a member of the Association of Business Executives UK (ABE). Currently he is reading for a Doctorate in Business Administration (DBA) from Asia E University, Malaysia. He has served as the Treasurer of Payment Card Industry Association of Sri Lanka (PCIASL). Also he has served as Assistant Treasurer and Committee Member of Association of corporate Treasurers (Sri Lanka).

Mr. Jeevaka Jayawardena Senior Manager-Credit

Jeevaka has been with the Singer Group for over 21 years. He possesses over 16 years experience in Accounting and Finance out of which he has served 15 years in Finance and Leasing industry.

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

Mr. Suranga Jayaweera Senior Manager – Compliance

Suranga has over 12 years experience in the field of Accounting, Auditing and Finance.

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

He functioned as the Chairman of the Subcommittee for Compliance of the Finance Houses Association of Sri Lanka for year 2019/20.

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

Mr. Rajindra Gamage
Business Development Manager–
North Region

Rajindra has 24 years of experience in the field of banking and finance. He joined Singer Finance in 2006.

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

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

Mr. Joe Wijeyegoonewardene
Head of Deposits

Joe has considerable years of working experience both in the public and private sectors holding several positions of which over 38 years have been spent in the Finance Industry heading deposit departments. He is a Justice of Peace (All Island).

Ms. Harshani Mapatuna
Head of Legal

Harshani joined to Singer Finance team in 2019 as Head of Legal.

An Attorneys-at-Law and Notary Public, graduated from the University of Colombo, Faculty of Law in 1994 and possesses 25 years of experience in the finance industry and had held senior positions in leading finance companies, including 5 years at Mercantile Investments Limited and 13 years of experience at LB Finance PLC as Assistant General Manager - Legal prior to joining Singer Finance in 2019 as Head of Legal.

Management Discussion & Analysis



We steadfastly focus on customer expectations and taking every effort to deliver to their requirement. This customer centric approach combined with our service excellence has distinguished us from our competitors..

Economic Overview of FY 2019/2020

Global economy slowed down during 2019, the weakest pace since the global financial crisis a decade ago, mainly due to the heightened trade tensions among the major economies, geopolitical tensions, and reduced domestic demand in key emerging market economies. As stated by World Economic Outlook (WEO) of the IMF, released in April 2020, global economy grew by only 2.9 per cent during the year, compared to 3.6 per cent in 2018. This slowdown was a reflection of lower growth in some of the key countries and regions.

Increasing trade barriers particularly in US and China and associated uncertainty weighed on business sentiment and activity at a global level and in some cases, these developments magnified cyclical and structural slowdowns already under way. Country-specific weakness in large

emerging market economies such as Brazil, India, Mexico, and Russia as well as worsening macroeconomic stress related to tighter financial conditions (Argentina), geopolitical tensions (Iran), and social unrest (Venezuela, Libya, Yemen) rounded out the difficult picture.

The Sri Lankan economy recorded a submissive growth of 2.3 percent in 2019, well below the 3.3 percent in 2018. However, the agriculture, forestry and fishing activities registered a moderate growth in the first half of 2019 compared to the growth in the same period of the preceding year, supported by increased production of oleaginous fruits (coconut, king coconut and oil palm production), rice and animal production sub-sectors. On the contrary, industrial activities recorded a subdued growth compared to the same period in the previous year. This softened performance of the industrial sector was mainly driven by

growth in construction, and mining and quarrying activities. Similarly, services activities slowed down during the first half of 2019 compared to the growth witnessed in the corresponding period in the previous year. During the first half of 2019 calendar year, activities such as financial services, wholesale and retail trade, and other personal services were among the major contributors to growth in Services activities.

The second half of 2019 calendar year was impacted by the spillover effects of Easter attacks which adversely impacted several sectors. Of these, the tourism industry was severely hit affecting many of its related activities, particularly hotel accommodation, food and beverage service activities, transportation of goods and passengers including warehousing activities, and wholesale and retail trade activities dragging down the overall growth performance of the

economy during the quarter as well as of the first half of the year.

Although the Sri Lankan economy was expected to improve towards the end of the year, these prospects have deteriorated considerably in recent weeks following Covid -19 outbreak that led to a country wide shut down in the latter part of the financial year. The tourism industry, private sector businesses and the foreign direct investments badly affected because of prolonged curfew in the key economic hubs of the country posing significant downside risk to the outlook.

Influenced by the repressed economic activity, the unemployment rate increased to 4.8 per cent in the first half of 2019, compared to 4.5 per cent in the previous year while both headline and core inflation remained broadly in the desired range of 4-6 per cent during 2019 in par with the favourable developments in the supply side and subdued demand conditions.

Non-Banking Financial Sector (NBFI)

The slow performing economy in the first half of the year and the political instability, particularly in the period following Easter attacks, observed a moderate performance of the financial sector. In this setup, the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector also displayed a weak performance with falling profits and increase in non-performing loans. The performance of this sector was also challenged by the policy measures to reduce motor vehicle imports that had an impact on the vehicle financing segment, and spillover effects of the Debt Relief program launched by the Ministry of Finance in August 2018.

Both the asset and credit growth deteriorated during the year with total

assets growing by only by 0.8 per cent (Rs.11 billion) to Rs. 1,442.4 billion compared to 3.8 per cent growth reported in the corresponding period of 2018. Likewise, a negative credit growth of 1.9 per cent was recorded during the first eight months of 2019, compared with the 6.4 per cent credit growth recorded in the corresponding period of 2018.

Asset quality of the sector deteriorated during the period with gross NPL ratio increasing to 10.6 per cent from 7.7 per cent reported in December 2018. Nevertheless, the provision coverage ratio slightly increased to 58.0 per cent from the reported level of 57.0 per cent in December 2018. The net NPL ratio remained manageable at 3.1 per cent due to high provisioning for loan losses and high provision coverage ratio. It is expected that NPL will further increase with the uncertain political situation and slowdown in economic activities.

Deposits accounts for 53 per cent of the funding mix within the sector, which is an increase compared to the 50 percent share recorded at end December 2018. Deposits recorded a growth of 6.7 per cent (Rs. 48 billion) during the first eight months of 2019, compared to growth of 4.6 per cent recorded in the corresponding period of 2018. Borrowings of the sector showed a negative growth of 12.3 per cent (Rs. 57 billion), compared to the growth of 11.3 per cent (Rs. 45 billion) recorded in the corresponding period of 2018.

Key prudential indicators of the sector, including capital and liquidity levels, remained positive and above the minimum requirement, except for a few distressed/high-risk LFCs. While the Central Bank continued to monitor key prudential measures with the consideration of reviving

the companies with weak financial positions, necessary actions were taken to cease or limit finance business operations of high-risk LFCs. The objective was to protect the interest of depositors and other creditors thereby ensuring the long-term stability of the financial sector.

Our Strategic Assets

- “Singer”, a heritage brand name
- Financial rating of ‘BBB (lka)’; outlook stable by Fitch Rating Lanka Ltd
- Eminent Board of Directors
- Our ability to introduce innovative financial products to suit the changing customer requirements
- Ability to raise capital and access to funding at competitive rates
- Scattered branch network in the Island
- Facility for customers to settle payments at over 400 plus locations of parent Company Singer Sri Lanka
- Skilled and knowledgeable human capital
- State of the art software capabilities
- Strength of parent Companies
- Organisational Culture (recognized as a Great Place to Work for the second consecutive year)

Our History

Singer Finance is engaged in accepting deposit and extending leases, hire purchase facilities and consumer loans to its customers. The Company has 35 regional branches. In addition, SFLP finances all hire purchase accounts of 11 Singer Mega branches, which is the modern trade channel of the parent Company. SFLP is a profitable operation that is building its own

Management Discussion & Analysis

brand identity on the strength of its robust balance sheet and governance controls, although it draws its recognition from the group brand.

Corporate Information

Singer Finance, a subsidiary of Singer (Sri Lanka) PLC (SSL), was incorporated on 19th April 2004 to carry out finance business within the provisions of the Finance Companies Act No.78 of 1988 as amended by Act No.23 of 1991 and subsequently replaced by Finance Business Act No. 42 of 2011. SFLP obtained the License from Central Bank of Sri Lanka to carry out Finance Leasing business and licensed as a registered "Finance Company" in terms of section 2 of the Finance Companies Act No.78 of 1988. The Company's asset base currently exceeds Rs. 20 billion. SFLP was listed on main board of Colombo Stock Exchange in January 2011 and currently 20.07% of its shares are held by the public.

Strategic Focus

We pursue our growth strategy with a view of creating sustainable value to all our stakeholders in the medium and the long term. To do so, we hope to seize the market opportunities that lies within the sector while expanding out geographical reach across the country. Although we are cognizant of the uncertainties arising in the external environment, we are confident of challenging those uncertainties with prudent planning ahead.

Competitive Approach: We steadfastly focus on customer expectations and taking every effort to deliver to their requirement. This customer centric approach combined with our service excellence has distinguished us from our competitors giving us the competitive edge in the market. This is further consolidated by our

widespread branch network to ensure customer convenience and being affiliated to two corporate giants of Sri Lanka: Singer (Sri Lanka) PLC and Hayleys PLC, our ultimate parent Company.

These unique aspects display our intensity that have made us stand tall amongst our competitors ushering success to the Company over the years.

Products & Market Development Approach: We constantly assess whether the range of products we offer address the changing needs of our clientele. While we are resolute in delivering to suit each customer need, our enhanced customer accessibility through widespread reach, service excellence and continues avenue for engagement and communication with our customer base have allowed us to build a loyal clientele. This has also enabled us to build trust and nurture closer relationships with our customers thereby gauging a clear understanding of their genuine financial aspirations helping us to develop products and services that caters to their needs.

Performance Review

Singer Finance recorded a mixed performance during the year impacted by several external factors. Although we took a careful stance in lending following these external uncertainties, the Company was able to record the highest monthly lending in its history in December 2019, even exceeding it in January 2020. However, this surge in lending was short lived due to Covid 19 outbreak that led to a country wide lockdown.

The Company managed to keep the Non-Performing Assets under control by recording one of the lowest NPA

ratios in the industry. This achievement was the result of hard work and constant follow-ups carried out by the Recovery Department and the field staff. The NPA ratio increased from 4.2% in February 2020 to 5.01% in March 2020 due to the customers inability to make payments following curfew owing to Covid-19 pandemic.

Nevertheless, we are confident that the opening of new branches in enhancing our presence and recruiting new marketing staff to our existing branches to increase lending would help the Company achieve its objectives in the period ahead. The Company made a deliberate effort to control its expenditure and adopted prudent strategies that led to an increase in the Company's retail deposit base.

Several measures were further taken to increase the visibility of the Company and its brand image. The Company was moved into a new head office during latter part of last financial year, which has resulted in improving its corporate identity (where earlier, the Head Office was situated in the parent company building). Besides, efforts were taken to increase brand visibility of the Company by placing new hoardings at strategic locations, launching a new logo and a branch concept. Below-the-line and Above-the-line advertising campaigns were also carried out to enhance the brand image. We also took measures to strengthen our systems and processes through new technology for better efficiency of service delivery.

The Company was named as a Great Place to Work in Sri Lanka conducted by Great Place to Work® while being awarded the Silver Award in the category of Finance Companies and

Leasing companies with Total Assets up to Rs. 20Bn. for 2018/2019 at the 55th Annual Report awards conducted by Institute of Chartered Accountants of Sri Lanka.

The Company also engaged itself with numerous CSR activities and the projects carried out during the year are discussed under Sustainability review.

Our Products

We offer a range of financial solutions to address the credit needs of our customers. They include fixed deposits, savings, leasing, loans comprising of gold loans, factoring, group sales and foreign currency exchange.

Leasing

Singer Finance provides leasing facilities for brand new and second hand vehicles and equipment at competitive rates. The leasing portfolio witnessed a growth during the year impacted by several external factors within the industry. The portfolio recorded Rs. 15 Bn (2019 - Rs.14 Bn), at a growth rate of 7% during the year exceeding the industry growth. This increase was mainly due to the expansion in branches. Careful assessment of repayment capacity of the customers at the point of lending ensured that the credit quality was not compromised for increase in portfolio.

Group Sales

This unique facility is made available to staff of reputed organisations in both public and private sectors. Singer Finance being the market leader in this segment is serving the employees of reputed institutions island wide. During the year, the Group Sales portfolio recorded Rs. 484 Mn, a 32% growth compared to the previous year. The Company was able to harness all

available business opportunities, and thus gaining a major share in Group Sales market.

Loans and Advances

Loans and Advances portfolio grew by 34% during the year amounting to Rs. 5.2 Bn (2019 – Rs. 3.9 Bn). Our Gold Loans category progressed considerably from Rs. 340Mn to Rs. 1,265 Mn as a result of opening up of Gold Loans facilities in already established branch network of the Company.

Similarly, the other main loan category, Revolving Loans also increased by 37% from Rs. 1,196 to Rs. 1,637 during the year. Revolving Loans became a popular product of customers as it provides flexibility of repayment and have the ability to structure the loan according to the needs of the customer.

In addition to these two loan categories, most other loan categories under Loans and Advances have shown progress over the year under review. However, Credit Cards have shown a decrease of 81% on its Gross Receivables from Rs. 530Mn to Rs.101Mn due to scaling down the operation in order to remain within the CBSL guidelines.

Deposits

Deposits at the end of the financial year remained at Rs. 7.2Bn (2019 – Rs. 6.1Bn), an 18% growth compared to the previous year, out of which Fixed Deposits amounts to Rs. 7.1Bn (2019 - Rs. 6Bn), a growth of 17%, and Savings Deposits amounts to Rs. 97Mn (2019 – Rs. 54Mn), a growth of 81%.

Out of Fixed Deposits, Retail FD's grew by 34% over last year to Rs.5.8 Bn, and the number of Retail Fixed Deposit

holders increased by 26% over the year. By focusing more on Retail FD's, the Company was able to lower its risk by spreading the FD base among larger number of customers with the aid of our FD canvassing team.

'Singer Muthu' Savings Accounts

Singer Finance launched this product with the intention of providing children with a secured investment at a higher interest rate. This product has a gift scheme and non-gift scheme options. During the year, the product increased by 22% to Rs. 25.8Mn.

Consumer Financing at Singer Mega

Under this scheme, financing is carried out by the Company at Singer Mega outlets owned by the Parent Company enabling Singer Mega customers to purchase products on loan schemes. This Mega loan witnessed only a mere growth of 6% during the year (2020 – Rs. 322Mn, 2019 – 303Mn) due to losing of a high lending period at the end of the year as a result of Covid 19 pandemic.

Management Discussion & Analysis

Key Challenges	Our Response
Easter Sunday attacks in April 2019 slowed down businesses as customers took “wait and see” stance	The Company scaled down lending to high risk segments.
Impairment of the industry went up during the year. Singer Finance managed to control NPA at 5.01% as at 31st March 2020 as opposed to the industry Impairment of 10.6% as at 31st December 2019.	Measures were taken to strengthen the credit criteria apart from carrying out collection drives where the Company was able to achieve lower NPA compared to industry ratios.
Economy slowed down in 2019/2020 due to macro-economic downturn triggered mainly due to Easter attacks in April and negative business sentiments following the attacks.	Lending was carried out after a stringent Credit approval process.
The Covid-19 pandemic impacted economies world-wide, including the local economy. As a result, most of the economic activities came to a standstill with the country wide lockdown.	The Company took measures to canvass Retail FD's and was successful in doing so. We intensified our collection efforts thereby collecting a considerable amount from areas where curfew was lifted. The company was able to Source new funding
Threats	Our Response
Capacity to enhance the footprint of the Company	<ul style="list-style-type: none"> • Opened four new branches • Window operation at Malabe (service center) was upgraded to a branch and shifted from the original venue to a better location • Matara branch was shifted to a better and more spacious venue
Threat of employees leaving the industry	We were able to recruit experienced and skilled employees to the Company due to being a sought after employer
Country wide lockdown due to Covid-19 pandemic	New working habits such as Work from home
Threats	Our Response
Cyber threats	Availability of necessary IT security infrastructure to identify and prevent such threats. Employees were constantly educated on preventing measures that should be taken to safeguard the infrastructure from Cyber risks
Possibility of encounter with a Covid-19 infected person	Employees were educated on best health practices while putting in place the necessary health infrastructure in all the branches as well as at the head office
Increase in arrears due to Easter Attacks and Covid-19 outbreak	We intensified collections through a focused approach Introduced online payment capabilities
Maintaining Liquidity	The Company adopted following strategies to stay liquid <ul style="list-style-type: none"> • Focus on collections • Expanded the FD based leveraging on the trust placed in us • Successfully raised funds by way of Debentures, Securitizations and Bank Loans

Moving Ahead

Key challenges ahead for the Company and the sector

The year started and ended with two key challenges; namely, Easter attacks in April and the Covid-19 outbreak that impacted the Company as well as the entire business fraternity of the country. Although the Company was on a path to recovery following Easter attacks, witnessing increased business activity in the second half of the year, it was once again hindered by the Covid-19 outbreak that led to a country wide lockdown at the end of the financial year.

Furthermore, the NPA of the industry increased considerably and was at 10.6% as of December 2019, though there should have been a higher percentage for the sector that ends the financial year on the 31st March 2020. However, the Company maintained an NPA of 4.2% prior to Covid-19 outbreak, and as at the end of financial year it rose to 5.01% following the restrictions imposed following Covid-19 outbreak. Nevertheless, one encouraging factor was the reduction in borrowing costs due to rate reduction by the government.

The NBFi sector also was not appealing to the stakeholders to invest given the ceiling rates imposed for Deposits and Debts. Besides, some Banks offering rates close to the rates offered by NBFi's and sometimes even going beyond the Deposit rates that are offered by NBFi's has further aggravated the situation.

Another critical issue is the negative publicity associated with the entire NBFi sector in Sri Lanka. The fact

that both the unregistered small-scale lending companies as well as NBFi's registered under the CBSL are identified in general at same level without being clearly distinguished as separate entities have created a negative impression for the entire industry.

Future prospects for company

In this backdrop, the Company foresees opportunities for business progression given the synergistic advantage as part of Hayleys PLC. The businesses being back on track in the aftermath of Covid-19 despite negative predictions as well as our revised strategy in moving ahead is expected to drive the Company forward in the near term. However, the increasing NPA and negative publicity of the sector remains a critical challenge to the progress of the sector.

In moving ahead, Singer Finance will focus on its core business areas while carrying out technological enhancements where necessary. The Company will continue to focus on Fixed Deposits that observed a steady growth throughout the financial year given the Company's reputation as an established and a trusted business entity. Following restarting of business in the aftermath of Covid-19 pandemic, we have continued our collection efforts to reduce the arrears caused by lockdown and have provided the customers with an online payment option to make payments.

Also, given the current situation in the country, we have been mindful in postponing certain capital expenditure and recruitment while carefully monitoring expenses and payments

in order to be profitable and liquid during these challenging times. We have also revised our forward plan and are monitoring the progress constantly against the new economic and political developments.

Going ahead, we plan to open new branches towards latter part of the year and will continue to provide our core products and services while leveraging on new technologies to strengthen our systems and processes as well as to support efficient service delivery.

Sustainability Report

We deliver value to the customers through aligning with our unique customer proposition; trust, ethics and great customer service. Hence, we have built trust with our customers through our ethical business practices as well as quality and customized products...

At Singer Finance, sustainability encompasses nurturing mutually beneficial relationships with all the stakeholders in enriching their lives and focuses on social development of the people of the nation as its long-term sustainability goal. The Company's sustainability philosophy is embedded in its 160-year-old Singer brand, that is built on fostering trust amongst all its stakeholders. In this sustainability journey, the Company has aligned its governance processes and procedures along with sound risk control mechanism to meet the needs of all its stakeholders and demonstrate social responsibility through community engagement, building relationships, engaging in fair competition, adhering to ethical business practices and aligning our vision and mission towards supporting sustainable development goals.

Our Stakeholders

The Stakeholders are the individuals, groups or organizations that has an interest in any decision or activity of the Company. Without their support the organization would cease to exist as it is these stakeholders that impact the organizations actions, objectives, and policies either directly or indirectly. They also have the ability to positively or negatively impact the Company's business outcomes. Given their significant role, nurturing stakeholder relationships becomes crucial in sustaining mutually beneficial relationships towards attaining a positive business outcome. In doing so, we take into consideration all our internal and external stakeholders at every stage of our business operations and planning and constantly engage with them through several communication platforms thus improving our systems and processes to enhance value delivery for all our stakeholders.

Customers

The customer being the foundation of our business success, we are persistently committed to deliver to their expectations. It is these customers that enable us to create value to all our stakeholders through placing their trust in us and in turn purchasing our products and services. Over the past few years, Singer Finance has expanded our products offerings to consumer products and loans, to both individual and business customers. By doing so, we strive to understand specific customer needs better thereby delivering meaningful products and services to suit their requirements.

Singer Finance's customer portfolio comprises of a significant proportion of repeat customers which is proof of our excellence in innovative product development and customer service. Besides, most of these repeat customers being individuals and small and medium enterprises (SMEs) also proof of our commitment to providing financial services to underprivileged segments aligning with government policies and economic development goals. Our savings customers include senior citizens, high net worth individuals, and businesses while a large portion of the Company revenue is generated through individual customers spread across the country.

We deliver value to the customers through aligning with our unique customer proposition; trust, ethics and great customer service. Hence, we have built trust with our customers through our ethical business practices as well as quality and customized products thereby delivering value to this important stakeholder. Further, our speedy service delivery together with service excellence and the scattered branch network to ensure



customer convenience, we have sustained a loyal customer base over the years. We engage in frequent communication through web, social media, direct mailing and lifestyle workshops.

Singer Finance uses below-the-line marketing and promotional activities as a key means of reaching new customers while advertising campaigns are used to further improve brand and product awareness.

Investors

We constantly strive to maintain strong, transparent relationships with those who allocate capital for our business with the expectation of a future financial return or to gain an advantage. At Singer Finance, our investors include a mix of individual and corporate equity shareholders and holders of secured debt who support the growth and expansion of the Company by providing equity and debt capital for us to capitalise on emerging opportunities.

We work meticulously to deliver value to this group of stakeholders with continued profit growth thereby offering optimal returns on their investments. In this process, we have incorporated sound diversification and growth strategies, policies and procedures and comply with all relevant laws and regulatory requirements that are applicable to us.

Our primary communication mode with our investors include the Company Annual Report and the Annual General Meeting. In addition, we engage with the investors through the Company's corporate website, announcement through the Colombo Stock Exchange, press conferences and media releases. The Company's

social media platforms have also been useful tools in engaging with our investors.

Business Partners

Business partnerships are fundamental to improving business outcomes. Therefore, when carrying out business operations with our business partners (both direct & outsourced partners), one of our primary criteria is the adherence to all the relevant procedures and policies of the Financial Manual of the Singer Group that incorporates practices of transparency and good governance. All employees are bound by these policies when carrying out their business functions.

Government and Regulators

As a responsible corporate citizen, we comply with laws of the land and rules and regulations laid out by the government and various regulators in order to maintain amiable relations with Government of Sri Lanka and the relevant industry regulators including the Central Bank of Sri Lanka, the Colombo Stock Exchange, the Securities and Exchange Commission. We provide them with necessary information as and when required while maintaining high standards of financial reporting.

Singer Finance has put in place corporate governance practices as laid down by relevant authorities to ensure that the Company comply with all regulatory aspects, including paying all relevant taxes and dues in a timely manner and remain committed to aligning business operations in line with national policies. Similarly, we are steadfast in supporting national goals of reducing unemployment, improving financial services access through expanding our island wide branch

network and thus supporting the government's agenda of empowering the marginalised communities in Sri Lanka.

During the year under review, we complied with all laws, rules and regulations applicable to us and there were no legal actions or actions on regulatory non-compliance against Singer Finance.

We have also exposed our employees to various compliance related trainings including anti-money laundering and countering the finance of terrorism awareness and procedures.

Competitors

Maintaining the competitive edge in the market is critical to our business success and hence we constantly endeavor to change and evolve to retain our competitiveness. We strive to be innovative in our product offering to suit the customer requirement, while maintaining high standards within the Company and across the industry at large. However, we have been mindful not to compete on price points and anti-competitive behaviour. Instead, we have created a distinct value proposition for customers which cannot be topped by rivals. Additionally, we frequently engage with our competitors and industry at regular meetings held by the Finance House Association, where issues related to the industry are reflected upon for the improvement of the industry.

Community

We understand our responsibility towards the larger community in which we operate and hence, continually engage in activities to ensure betterment of the society. By doing so, we pave the way for partnerships between our business and the civil

Sustainability Report

society based on common goals and shared actions to deliver impact driven outcome in ushering a sustainable future.

During the year under review, we implemented several Corporate Social Responsibility (CSR) initiatives to enhance the community. These include;

- Contribution to repair the damaged desks, benches, and chairs of Gamini Vidyalaya Wellampitiya
- Installation of a water purification plant in Koonwewa maha vidyalaya where many people are suffering from kidney ailments
- Provision of stationary and other required items for ten school children who have lost their parents and having difficulty in continuing their studies at "Re Ira pana" which was organised by Matara Dahara cricket society
- Continues provision of assistance to a student with financial difficulties who have entered Royal College after obtaining high grades at the year five scholarship examination.
- Donation of a refrigerator and a rice cooker to the Holy Rosary Sinhala Vidyalaya where the teachers provide meals to the students.
- Organising a blood donation campaign at our head office to celebrate 15th Anniversary of the Company
- Financial assistance to the Sri Lanka Welfare Organisation of Visually Impaired Women for vesak

celebration and International White Cane Day celebrations

- Financial assistance provided to Aluthwela South College in Uva Province that won the first place from All Island Music Tournament, to cover the expenses of participating in the National Music Tournament in Colombo
- A donation for "Drawn for Hope" program organised by Leo Club of Mahanama College to place calm and mind relaxing photos inside the Cancer Hospital Maharagama
- Provision of sponsorships for various souvenirs & banners

Environment

Our impact on the natural environment is minimal given the nature of our business operations. However, we understand that we

consume energy, water, paper products and other consumables on a continuing basis in our day-to-day business operations. In addition, our business also demands other various natural material that goes into construction, furniture and fittings, office equipment, computers and communication equipment and devices.

Therefore, in minimizing the environmental impacts that these activities may cause, we have fervently promoted environmentally friendly practices within our organization. These include encouraging environmentally conscious behaviour at head office and branch level, raising awareness of employees on the significance of such practices, and carrying initiatives aimed at preserving the natural environment. Besides, we comply with all the Sri Lankan environmental laws and regulations.

Environmentally Friendly Practices	Activities carried out during the year
Recycling paper	We provided 439 kgs of wastepaper for recycling in an environmentally friendly manner. Environmental return translates to 7 fully grown trees, 770 liters of Oil, 1,756 kwh of Electricity, 13,951 liters of water, 1 Cubic Meter of land fill & reduces Green House Gas emission by 439 Kg's of Carbon equivalent.
Energy Saving	Switch off ACs after 6pm Raising awareness amongst employees in saving electricity
Reduce Fuel consumption	Installing energy efficient lighting system and LED bulbs at head office and at branch level Encourage vehicle pooling to reduce energy consumption
	Conducting meetings using latest technology in order to minimise the travelling of participants

Environmentally Friendly Practices	Activities carried out during the year
Reduce Water consumption	Raising employee awareness to reduce water wastage
E-waste disposal	Working with Central Environmental Authority (CEA) to manage e-waste on a national scale Singer group follows UN BASEL convention regulations in collecting, transporting, and storing e-waste for recycling E-waste from head office and branches are collected by Singer distribution centres on request and disposed in an environmentally friendly manner
Paperless initiatives	Moving towards paperless office Online bill payments Using mobile handheld technology E-bills for credit cards Use SMS in promotions

Employees

Our human resources play a vital role as they are the key drivers of our business growth. In our sustainable strategy, we nurture our employee relations through supporting them to progress in their personal and professional life and thus strengthening our existing knowledge base to deliver an enhanced service to the customer. The well laid out recruitment process allows us to hire some of the best talent in the industry and we further strengthen their existing skills and knowledge through exposure to numerous training and development opportunities. Our long-standing best practices in people management have created us a reputation for being a preferred employer in Sri Lanka's corporate sector, and this is further amplified by the fact that Singer Finance is certified by "Great Place to Work" assessment for two consecutive years. The close-knit culture within the organization have encouraged deeper employee

engagement while creating a culture of knowledge sharing.

Human Resource Philosophy

Our comprehensive human resource policy covers the following 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
- Grievances
- Rules of disciplinary procedure
- Relative's employment/Business relationship

- Sexual harassment in the workplace

Capacity Development

Our employees are given exposure to an array of training and development opportunities in order to build their skills and competencies. While we have continuously invested in enhancing the capacities of our employees, we are able to reap the benefit of these investments when our qualified employees have delivered higher customer satisfaction rates enhancing the Company's reputation. We are also among the companies that show the highest income per employee ratio in the industry.

During the year, we conducted 66 training programs consisting of 5,677 training hours for the employees of the Company.

Recruitment

Our recruitment policy is designed to attract the best talent and skills in the industry and utilizes a recruitment tracker that has enabled us to speed up the interview process, absorbing the right skills and talent into our employee cadre. We also maintain a CV bank to generate interview candidates. These processes have enabled us to bring down our cycle time from 45 days to 36 days by fast tracking the documentation.

We have also introduced rigid and strict practices for recruitment documentation by introducing CRIB, reference checking on previous employment and resignation acceptance and service letters. A facilities requisition process now ensures that new employees will be provided with facilities to start work from day one.

We are an equal opportunity employer and does not consider race or

Sustainability Report

gender in recruitment. Currently, our workforce comprises of 95 per cent of Sinhala, 4 per cent Tamil and 1 per cent of Muslim employees.

According to an age breakdown by job category, over half of the Singer Finance workforce (58%) is aged below 30 years. While 33 percent account for those who are aged between 31-40 years of age, 8 per cent of the workforce account for those who are between 41-50 years of age. Only 1 per cent accounts for above 50 year of age which represent ranks of junior to senior management.

As a result of the expansion of the Company, several new recruits have been added to the workforce. Hence, around one third of staff members (27%) are new, with a service length less than one year. They are represented in all job categories.

Benefits and Rewards

At Singer Finance, we assess all job roles within the organization to ensure each individual receives adequate rewards and recognitions together with growth opportunities expands their existing skills and competencies. We also provide a range of benefits to our permanent staff. These include;

- **Leave**

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

- **Professional subscriptions**

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

- **Medical expenses**

Reimbursement of medical expenses up to predetermined amounts calculated according to the employee grade. If the expenses exceed this

specific amount, the employee and the Company share the balance equally. Hospitalisation and OPD treatment coverage is also provided to all staff members and their immediate family members.

- **Travel related benefits**

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

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

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

- **Distress loans**

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

- **Vehicle loans**

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

We also offer interest-free Motor Bike loans and vehicle loans at concessionary rates to a selected set of non-managerial grade employees to perform their job functions more efficiently and effectively. Also, our management grade employees are entitled to an interest free vehicle loan.

- **Study related benefits**

Singer Finance has two mechanisms to support employees pursuing studies.

A lump sum is granted on the condition the employee serves the Company for a given number of years. The facility needs to be repaid only

if the employee leaves the Company before the expiration of the given time period. Our employees use this benefit mostly for postgraduate studies.

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

- **Death related benefits.**

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

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

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

- **Staff discounts for Singer products**

The permanent employees of the Company are eligible to purchase products marketed by Singer Sri Lanka at discounted rates.

- **Leisure related perks**

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

Code of Conduct

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

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

Employee Compliant Mechanism

We have in place a Whistle Blower Policy which provides a guided procedure for any employee to make a written or verbal complaint on any experience or suspicion of illegal or unethical employment or business practices exercised by anyone in any capacity in the Singer Finance governance hierarchy.

All Singer Finance employees are walked through the whistle blower procedures upon induction to the Group. They also receive the assurance of confidentiality and anonymity in event of resorting to whistle blowing. The Group takes necessary actions to prevent corruption or illegal activities. The Company management takes necessary actions keeping in mind the whistle blower procedures.

Grievance Handling and Sexual Harassment Policies

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

times. The complainant is assured that no punitive action will be taken for lodging the complaint.

Work Life Balance initiatives

We also carried out the following events to ensure work life balance of our employees during the year. These include

- Annual Picnic
- Annual Christmas Party
- Annual Carols
- Blood Donation Campaign
- FHA Sports Day
- Plant Distribution for World Ozone Day
- Pirith Pinkama
- Rotaract Club
- Interact Club
- English Speaking Club
- Rotaract Club – Beach Clean Up
- CSR Initiatives

Occupational health and safety measures

Ensuring health and safety at workplace is of utmost priority to our Company and hence, we comply with all occupational health and safety laws and regulations that apply to a business of our nature, operating in Sri Lanka. As such, Singer Finance goes beyond mere compliance and seeks opportunities to enhance the health and wellbeing of our employees. We encourage the health and well-being of our employees by paying attention to ergonomics, quality of light and air and other factors that contribute to a safe, secure, comfortable and productive work environment. All cashiers and

acting cashiers of the Company are covered by life insurance policies. We provide sports and recreation facilities at the workplace for the benefit of employees.

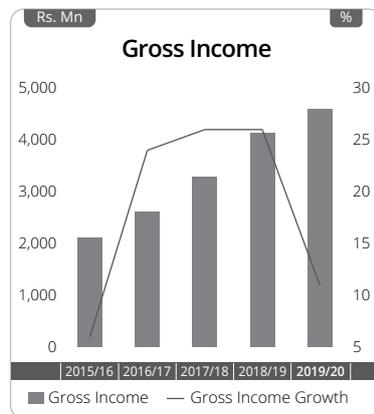
Financial Review

Singer Finance marked a significant financial milestone by crossing the Rs 4.5 Bn gross income threshold while achieving a 11% growth over the preceding financial period. This growth is noteworthy considering the challenging business landscape in which the Company operated.

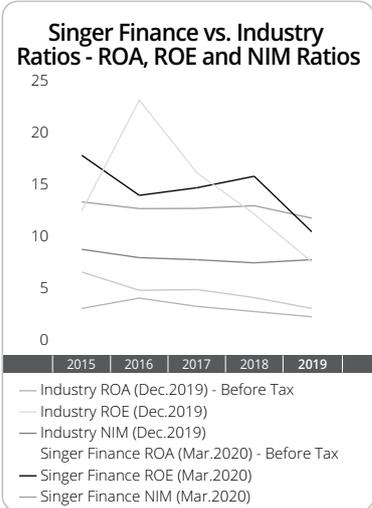
REVENUE GROWTH

Gross Revenue

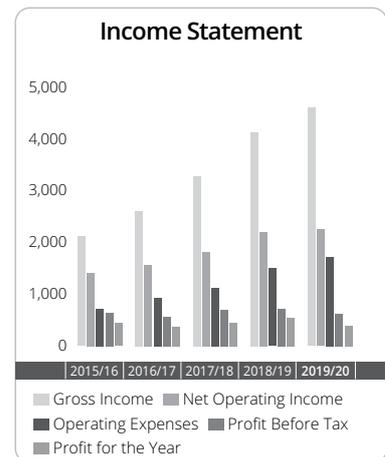
The growth in gross income levels was supported by top line growth where the lending portfolio of the Company expanded with lease and loans increasing during the year by 7% and 34% respectively. Loan disbursements overtook lease disbursements due to the Company's focus on the gold loan and revolving loan portfolio expansion strategies. During the year the Company focused on opening Gold Loan counters in its existing branch network as well as newly opened branches. These encouraging growth levels were achieved despite the financial year beginning with the Easter attack and ending with the COVID-19 pandemic.



However, the composition of the lending portfolio remained unchanged with leases accounting for 74% of the portfolio (78% in 2018/19). Loans and advances increased slightly by 4% comprising 26% of the portfolio (22% in 2018/19). The Company financed its growth in the lending portfolio mainly through customer deposits and by increased borrowings.



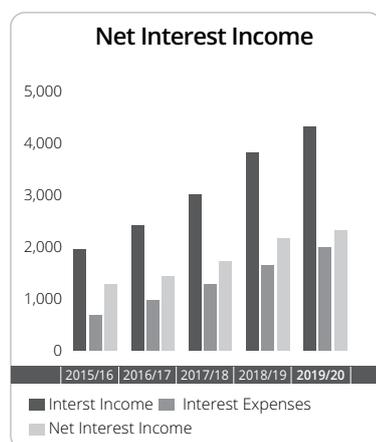
The financial and portfolio management expertise of the Company is reflected in the Net Interest Margin (NIM) maintained. Singer Finance net interest margin was 11.7% in the year under review which is one of the best NIM's recorded in the sector. For 2019, the NIM for the NBF sector was 7.7% (2018 - 7.4%).



Gross Income

Singer Finance continued its growth momentum with Gross income levels demonstrating a growth rate of 11% over last year. Although the growth rate is modest it is a noteworthy achievement considering the fact that the growth was achieved in a subdued

business environment which prevailed during the period.



Interest income grew by 13 per cent to reach Rs. 4,310 Mn with main source of interest income generated from leasing business segment.

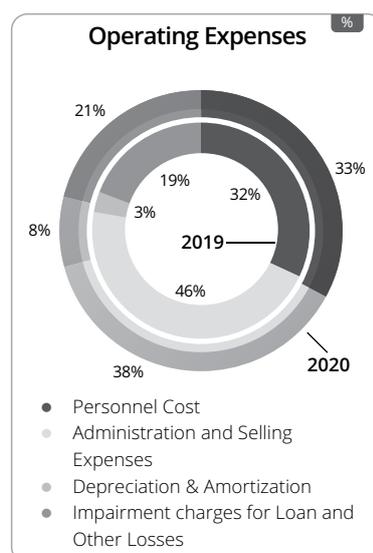
During the year we continued to monitor market behaviour and the lending and deposit rates by key market players while continuing with our business expansion activities. The Company's strategy was not to compete on rates alone, either in lending or on deposit mobilization. However, we remained competitive whilst maintaining the interest margins.

Interest expenses recorded a 21 per cent growth, due to increased borrowings, reaching Rs. 2,560 Mn. The increase represents the increased borrowings which were made to sustain the growth momentum of the lending portfolio, and rising interest rates scenario which was experienced during the early part of the year which subsequently eased towards the latter part of the financial year.

Net interest income for the period grew by 7% in the year under review, to reach Rs. 2,319 Mn.

Expenditure Management

The Company's expansion drive saw the operating expenses increasing at a higher pace than growth levels in net operating income during this financial period.



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

Administration and selling expenses accounted for 40 % of expenses for the year while personnel costs accounted for 32 %. Depreciation and amortization costs accounted for 8% while impairment cost made up the balance. The proportion of costs remained relatively unchanged from the previous period except administration and selling expenses and depreciation and amortization costs. In the previous year, these cost classifications reported 46% and 3% respectively.

Depreciation & amortization costs grew by 2.23 times over the low base of last year due to capital expenditure carried out to expand the company and due to adoption of SLFRS 16. Impairment Costs increased by 27% over last year while administration and selling expense decelerated by approximately 3% due to adoption of SLFRS 16.

Personnel Costs

The Singer Finance workforce increased by 106 (20%) to 624

	2015/16	2016/17	2017/18	2018/19	2019/20
Net Operating Income	1,405	1,561	1,813	2,202	2,249
Operating Expenses	726	953	1,119	1,500	1,717
Net Operating Income Growth %	21.9%	11.1%	16.1%	21.5%	2.1%
Operating Expenses Growth %	0.3%	31.3%	17.4%	34.0%	14%

Financial Review

during the year, primarily to drive the company expansion strategies. Approximately 80 per cent of new recruits are deployed in income generating activities. Workforce expansion is directly reflected in the 14% increase in personnel costs.

Administration and Selling Expenses

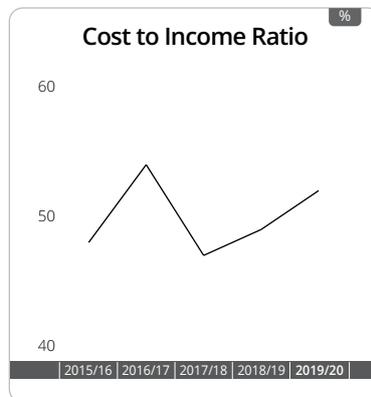
The administration and selling expenses for the financial year was Rs. 683 Mn. There is a slight decrease of Rs. 15Mn over the prior year due to adoption of SLFRS 16. Without considering the effects of SLFRS 16, the expense category has grown by 10%. The Company has kept strict control over cost elements enabling the company to absorb negative effects due to changes in the external environment.

Depreciation & Amortization

Depreciation expenses for the financial increased by 223 % amounting to Rs.129Mn. This is due to impact of adoption of SLFRS 16 and recognizing Rs.67 Mn as depreciation on right of use asset.

Cost to Income Ratio

As a Company focused on long term growth and business sustainability many investments were taken during the year to expand the geographical foot print and create the right platform for future growth. Hence, increased levels of expenses increased the cost to income ratio, which is calculated using operating expenses (Personal Cost, Administration and Selling, Depreciation and amortization) to total operating income. This is inevitable as most expenses were channeled towards capacity building and extension of growth potential. The benefits of these expenditures are likely to enhance the future income growth prospects for the Company.



TOTAL ASSETS AND LENDING PORTFOLIO

Financial Strength, Blend and Efficiency

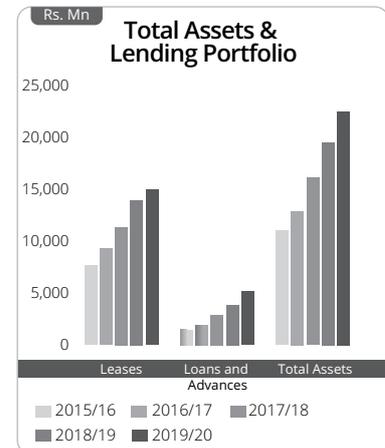
Total assets of Singer Finance reached Rs. 22.5 Bn by 31st March 2020. The total assets grew by Rs. 3,008 Mn, to Rs. 22,547 Mn, marking an increase of 15% over the previous period. The Company's growth in assets far exceeds the NBF sector assets growth which is 4 % in 2019.

The overall lending portfolio grew by 13% during the year to Rs. 20,157 Mn.

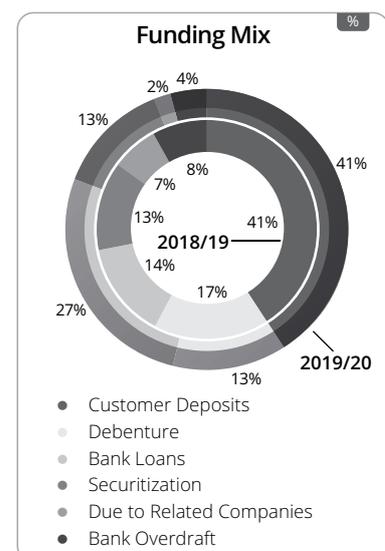
Leases comprise 74% of the lending portfolio at the financial period end, while loans and advances accounted for most of the balance. Loans and advances balance increased to Rs.5,195 Mn, an increase of 34% over the previous financial period. Growth of Loans and advances was supported by increase in Gold loan portfolio with the expansion in number of gold loan counters during the year.

According to the requirements of SLFRS 16 on Leases, the Company recognized Rs. 468 Mn Right to use asset while recognizing a Lease liability of Rs. 476 Mn. These are disclosed in

depth in financial statements section of this Annual Report.



Customer deposits of the Company stands at Rs.7,176 Mn, which reflects a growth of 18% in the year under review compared to 14% in the previous financial year. The NBF sector recorded a growth of customer deposits of 5.5% in 2019/20. The main funding source for the growth in portfolio came through bank loans and securitizations. Bank loans increased by 123% to Rs. 4,756 Mn, while securitization loans grew by 21% to Rs. 2,310 Mn as at the balance sheet date.



	2015/16	2016/17	2017/18	2018/19	2019/20
Leases	7,662	9,305	11,383	13,950	14,959
Loans and Advances	1,466	1,926	2,900	3,883	5,195
Total Assets	11,036	12,900	16,132	19,539	22,547

Singer Finance performed well on liquidity ratios this year too, as we have over the recent past, when compared to industry averages. Effective portfolio management, strong risk management and mitigation measures, compliance and overall good corporate governance are attributable for this performance.

Growth in Lending

Leases grew by Rs. 1,009 Mn to reach Rs. 14,959 Mn by the year end. Loans and advance grew by Rs. 1,312 Mn to reach Rs. 5,195 Mn during the same period. Growth of Loans and advances were supported by increase in the gold loan portfolio. Further, the Company was able to strategically divest its credit card portfolio resulting a lower portfolio thereby showing a decline compared to the previous year.

A decline in overall lending levels were experienced during the first two months of the first quarter in the aftermath of the Easter attack and in the month of March 2020 due to the lockdown situation arising from the COVID-19 pandemic.

As we strongly believe that effective management of lending rates is a crucial element to remain competitive and maintain market expansion, we monitored the lending rates and adjusted rates as appropriate.

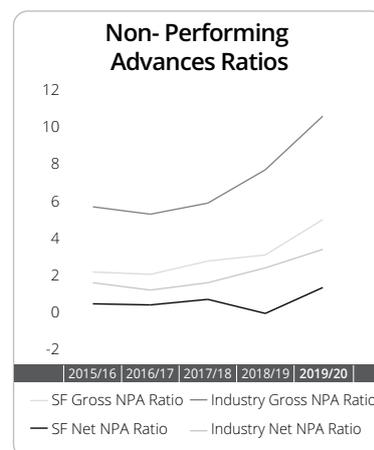
Recognizing the inherent risks posed by the growing gold Loan portfolio, we effectively managed this risk by introducing the necessary measures to strengthen the branches where loans were disbursed.

One of the biggest risks faced by the industry was liquidity risk. Hence, the Company focused on developing new relationships with banks with the objective of initiating new banking

facilities. Thereby the Company was able to avert any liquidity risk.

Asset Quality

Reflecting on the industry wide deteriorating asset quality trend, collections was a main challenge posed by the Company during the year. In the backdrop of this scenario, the Company was more focused on maintaining credit quality, adopting a moderate risk appetite and strengthening the risk management framework. Considering the Company's track record on managing a secured lending portfolio, we channeled our marketing efforts and promotions towards growing our secured lending portfolio further.



This year too, as is the usual practice, Singer Finance maintained its non-performing advances (NPA) ratios to a minimum. The Company's gross NPA ratio was 5.01 % compared to the industry gross NPA ratio of 10.6 % as at end of 2019 calendar year.

Company Gross NPA was approximately 4.1% at the dawn of 2020. However, with the lockdown situation in March 2020 the NPA levels increased which affected the year end NPA ratio. Consistent and focussed efforts on recoveries and managing non-performing advances to a minimum with careful attention to customer evaluations, loan approvals and follow up on collections has

enabled the Company to consistently maintain its NPA levels which are far below the industry average. The Company's conscious lending strategy and recovery procedures ensure that minimized non performing advances.

Impairment Charges for Loans and Other Losses

Impairment charges increased by 27% amounting to Rs.358 Mn during the financial year under review.

The rise in impairment charges is mainly due to the increase in the collective impairment provision driven by non-performing customers. The Easter Sunday attacks in the beginning of the financial year and COVID-19 impact at the end of the financial year resulted in higher impairment provisions. These two factors were beyond the Company's control and adversely affected the company's profitability levels.

FUNDING MIX

Singer Finance funds its operations primarily using customer deposits and borrowings, including bank loans and securitization of lease receivables. These three sources amounted to 82% of the company's funding mix for the year under review, with customer deposits, bank loans and securitization loan contributing 41%, 27% and 13% respectively.

In the previous financial year, 72% of the funding mix comprised of customer deposits (41%), debentures (17%) and bank loans (14%). Since then the Company has broad-based its deposit mix by increasing its retail base, thus moving towards a well-balanced portfolio.

Financial Review

Leasing and loans increased by Rs. 1,009 Mn and Rs. 1,312 Mn respectively. This necessitated the need to seek funding through borrowing mechanisms available for the company. Funding was mainly obtained through deposits and bank loans amounting to Rs. 1,080 Mn and Rs. 2,621 Mn respectively to fill the void and continue expansion of lending activities.

Customer Deposits

Customer deposits, amounting to 41% of the funding mix, are the main source of funds for financing the lending portfolio. Customer deposits crossed the Rs. 7Bn threshold this year, ending up at Rs. 7,176 Mn by the financial year end. Deposits grew at a rate of 15%, or by Rs. 1,080 Mn.

Bank Loans

Bank loans grew by Rs. 2,621 Mn to reach Rs. 4,756 Mn at year end, a 123% increase. Bank loans made up 27% of the funding mix as at financial year end.

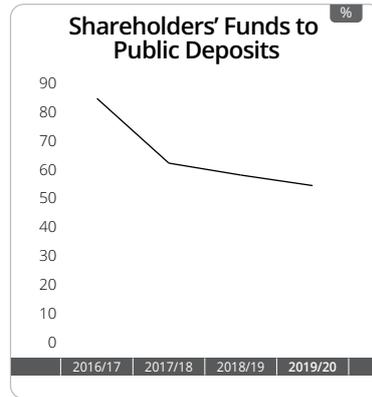
Securitized

Securitized increased by Rs. 401 Mn to reach Rs. 2,310 Mn during the year under review, recording a 21% growth over the previous financial period. They made up 13 per cent of the mix. The balance was made up by debentures, related company balances and bank overdrafts.

Mostly as a result of the above, the overall funding base increased by 17%, over the previous period, as the gross income grew by 11%.

CAPITAL STRENGTH

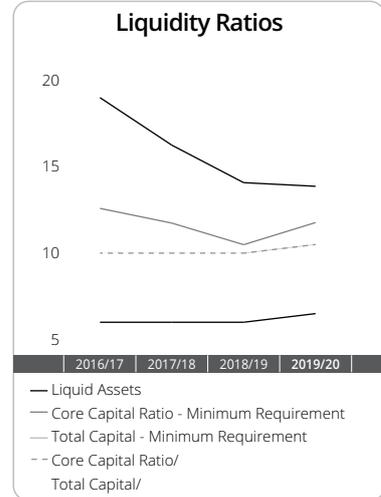
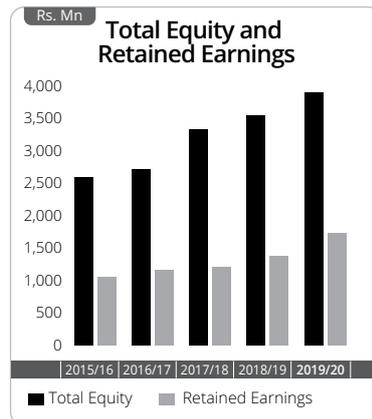
Shareholder's Funds to Public Deposits



The Company is maintaining one of the highest Shareholder's Funds to Public Deposits ratio's in the industry of 54.48%.

Shareholder Funds

Total equity increased by 10 % to Rs. 3,909 Mn during the financial period. Retained Earnings for the period grew by 25 % to Rs. 1,730 Mn.



The Company has a Tier 1 core capital of 13.87%. This is more than double the required CBSL requirement of Tier 1 Core Capital of 6.5%.

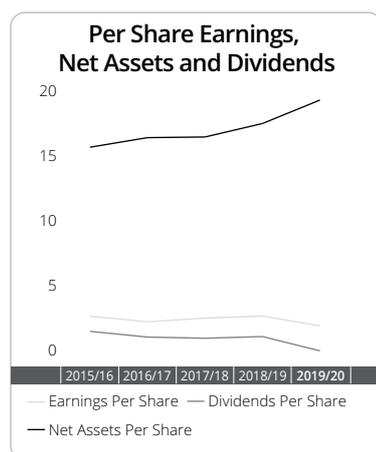
Singer Finance remained a good steward of shareholders' funds and company assets with Return on Asset (ROA) and Return on Equity (ROE) ratios outperforming the overall NBFI sector. However, ROA and ROE saw a reduction when compared to last year due to increase in Assets and Equity, with lower profitability of the company compared to last year. Same can be seen in the NBFI sector.

Singer Finance Vs. Industry Ratios ROA & ROE

	2015	2016	2017	2018	2019
Industry ROA (Dec.2019)-Before Tax	3.00	4.00	3.20	2.70	2.20
Industry ROE (Dec.2019)	12.4	23.1	16.1	12.1	7.5
Industry NIM (Dec.2019)	8.7	7.9	7.7	7.4	7.7
Singer Finance ROA (Mar.2020)-Before Tax	6.5	4.8	4.8	4.1	3.0
Singer Finance ROE (Mar.2020)	17.8	13.9	14.6	15.8	10.4
Singer Finance NIM (Mar.2020)	13.3	12.6	12.7	12.9	11.7

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

Earnings per Share



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

Earnings per share for the financial year is Rs. 1.93, a reduction of 28 % over the previous period.

Net Assets per Share

Net asset value per share of the Company further continued its growth trend and reached Rs. 19.35 per share as at the end of the financial period.

Net Assets per share increased to Rs. 19.35 whereas Earnings per share decreased to Rs. 1.93 due to lower profits recorded in the current year. A dividend was not declared during the year under review.

FUTURE OUTLOOK

The economic uncertainty following the COVID-19 pandemic would have a cascading negative impact on the industry. However, as a resilient financial institution we are optimistic that we would be able to navigate these externalities with right business strategies.

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

Corporate Governance

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

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

The Company's Senior Managers and other key managers are bound to sign the Code of Business Conduct of the parent company Singer (Sri Lanka) PLC on an annual basis. As per the section D 5.4 of the Code of Best Practice on Corporate Governance during the year there have not been any violations of the provisions of the Code of Business Conduct ethics by the Company.

Governance Framework

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

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

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

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

Board Meetings

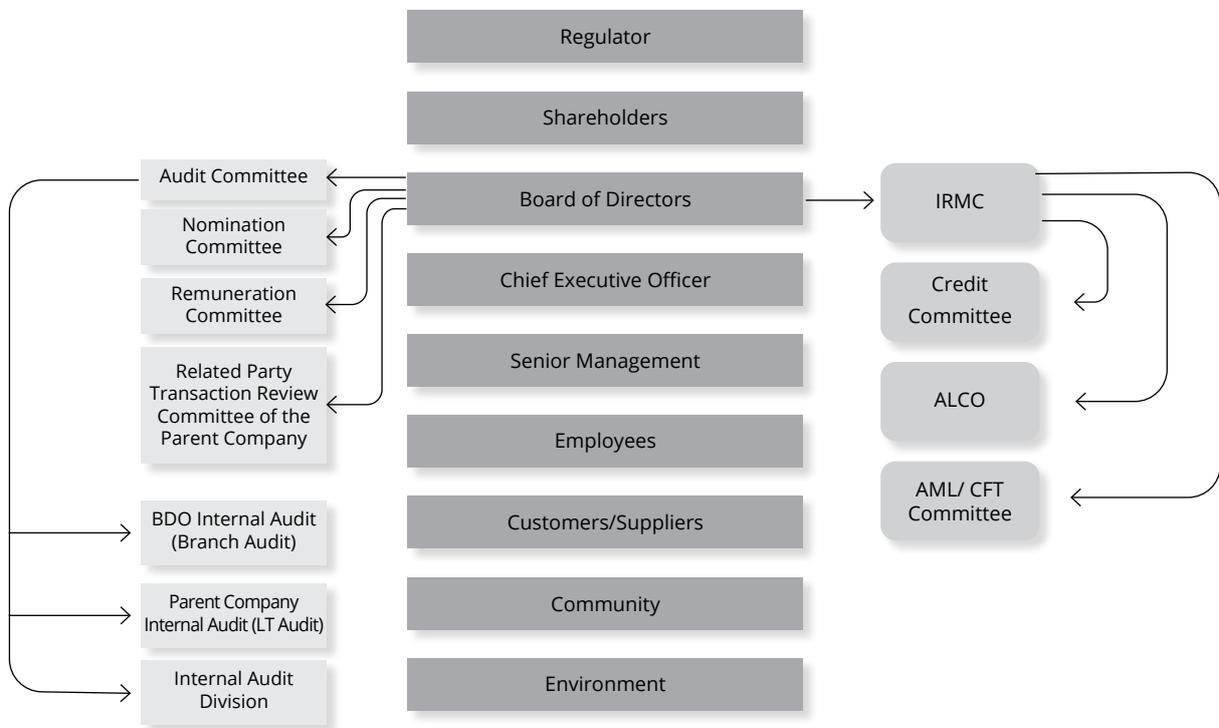
Board meetings are held on a monthly basis with special meetings convened on a need basis. Board papers are

circulated well in advance to the Board members, providing sufficient time for review and perusal.

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

In the ensuing section from pages 38 to 106 we aim to set out the corporate governance practices adopted and

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



Governance Policy

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

A well-defined structure of Corporate Governance in Singer Finance intends

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

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

Business Ethics

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

Corporate Governance

internally in 2009 has increased the level of transparency towards a wide 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 (ICASL) who are the pioneers in introducing the first code namely, "Code of Best Practice on matters related to financial aspects of Corporate Governance", issued in December 1997 and subsequently this code was revised in 2003, 2008, 2013 and the present code in practice is "Code of Best Practice on Corporate Governance 2017" issued by the ICASL.

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

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

Central Bank of Sri Lanka

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

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

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

Listing Rules of the Colombo Stock Exchange

Colombo Stock Exchange has issued Listing Rules to ensure the creation and maintenance of a market in which Securities can be issued and traded in an orderly and fair manner and which secures efficiency and confidence of all stakeholders in the operation and conduct of the market. The CSE has issued rules on Corporate Governance under its ruling 7.10 to be complied by the companies listed in the Exchange. This report sets out the Company's adherence to the aforementioned Directions on Corporate Governance as illustrated from pages 103 to 106.

IT Governance

IT governance process of the Company ensures that IT objectives are aligned with the business objectives that will meet its strategic and operational objectives. IT governance is an integral part of the corporate governance process and which deals primarily with optimizing the linkage between Strategic Directions and Information Management of the Company. Competent and dedicated staffs are deployed to support this need. Company investment in IT resources covers resources operated and managed centrally and resources deployed in various places. IT resources include Core-Banking system, other related business

systems, internet, emails and other Company-wide data communication systems. Impact of the IT governance to diverse functional areas of the

Company is driven by certain core objectives which are set in the table below.

Compliance	Investing in licensed software deployed in compliance with Intellectual Property Law with a view to educate and mandate compliance to such laws throughout the Company.
Operational Efficiency	Streamlining of the credit management process and MIS reporting so that integrity is maintained across the value chain through near real-time processing.
Prudent Capital Expenditure	All major IT investments are carefully evaluated by the IT team and built into the business plan and carefully scrutinized at the planning level, and approval is granted by both, Board and Intermediate Parent Company. Final approval of IT capital expenditure is sought from the CEO-Singer Group, and by the ultimate parent company depending on amount of the expenditure.
Customer Convenience	Ensuring process efficiencies to increase the contribution to customer convenience. All Singer Finance customers could pay their rental outstanding at any Singer Plus, Singer Mega, or Sisil World branches in addition to 35 Singer Finance branches island wide. 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.

This Section (pages 41 to 62) sets out the Corporate Governance Principles under CBSL Regulations and Compliance with the same

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
2. The Responsibilities of the Board of Directors	2 (1)	a) Approving and overseeing Strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the Company network.	Complied Decisions taken at the board meetings are communicated to Senior Management. Senior Management Communicates the same to Operational Levels as appropriate.
		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.	Complied (Company prepares the business strategy for two years) Senior Management of the Company formulates the annual plan and it is approved by parent Company, Ultimate parent Company and the Board of Directors of the Company.

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently.	Complied The Risk Portfolio of the Company is overseen by the IRMC and its deliberations.
		d) Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers.	Complied Please Refer Board Communication Policy on page 118.
		e) Reviewing the adequacy and the integrity of the Company's Internal control systems and Management Information Systems.	Complied Please refer Directors' Statement On Internal Control on page 116.
		f) Identifying and designating key management personnel, who are in a position to significantly influence policy; direct activities; and exercise control over business activities, operations and risk management.	Complied All key business activities are under the aegis of a Senior Manager.
		g) Defining the areas of authority and key responsibilities for the Board and for the key management personnel.	Complied
		h) Ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy.	Complied The Key Management exercises its oversight function by way of regular meetings.
		i) Periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied This direction is overseen by the function of the Board and the Board Nomination Committee.

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		j) Ensuring that the finance company has an appropriate succession plan for key management personnel.	<p>Complied</p> <p>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.</p>
		k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	<p>Complied</p> <p>The Board meets the Key Management personnel on a monthly basis and respective Senior Managers who are not members of the Board are requested to attend by invitation to discuss specific areas.</p> <p>The CEO meets senior management on a fortnight basis to review the progress.</p>
		l) Understanding the regulatory environment;	<p>Complied</p> <p>The Regulatory environment is well understood by the Board of Directors. The CEO, Head of Finance and Compliance Officer updates the Board on any new Developments.</p>
		m) Exercising due diligence in the hiring and oversight of external auditors.	<p>Complied</p> <p>External Auditors are recommended by the Audit Committee and approved by the Board. The Company chooses the auditors from the CBSL list of approved auditors.</p>
	2 (2)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with paragraph 7 of this Direction.	Complied

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	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>A Board approved policy on 'Directors Right to seek External Professional Advice' is already in place.</p> <p>Any Board Director has the opportunity to seek independent professional advice in appropriate circumstances, at the Company's expense.</p>
	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>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.</p>
	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>This Direction is complied by maintaining detailed minutes of the deliberations of the Board. Any matters that are pending execution are stringently followed up by the Board by reserving the same under matters arising out of previous minutes.</p>
	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>Such a situation did not arise during the year under review.</p>
	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>Please refer pages 41 to 62.</p>
	2 (8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
3. Meetings of the Board	3 (1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied Due to COVID-19 pandemic situation of the country, planned 12th meeting of the Board was postponed and the same has been held during April 2020.
	3 (2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied The Company Secretary has always accommodated requests made with this regard by the Directors.
	3 (3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Complied
	3 (4)	A director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Complied
	3 (5)	The Board shall appoint a Company Secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied
	3 (6)	If the Chairman has delegated to the Company Secretary the function of preparing the agenda for a Board meeting, the Company Secretary shall be responsible for carrying out such function.	Complied The Chairman has delegated this function.
	3 (7)	All directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied The Company Secretary has been accessible by way of telephone or e-mail throughout the period under review.

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	3 (8)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied
	3 (9)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:</p> <p>(a) a summary of data and information used by the Board in its deliberations;</p> <p>(b) the matters considered by the Board;</p> <p>(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;</p> <p>(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;</p> <p>(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</p> <p>(f) the decisions and Board resolutions.</p>	Complied
4. Composition of the Board	4 (1)	Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 13.	Complied

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

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<ul style="list-style-type: none"> c) has been employed by the finance company during the two year period immediately preceding the appointment as director; d) Has a relative, who is a director or Chief Executive Officer or key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company; e) represents a shareholder, debtor, or such other similar stakeholder of the finance company; f) is an employee or a director or has a shareholding of 10% or more of the paid up capital in a Company or business organization; <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. 	

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	4 (5)	In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	Not Applicable There are no Alternate Directors appointed to represent independent non-executive directors
	4 (6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied Please refer the profiles of the Non-executive directors given in pages 14 to 16
	4 (7)	With effect from three years from the date of this Direction, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	Complied
	4 (8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the Chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied Please refer page 106
	4 (9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied This process is complied by the function of the Board Nomination Committee
	4 (10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	4 (11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Complied
5. Criteria to assess the fitness and propriety of directors	5 (1)	Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a finance Company.	Complied
	5 (2)	A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	Complied
6. Delegation of Functions	6 (1)	The Board shall not delegate any matters to a board committee, Chief Executive Officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Not Applicable No such delegation was made.
	6 (2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied
7. The Chairman and the Chief Executive Officer	7 (1)	The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2009.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	7 (2)	The Chairman shall be a non-executive director. In the case where the Chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	Complied
	7 (3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied There is no relationship between the Chairman and the Chief Executive Officer and among members of the Board to be disclosed.
	7 (4)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	Complied
	7 (5)	The Chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The Chairman may delegate the function of preparing the agenda to the Company secretary.	Complied
	7 (6)	The Chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied
	7 (7)	The Chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.	Complied

Corporate Governance

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	7 (8)	The Chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied
	7 (9)	Subject to the transitional provisions contained herein, the Chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied
	7 (10)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied
	7 (11)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company's operations and business.	Complied
8. Board appointed Committees	8 (1)	Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the Chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the Annual General Meeting of the Company.	Complied Company has five sub committees namely Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee & Related Party Transactions Review Committee. 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.
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

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (c)	<p>The committee shall make recommendations on matters in connection with:</p> <ul style="list-style-type: none"> (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term 	Complied
	8 (2) (d)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied
	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.	<p>Complied</p> <p>A Board approved policy on engagement of an external auditor to perform non-audit service is already in place.</p>

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (f)	<p>The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including:</p> <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)	<p>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:</p> <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

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (h)	The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied
	8 (2) (i)	The committee shall review the external auditor's management letter and the management's response thereto.	Complied
	8 (2) (j)	<p>The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <ul style="list-style-type: none"> (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (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; 	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	
	8 (2) (k)	The committee shall consider the major findings of internal investigations and management's responses thereto;	Not Applicable There were no major findings during the year under review.
	8 (2) (l)	The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	Partially Complied
	8 (2) (m)	The committee shall have: <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 No such requirement materialized during the year under review.
	8 (2) (n)	The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied The number of meetings that were held is given in page 106
	8 (2) (o)	The Board shall, in the Annual Report, disclose in an informative way, <ul style="list-style-type: none"> (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings. 	Complied Please refer pages 106 & 108

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (p)	The secretary to the committee (who may be the Company Secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied
	8 (2) (q)	The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	Complied
Integrated Risk Management Committee	8 (3) (a)	The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied
	8 (3) (b)	The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	Complied This process is carried out once a quarter.
	8 (3) (c)	The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (3) (d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	Complied No such requirement materialized during the year under review.
	8 (3) (e)	The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied Due to pandemic situation in the country, the planned 4th quarter meeting in March 2020 could not be held.
	8 (3) (f)	The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/ or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied No such requirement materialized during the year under review
	8 (3) (g)	The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied The IRMC submitted a risk report to the Board, however, the deadline period of within a week was not met for all meetings.
	8 (3) (h)	The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Complied
9. Related party transactions	9 (2)	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:	Complied There were no such transactions that gave rise to a conflict of interest during the year under review.

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<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. 	
	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 favorable treatment" than that is accorded to other similar constituents of the relevant establishment. For the purpose of this paragraph, "more favorable 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. 	<p>Complied</p> <p>No "Such" transactions took place with a related party during the year under review.</p>

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<p>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;</p> <p>c) Providing preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/ commissions, that extends beyond the terms granted in the normal course of business with unrelated parties;</p> <p>d) Providing or obtaining services to or from a related-party without a proper evaluation procedure;</p> <p>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>	
10. Disclosures	10 (1)	<p>The Board shall ensure that:</p> <p>(a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that</p> <p>(b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>Complied</p> <p>The financial statements are prepared in accordance with the LKASs / SLFRSs/ and the formats prescribed by the regulators.</p> <p>Annual financial statements are disclosed in the annual report; biannual (unaudited) financials are published in the newspapers in all three languages and the quarterly statements are posted on the CSE website.</p>
The Board shall ensure that at least the following disclosures are made in the Annual Report:	10 (2) (a)	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	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 Please refer Directors' Statement On Internal Control on pages 116 to 117.
	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
	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
	10 (2) (g)	The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied Please refer page 156.
	10 (2) (h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	Please refer the Disclosure Report under Finance Companies Corporate Governance Direction No.3 of 2008 in page 107.

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Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	10 (2) (i)	A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Not applicable
	10 (2) (j)	The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2011.	Complied The external auditors verifies and certifies whether the Company is in compliance with the Act and rules and directions issued by the Monetary Board , however a certification is not published in the annual report.

This Section (pages 62 to 102) sets out the Code of Best Practice on Corporate Governance Principles Under ICASL Principles and the Extent of Compliance with the Same

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code 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	The Board should meet regularly. Board meeting should held at least once in every quarter of the financial year in order to effectively execute the board's responsibilities, while providing information to the board on a structured and regular basis; ideally monthly or as agreed by the board.	Complied The Board met 11 times during the financial year concerned. Individual participation of each Director at Board meetings is provided in the chart given under The heading of "Board meetings".

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
Responsibilities of the Board	A.1.2	<p>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:</p> <ul style="list-style-type: none"> • Ensuring the formulation and implementation of a sound business strategy; • Appointing the chair and the senior independent director if relevant; • Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy; • Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy; • Approving budgets and major capital expenditure; 	<p>Complied</p> <p>Company formulates the annual plan and it is approved by the Board of Directors of the Company, Parent Company and ultimate Parent Company. Decisions taken at the board meetings are communicated to senior management and further filtered down to operational levels as appropriate.</p> <p>Complied</p> <p>Complied</p> <p>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 since inception.</p> <p>Complied</p> <p>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.</p> <p>Complied</p> <p>Budgets and major capital expenditure are reviewed and approved by the board.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> <li data-bbox="507 533 979 658">• Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation. <li data-bbox="507 1016 979 1115">• Ensure effective systems to secure integrity of information, internal controls, business continuity and risk management; <li data-bbox="507 1675 979 1733">• Ensuring compliance with laws, regulations and ethical standards; 	<p data-bbox="1011 533 1110 560">Complied</p> <p data-bbox="1011 586 1417 990">The board has agreed and reserved power to determine matters including approving of major capital expenditure, appointing the secretary to the board and seeking professional advice as and when needed. Credit facility approval is delegated to the management by the board under the recommendation of the Credit Committee. Cheque signing limits are determined by the board and delegated to management as required to allow proper functioning of the business.</p> <p data-bbox="1011 1016 1110 1043">Complied</p> <p data-bbox="1011 1070 1417 1227">The Board has delegated the reviewing and monitoring the financial reporting process of the Company, reviewing of effectiveness of internal controls of the company to the Audit Committee.</p> <p data-bbox="1011 1254 1417 1375">Reviewing of Risk Management process of the company has been delegated to the Integrated Risk Management Committee of the Company.</p> <p data-bbox="1011 1402 1433 1653">Audit Committee framework, composition, duties and responsibilities are given in Audit Committee Report on page 108 and Integrated Risk Management Committee framework, composition, duties and responsibilities are given in Integrated Risk Management Committee Report on page 111.</p> <p data-bbox="1011 1680 1110 1706">Complied</p> <p data-bbox="1011 1733 1423 2011">A lot of emphasis is placed to safeguard internal controls, ensure integrity of information, business continuity and risk management by way of the internal audit function, Quarterly Credit Committee meetings and Integrated Risk Management Committee Meetings monthly IT meetings, quarterly AML/CFT meetings and monthly ALCO meetings.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> • Ensuring all stakeholder interests are considered in corporate decisions; • Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting integrated reporting. • Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; • Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks. • Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company. • Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. 	<p>Complied</p> <p>Company has conducted its affairs with a sense of respect for all stakeholders and this can be proven by the fact that there have been no significant complaints or legal action initiated against the Company.</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>All the criteria are monitored and evaluated through formal reporting process.</p> <p>Complied</p> <p>The board ensures compliance to annual and quarterly corporate reporting requirements. In addition, the reporting requirement to the CBSL from weekly to annually is ensure by the board.</p> <p>Complied.</p> <p>This has been proven by the past track record and success of the Company and the Boards sub Committees such as the Audit and IRMC functions regularly and deliberates at length thus contributing to Compliance and Financial regulations.</p>
Professional advice to the Board	A.1.3	The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, where in director can require the company to obtain independent professional advice at the Company's expense where it is considered necessary.	<p>Complied</p> <p>Whenever professional advice is required the board informs the Executive Management at the Board Meeting and the required advice or particular fact finding requirement is assigned to independent professionals.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
Company Secretary	A.1.4	All directors should have access to the advice and services of the Company Secretary who ensures that the applicable rules and regulations are complied with. Any question of the removal of the company secretary should be a matter for the board as a whole.	Complied
Independent judgment of Directors	A.1.5	All Directors should bring independent judgment to bear, in discharging their duties and responsibilities matters relating to the board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.	Complied
Adequate time and effort of Directors	A.1.6	Adequate time and effort is devoted by Directors on the matters of the Board and the Company to ensure that the duties and responsibilities of Directors are satisfactorily discharged.	Complied
	A.1.7	One third of Directors can call for a resolution to be presented to the board where they feel it is in the best interest to the company to do so.	Complied No such situations have arisen.
Training for Directors	A.1.8	Directors receive appropriate orientation when first appointed to the board and subsequently as necessary.	Complied Newly appointed directors are informed via appointment letters about disclosure requirements, regulatory requirements to be complied. Directors are also briefed on changes in laws and regulations, tax laws and accounting standards from time to time. In addition, the whole board is trained via CBSL-FIU resource person on AML/CFT requirements.
A.2 Chairman and Chief Executive Officer (CEO)	Principle of Code A.2	There are two key tasks at the top of every public Company – Conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	Complied The positions of Chairman and CEO are separated to ensure a balance of power & authority and to prevent any one individual from possessing unfettered decision making authority

Corporate Governance Principle	Reference 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.	Complied The position of Chairman and CEO is separated in the Company.
A.3 Chairman's Role	Principle of Code A.3	The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	Complied
	A.3.1	<p>The Chairman should conduct Board proceedings in a proper manner and ensure, inter-alia, that:</p> <ul style="list-style-type: none"> • The agenda for board meetings is developed in consultation with the CEO, directors and the company secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance. • Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner. • All directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities. • The effective participation of both Executive and Non-Executive Directors is secured. • All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company 	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>The Chairman conducted Board proceedings in a proper manner and ensured the effective participation of all Directors.</p> <p>Complied</p> <p>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.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> All directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions on matters of corporate concern on the agenda. A balance of power between Executive and Non-Executive Directors is maintained. The views of Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes. The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders 	<p>Complied</p> <p>All directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions on matters of corporate concern on the agenda.</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>
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.	<p>Complied</p> <p>Qualifications of the Directors are given under the Directors profiles in pages 14 to 16.</p>
A.5 Board Balance	Principal of Code A.5	It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.	Complied
	A.5.1	The Board should include – Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions. The Board should include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of total number of Directors, whichever is higher. In the event, the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board.	<p>Complied</p> <p>Seven out of the Eight Directors are Non- Executive Directors which is well above the minimum prescribed by the Code. This ensures views of Non- Executive Directors carry a significant weight in the decisions made by the Board.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.5.2	Where the constitution of the Board of Directors includes only three Non-Executive Directors, all three such Non-Executive Directors should be 'independent'. In all other instances three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'.	Complied
	A.5.3	For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	Complied The Company obtains a signed statement of independence from each Director once a year.
	A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence or non-independence against the specified criteria set out in the Specimen in Schedule K of Code of Best Practice on Corporate Governance.	Complied Every Non-Executive Independent Director of the Company has made written submissions as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule K of this Code.
	A.5.5	The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made of decided criteria and other information available to the Board and should set out in the Annual Report the names of Directors determined to be 'independent'. The Board should specify the criteria not met and the basis for its determination in the Annual Report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary.	Complied 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: 1. Mr. Jayendran Setukavalar- Senior Independent Director 2. Mr. Jayanth Perera- Independent Director 3. Mr. Priyath Salgado- Independent Director

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.5.6	<p>If an alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Company.</p> <p>If an Alternate Director is appointed by an Independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of Independent Directors also should be satisfied.</p>	<p>Complied</p> <p>Independent Non-Executive Directors have not appointed Alternate Directors. Alternative Directors to the Non-Executive Directors are not executives of the Company. However, Board balance is not affected since the Board complies with Code A.5.2.</p>
	A.5.7	In the event the Chairman and CEO is the same person, or the Chairman is not an independent Director ,the Board should appoint one of the Independent Non-Executive Directors to be the 'Senior Independent Director' (SID) and disclose this appointment in the Annual Report .	Complied
	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.	Complied
	A.5.9	The Chairman should hold meetings with the Non- Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	<p>Complied</p> <p>Chairman meets with NEDs without the presence of Executive Directors, whenever necessary.</p>
	A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure that their concerns are recorded in the Board minutes.	<p>Complied</p> <p>Concerns raised by the Directors during the year, if any, are recorded in the minutes of Board meetings with adequate details by the Company Secretary.</p>
A.6 Supply of Information	Principle of Code A.6.	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	<p>Complied</p> <p>Board is provided with Financial and other MIS reports on a monthly basis. If any board member request for additional information the management ensures to provide the same.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.6.1	<p>Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.</p>	<p>Complied</p> <p>The Company ensures that the Directors receive adequate information in a timely manner. On urgent matters, every effort is made to provide the information, as early as possible. The Board receives a standard set of documents, which are timely, accurate, relevant and comprehensive.</p> <p>These papers include a detailed analysis of financial and non-financial information. The Board may call for additional information or clarify issues with any member of the Executive Committee. If necessary, all Directors are adequately briefed by the CEO or Head of Finance on matters arising at Board meetings. The Secretary and the Compliance Officer ensure that Board papers are circulated in advance prior to Board meetings. If necessary, members of the Executive Committee, External Auditors and Outside Consultancies makes presentations to the Board when required. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings.</p>
	A.6.2	<p>In order to facilitate effective conduct of meetings, the agenda and papers required for a board meeting should be provided to Directors at least seven (7) days before the meeting, and the minutes of the meeting should ordinarily be provided to directors at least two weeks after the meeting date.</p>	<p>Complied</p> <p>The minutes, agenda and papers required for Board meetings are provided in advance to facilitate its effective conduct.</p>

Corporate Governance

Corporate Governance Principle	Reference 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.	Complied 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.
	A.7.1	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. Terms of Reference for Nomination Committees are set out in Schedule A of Code of Best practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka. The Chairman and members of the Nomination Committee should be identified in the Annual Report. A separate section of the annual report should describe the work of the nomination committee including the process it has used in relation to board appointments.	Complied The Committee consists of Two Independent Non-Executive Directors and a Non-Executive Director. The Chairman of the Committee is an Independent Non-Executive Director. (Please refer page 110 for composition of the committee)
	A.7.2	The nomination committee should annually assess Board –composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the board matches the strategic demands facing the company. The findings of such assessment should be taken into account when new board appointments are considered and when incumbent Directors come up for re-election, including a process to determine that such proposed Board appointees are fit and proper.	Complied Board as a whole annually assesses the composition of the Board to ensure that the combined knowledge and experience of the Board matches the strategic demand facing the Company. The findings of such assessments are taken into account when new Board appointments are considered.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.7.3	<p>Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders :</p> <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'. 	<p>Complied</p> <p>All new appointments are communicated to the shareholders via the Colombo Stock Exchange website. The details of the current Board of Directors and new appointments are provided on pages 14 to 16 in this Annual Report.</p>
A.8 Re-Election	Principle of Code A.8	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years. Chairman/ CEO is not subject to re-election.	Complied
	A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their reappointment should not be automatic.	Complied
	A.8.2	All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a résumé minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	Complied

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.8.3	In the event of a resignation of a director prior to completion of his appointed term, the director should provide a written communication to the board of his reasons for resignation.	Complied Written communications are provided to the board by directors who resign prior to completion of his appointed term.
A.9 Appraisal of Board Performance	Principle of Code A.9	Boards should periodically appraise their own performance in order to ensure that Board Responsibilities are satisfactorily discharged.	Complied
	A.9.1	The board should have in place a formal and rigorous process for annually reviewing the performance of the board and its committees and should address any matters that may arise from such review, in the discharge of its key responsibilities as set out in A.1.2.	Complied The performance of the Board and its subcommittees are reviewed and evaluated by the Board and Chairman based on a self- appraisal basis.
	A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.	Complied The performance and deliberations of the Audit and IRM Committees are frequently discussed at Board Meeting, thereby carrying out an effective self-evaluation.
	A.9.3	The board should have a process to review the participation, contribution and engagement of each director at the time of re-election.	Complied The individual self-evaluations are carried out by the respective Board Member, and submitted in writing to the Secretary for the record. And as explained above in A.9.2 self-evaluation of the Board and its committee occur during the proceedings of Board Meetings.
	A9.4	The board should state how such performance evaluations have been conducted, in the annual report.	Complied The details of the performance evaluation conducted are provided on pages 120 to 124.
A.10 Disclosure of Information in Respect of Directors	Principle of Code A.10	Shareholders should be kept advised of relevant details in respect of Directors.	Complied

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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. 	<p>Complied</p> <p>Please refer page 14 to 16 and page 200.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
A.11 Appraisal of Chief Executive Officer	Principal of Code A.11	The Board should be required, at least annually, to assess the performance of the CEO.	Complied
	A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	Complied The CEO's performance is evaluated in line with the overall corporate plan by the Board in terms of both Financial and operational achievements compared to targets set at the planning stage. This process is carried out as mentioned in above A.11.
	A.11.2	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.	Complied This process happens when the CEO's performance appraisal is carried out at the year end.
B. Directors' Remuneration	Principal of Code B.1.	Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	Complied
	B.1.1	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors. (These also include Post-Employment Benefits as well as Terminal Benefits).	Complied The scope of the Committee is to consider and recommend to the Board, remuneration and perquisites of the CEO and Independent Directors of the Board of the Company.
	B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors with a minimum of three non- executive directors of whom the majority should be independent. The chairman should be an independent Non-Executive director and should be appointed by the board.	Complied The Committee consists of Two Independent Non-Executive Directors and one Non-Executive Director. The Committee is chaired by an Independent Non-Executive Director. Secretary of the Remuneration Committee of the parent company acts as the Secretary to the Committee. The Group CEO attends by invitation and the Finance Director of the Parent Company assists the Committee by providing the relevant information and participating in its analysis and deliberations.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	B.1.3	The Chairman and Members of the Remuneration Committee should be listed in the Annual Report each year.	Complied Please refer page 113.
	B.1.4	The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a subcommittee of the Board, Which might include the CEO.	Complied The Non-Executive Directors receive a comprehensive fee for being a Director of the Board and either chairing or being a member of a Board subcommittee. They do not receive any performance/ incentive payments. Remuneration of Non-Executive Directors is decided by the Remuneration Committee.
	B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities.	Complied The Committee has the authority to seek internal and external independent professional advice on matters falling within its purview, at the Company's expense. Views of the Chairman are obtained as they too are members of the said Board Subcommittee.
B.2 The Level and Make Up of Remuneration	Principle of Code B.2	Levels of remuneration of both Executive and Non- Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	Complied
	B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	Complied The Board Remuneration Committee and the Board ensure that Executive Directors. CEO is provided with a reasonable remuneration package.
	B.2.2	Executive Directors' remuneration should be designed to promote the long-term success of the company.	Complied

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	B.2.3	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.	<p>Complied</p> <p>The committee ensures that compensation packages are designed to attract and retain a highly qualified and experienced workforce and reward performances.</p> <p>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.</p>
	B.2.4	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases.	<p>Complied</p> <p>The Remuneration Committee takes into consideration and is sensitive about the conditions of the Group when determining annual salary increases.</p>
	B.2.5	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels. The performance related elements should be transparent, stretching and rigorously applied.	<p>Complied</p> <p>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.</p>
	B.2.6	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>Not Applicable</p> <p>Presently the Company does not have an Executive Share Option Scheme.</p>
	B.2.7	In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions set out in Schedule E of Code of Best Practice on Corporate Governance.	<p>Complied</p> <p>Please refer Remuneration Committee Report on page 113.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	B.2.8	Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committee should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.	Complied Not applicable to the Board except for Chief Executive Officer as the terms of employment is governed by the contract of service/employment.
	B.2.9	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.	Complied No such requirement materialized during the year under review.
	B.2.10	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Director's independence. (as set out in provision A.5.5).	Complied Non-Executive Directors of the Company are paid a fee commensurate with their time and role in the Company and taking into consideration market practices and recommendations made by the parent company and ultimate parent company. Non-Executive Directors are not included in share options as there is no scheme in existence.
B.3 Disclosure of Remuneration	Principle of Code B.3	The Company's Annual Report should contain a Statement of Remuneration Policy and details of Remuneration of the Board as a whole.	Complied
	B.3.1	The Annual Report should set out the names of Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Remuneration Committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied Please refer pages 113 & 156.

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Corporate Governance Principle	Reference 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 The board ensures that shareholders are given an opportunity to participate by giving adequate notice of the AGM date and time. Any shareholder who wishes to speak to the forum of the AGM is given sufficient time to address the Board and the gathering.
C.1. Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings.	C.1.1	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Complied
	C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. For each resolution proxy appointment form should provide shareholders with the option to direct their proxy to vote either for or against the resolution or withhold their vote.	Complied Company proposes separate resolutions at the AGM on each substantially separate issue. Further, adoption of the Annual Report of the Board of Directors on the affairs of the Company and Audited Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.
	C.1.3	The company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution where a vote has been taken on a show of hands, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company. <ul style="list-style-type: none"> - The number of shares in respect of which proxy appointments have been validly made; - The number of votes for the resolution; - The number of votes against the resolution; and - The number of shares in respect of which the vote was directed to be withheld. 	Complied The Company ensures that all valid proxy appointments received for general meetings are properly recorded and counted.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		When, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the board should take steps to understand the reasons behind the vote results and determine if any actions are required.	
	C.1.4	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transaction Review Committee and the Senior Independent Director are to be available to answer questions at the AGM if so requested by the Chairman.	Complied 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.
	C.1.5	Companies should circulate, along with every Notice of General Meetings, a summary of the procedures governing voting at General Meetings.	Complied A summary of the procedures governing voting at General Meetings is circulated to shareholders with every Notice of General Meetings.
C.2 Communication with Shareholders	Principle of Code C.2	The Board should implement effective communication with shareholders.	Complied
	C.2.1	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	Complied The primary modes of communication between Company and the shareholders are the Annual Report and AGM. Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the business of Company, either Verbally or in writing prior to the AGM. The Company used the following channels to disseminate timely information; <ul style="list-style-type: none"> - Shareholders meetings - Financial and other notices as and when required through the Colombo Stock Exchange - Corporate website - Press notices.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	C.2.2	The Company should disclose the policy and methodology for communication with Shareholders.	Complied Please refer the Board Communication Policy on page 118
	C.2.3	The Company should disclose how they implement the above policy and methodology.	Complied Printed copies of Annual Report are provided to shareholders as per request or could be downloaded from the CSE website.
	C.2.4	The Company should disclose the contact person for such communication.	Complied The contact person is the Company Secretary.
	C.2.5	The Company should have a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	Complied The Company Secretary shall maintain a record of all correspondence received and will deliver as soon as practicable such correspondence to the Board or individual Director/s as applicable. The Board or individual Director/s, as applicable, will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretary to send the response to the particular shareholder.
	C.2.6	The Company should decide the person to contact in relation to shareholder matters. The relevant person with statutory responsibilities to contact in relation to shareholders matters is the Company Secretary or in his/her absence should be a designated member of the Board of Directors.	Complied
	C.2.7	The process of responding to shareholder matters should be formulated by the Board and disclosed.	Complied Please refer the Board Communication Policy on page 118.

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
C.3. Major and Material Transactions	Principle of Code C.3	Further to compliance with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the Consolidated Group Net Asset Base.	Complied
	C.3.1	Prior to a Company engaging in or committing to a 'Major Related Party Transaction', with a related party, involving the acquisition, sale or disposition of greater than one third of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, the Directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting. It also applies to transactions or series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company.	Complied During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the Net Assets Base of the Company. Transactions which materially affect the net assets base of the Company will be disclosed in the Quarterly/Annual Financial Statements, if any.
	C.3.2	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulations of the Securities and Exchange Commission and by the Colombo Stock Exchange.	Complied No such requirement materialized during the year under review.
D. Accountability And Audit D.1. Financial and Business Reporting	Principle of Code D.1	The Board should present a balanced and Understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal control and challenges, opportunities and prospects.	Complied

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	D.1.1	The board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	<p>Complied</p> <p>An annual report is presented including financial statements that are true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations.</p>
	D.1.2	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	<p>Complied</p> <p>The Board is well aware of its responsibility to present regulatory and statutory reporting in a balanced and understandable manner and a statement to this effect is given in the Statement of Directors' Responsibility on page 125 confirming this position. The Company had strictly complied with the requirements of the Companies Act No. 07 of 2007 in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards. Further, Company has complied with the reporting requirements prescribed by the regulatory authority such as the Colombo Stock Exchange.</p>
	D.1.3	The board should, before it approves the company's financial statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the system of risk management and internal control was operating effectively.	<p>Complied</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	D.1.4	<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 endeavors to ensure the equitable treatment of shareholders; - The directors have complied with best practices of Corporate Governance; - Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made; - They have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith; and - The business is a going concern, with supporting assumptions or qualifications as necessary; 	<p>Complied</p> <p>The Annual Report of the Board of Directors on the Affairs of the Company given on pages 120 to 124 covers all of these sections. In addition to that Company has established procedures to ensure compliance with all applicable statutory and regulatory requirements. A compliance statement is tabled at each Board meeting by the Compliance Officer. The Company's compliance with Section 7.10 of the Colombo Stock Exchange Listing Rules on Corporate Governance and details of such compliance are discussed on pages 103 to 106 of this report.</p>
	D.1.5	<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.</p>	<p>Complied</p> <p>The "Statement of Directors' Responsibility" is given on page 125</p> <p>The Directors' Statement on Internal Control is given on page 116 to 117.</p> <p>The 'Independent Auditors Report' on pages 126 to 129 states the Auditors responsibility.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	D.1.6	<p>The Annual Report should contain a “Management Discussion & Analysis”, discussing, among other issues:</p> <ul style="list-style-type: none"> - business model; - industry structure and developments; - opportunities and threats; - risks and concerns; - internal control systems and their adequacy; - governance; - stakeholder relationships; - social and environmental protection activities carried out by the Company; - financial performance; - investment in physical and intellectual capital; - human resource/industrial relations activities carried out by the company; and - prospects for the future. 	<p>Complied</p> <p>Management Discussion and Analysis highlights the operational and financial status of the Company in the context of prevailing industry conditions. This report is given in pages 20 to 25.</p>
	D.1.7	<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>Complied</p> <p>Likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.</p>
	D.1.8	<p>The Board Should adequately and accurately disclose the related party transactions in its Annual Report:</p> <ul style="list-style-type: none"> • Each related party to submit signed and dated quarterly declarations mentioning whether they have related party transactions with the Company's defined in this Code; • It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly; 	<p>Complied</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> • 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; • A record /register either in hard or soft form on related party and related party transactions should be maintained by the Company; • This record should ensure that the Company captures information to comply with the respective related party disclosure requirements imposed by the SEC/ Accounting Standards/Auditing Standards and similar regulations. 	
D.2. Risk Management and Internal Control	Principle for Code D.2	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.	Complied The Board has delegated this authority to Audit Committee & IRM Committee and reviews the same, fulfilling the above requirement.
	D.2.1	The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	Complied
	D.2.2	The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	Complied Please refer pages 116 to 117.
	D.2.3	Company should have an internal audit function.	Complied

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	D.2.4	The Board should require the Audit Committee to ensure carrying out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes responsibility for the disclosures on risk management and internal controls.	<p>Complied</p> <p>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 2019/20, the Board of Directors was satisfied with the effectiveness of the system of internal controls of the Company. Refer the Directors' Statement on Internal Control on pages 116 to 117.</p>
D.3. Audit Committee	Principle of Code D.3	The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.	Complied
	D.3.1	The board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The committee should be chaired by an independent non-executive director. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control.	<p>Complied</p> <p>All members of the Board Audit Committee are Non-Executive Directors. Three out of four Directors are Independent Directors. Details of Committee are given in pages 108 to 109.</p>
Terms of Reference of the Audit Committee	D.3.2	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. The Audit Committee's written Terms of Reference must address:	<p>Complied</p> <p>As stated in the Report of the Audit Committee of the Company, the Committee regularly reviews scope, results and effectiveness of the Audit.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> • The Committee's purpose- which, at minimum, must be to: <ul style="list-style-type: none"> ◆ Assist Board oversight of the: <ul style="list-style-type: none"> • preparation, presentation and adequacy of disclosures in the financial statements, in accordance with the Sri Lanka's Accounting Standards; • compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements; • process to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards; ◆ Assessing the Company's ability to continue as a going concern in the foreseeable future: <ul style="list-style-type: none"> • performance of the Company's internal audit function; • process to the identification, monitoring and management of significant business/ financial risk and • independence and performance of the company's external audit. • The duties and responsibilities of the Audit Committee-should at a minimum include those set out below: <ul style="list-style-type: none"> ◆ making recommendations to the Board, pertaining to appointment, re-appointment and removal of external Auditors and to approve the remuneration and terms of engagement of the external Auditors; 	

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> ◆ to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; ◆ to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Sri Lankan professional and regulatory requirements; ◆ discussion of the audit plan, key audit issues, their resolution and management responses; ◆ review the Company's annual audited financial statements and quarterly financial statements with management and the Auditor to ensure compliance with the Sri Lanka Accounting Standards and other relevant laws and regulations; ◆ to review significant financial reporting judgments ; ◆ review the company's earnings press releases and financial information and earnings guidance provided to analysts and rating agencies; ◆ discussion of policies and practices with respect to risk assessment and risk management; ◆ to review the company's internal financials controls and unless expressly addressed by a separate board risk committee composed of independent directors or by the board itself to review the company's internal control and risk management system: 	

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> ◆ ensuring that a process of sound system of internal control is in place; ◆ ensuring that at least once in every three years an review of the board's risk management, internal controls, business continuity, planning and information security systems are carried out and appropriate remedial action recommended to the board; ◆ ensuring that an effective internal audit function is in place and monitor and review the internal audit activities; ◆ meeting separately, periodically, with management, auditors and internal auditors; ◆ ensuring that there is a mechanism for the confidential receipt, retention and treatment of complaints alleging fraud, received from internal/external sources and pertaining to accounting, internal control or other such matters; ◆ assuring confidentiality to whistle-blowing employees; ◆ setting clear hiring policies for employees or former employees of the Auditors; and ◆ reporting regularly to the Board of Directors. 	
Disclosures	D.3.3	<p>A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"> • The names of the Directors (persons in the Parent Company's Committee in the case of a Group Company) comprising the Audit Committee; • The number of meetings held and attendance of each director; 	<p>Complied</p> <p>Names of the members of the Audit Committee are given on pages 108 to 109 under the section on the 'Composition of the Committee' and disclosure on the independence of the Auditors is found on page 124 under the 'Auditors' in the 'Annual Report of the Board of Directors on the Affairs of the Company' on pages 120 to 124.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> The scope of work and how its roles and responsibilities were discharged; The significant issues that the committee considered in relation to the financial statements, and how these issues were addressed; An explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length; If the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded ;and The Committee should also make a determination of the independence of the Auditors and should disclose the basis of such determination in the Annual Report. <p>The Annual Report should contain a Report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.</p>	
D.4 Related Party Transactions Review Committee	Principle of Code D.4	The Board should establish a procedure to ensure that the company does not engage in transactions with 'related parties' in a manner that would grant such parties 'more favourable treatment' than that accorded to third parties in the normal course of business.	Complied
	D.4.1	A related party and related party transactions will be as defined in LKAS 24.	Complied
	D.4.2	The Board should establish a Related Party Transactions (RPT) review committee consisting exclusively of non-executive directors with a minimum of three non-executive directors of whom the majority should be independent. Executive directors may attend by invitation. The chairman should be an Independent non-executive director appointed by the board.	<p>Complied</p> <p>The RPT Review Committee of Singer (Sri Lanka) PLC, the immediate parent Company acts as the RPT Review Committee of the Company.</p> <p>Senior Independent Director represents the Company in the Group Related Party Review Committee (where parent company is a public quoted company).</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
D.4.3		<p>RPT Review committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors. The RPT review Committee's written terms of reference must address;</p> <ul style="list-style-type: none"> • A procedure for documenting related parties in accordance with the definitions in LKAS 24 and the CSE Listing Rules. • A procedure to obtain a statement of related party interest from each such related party at least once in each quarter, when there's a change in the status and in any event prior to entering into any transaction between such related parties and the company, its parent or any of subsidiaries, sub-subsidiaries, fellow subsidiaries, associates, joint ventures and any other entities which are considered related parties as defined in LKAS 24 unless they are exempted related party transactions as defined in CSE Listing Rules. • Key Management Personnel of the company responsible for contracting, procurement, payments, and any other channel through which an inflow or outflow of resources can result, should have a list of all related parties and have a process in place to capture and report any related party transaction within their area of responsibility. • A procedure to inform all related parties of what constitutes exempted related party transactions. • A procedure to identify and for directors to report recurrent and non-recurrent related party transactions and to obtain Board or shareholder approval by special or ordinary resolution as required by the CSE Listing Rules. 	<p>Complied.</p> <p>The Related Party Transactions Review Committee Report on page 114 sets out the functions of the Committee.</p> <p>Minutes are maintained by the secretary of the committee.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> • A procedure and guideline to delegate to Key Management Personnel to deal with recurrent related party transactions as defined in the CSE Listing Rules. • A procedure for the RPT review committee to review and recommend to the board matters relating to such transactions. • Any interested directors should not participate at the meeting at which the transaction relating to him/her is discussed unless invited to seek clarification/ information. • A procedure and definition of disclosure required to be made by the company on an annual basis, those requiring immediate disclosure and those requiring shareholder approval. • A procedure to identify related party transactions which require immediate disclosure as per the CSE listing rules and to ensure that required disclosures are made by the company to the Colombo Stock Exchange in accordance with the CSE listing rules. • A procedure to identify related party transactions which require shareholder approval by special resolution at an extraordinary general meeting. • The company secretary should maintain a permanent record in manual or electronic form of such statements, submissions, approvals and minutes. • Review and recommend to the Board the related party disclosures to be made in the Annual Report of the Company. 	

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
D.5 Code of Business Conduct & Ethics	Principle of Code D.5	Companies must adopt a Code of Business conduct & ethics for Directors, Key Management Personnel and all other employees' including but not limited to; dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behavior be promptly reported to those charged with governance. The company must disclose waivers of the code for Directors, if any.	Complied The Company adopts the code of business conduct and ethics of its immediate parent, Singer (Sri Lanka) PLC.
	D.5.1	<p>All companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key Management Personnel have declared complied with such Code, and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a code, but all companies should address the following important topics in their respective codes:</p> <ul style="list-style-type: none"> • conflict of interest; • bribery and corruption; • entertainment and gifts; • accurate accounting and record keeping; • fair and transparent procurement practices; • corporate opportunities; • confidentiality; • fair dealing; • protection and proper use of Company assets; Including information assets; • compliance with laws, rules and regulations (including insider trading laws); and • encouraging the reporting of any illegal or unethical behavior. 	Complied Please refer page 124.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	D.5.2	The company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	Complied.
	D.5.3	The company should establish a policy, process for monitoring and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting.	Complied
	D.5.4	The chairman must affirm in the Company's annual report that, code of conduct and ethics has been introduced companywide and the procedure for disseminating, monitoring and compliance with that code. He must also disclose that he is not aware of any violation of any of the provisions of the code of business conducts and ethics.	Complied
D.6. Corporate Governance Disclosures	Principle of Code D.6	Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	Complied
	D.6.1	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	Complied This Report from pages 38 to 106 sets out the manner and extent to which Singer Finance (Lanka) PLC has complied with the principles and Provisions of the Code.
Section 2: Shareholders E. Institutional Investors E.1 Shareholder Voting	Principle of Code E.1	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Complied

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	E.1.1	A listed Company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	Complied All shareholders are given adequate time to engage the Board at the AGM and as per the communications policy any shareholder could communicate to the Board through the Company Secretary.
E.2 Evaluation of Governance Disclosures	Principle of Code E.2	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Complied The Institutional Investors are at liberty to give due weight to matters relating to the Board structure and composition, when they consider resolutions relating to Board structure and composition.
F. Other Investors F.1. Investing /Divesting Decision	Principle of Code F.1	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Complied All individual investors are invited to the annual general meeting regardless of the investment size and they are entitled with voting rights.
F.2. Shareholder Voting	Principle of Code F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Complied Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.
G. Internet of things and Cyber security	Principle of Code G.1	The Board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cyber security risks that may affect the business. Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the company's network to send and receive data. Such access could be authorized or unauthorized.	Complied A process is in place to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cyber security risks that may affect the business. This process is handled by IT division of the immediate parent company.

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
			<p>Board gets updates through internal and external audits regarding adequacy of controls in place to mitigate cyber risks, and on possible cyber risks that the Company is exposed to.</p> <p>The Company has an Information Security Management Framework in place. The Cyber Security risks are also covered in the document.</p>
	Principle of Code G.2	<p>The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cyber-security risk management policy which should be approved by the Board.</p> <p>The policy should include a robust cyber security risk management process, incident response system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting and the need for cyber security insurance.</p>	<p>Partially Complied</p> <p>Director IT of the immediate parent company has been appointed by the parent company as the Chief Information Security Officer.</p> <p>The Company has developed an Information Security Management Framework.</p>
	Principle of Code G.3	<p>The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber-risk management. The matters taken up for the discussion on the board meeting agenda may include;</p> <ul style="list-style-type: none"> • Potential cyber security risks in the company's business model • CISO's security strategy and status of the current projects • Compliance with the cyber security risk management process and incident report • Findings and recommendations from independent reviewers 	<p>Partially Complied.</p> <p>The Board got advice from a Cyber security expert during the financial year.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	Principle of Code G.4	<p>The Board should ensure the effectiveness of the cyber security risk management through independent periodic review and assurance.</p> <p>The scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.</p>	<p>Complied.</p> <p>Security assessments have been carried out and in the process of taking corrective actions.</p>
	Principle of Code G.5	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	<p>Complied.</p> <p>IT risk assessments are carried out by immediate parent company according to ISO 27001: 2013 and ISO 3100: 2018 standards, at least annually to identify the risk on the IT environment. Identified risks will be evaluated and proper measures are taken by the parent company's IT team to mitigate or minimise the threats. Please refer pages 120 to 124.</p>
<p>H. Environment Society and Governance (Esg)</p> <p>H. 1 ESG Reporting</p> <p>Main Principle</p> <p>The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported.</p> <p>Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. While many ESG factors are 'non-financial', their management and likely impact have financial consequences. Hence, they are important factors to be built into a company's business model, strategy, governance and risk management framework. ESG factors relevant to the Company could impact the followings;</p> <ul style="list-style-type: none"> • Access to financial capital • Cost savings and productivity • Brand value and reputation • Employee recruitment • Employee retention • Access to markets • License to operate • Market capitalization <p>Integrating ESG policies and practices into a company's strategy, business model, governance and risk management, and reporting its likely impact and implications are increasingly seen by investors as material to their investment decisions. Further, investors want to understand how well companies are managing the risks associated with ESG issues, as this is seen as a key test of the long term sustainability of the Company. They are also increasing interested in the opportunities presented by low carbon economy, and are allocating capital to companies that are well equipped to benefit from this.</p>			

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
	H.1.1	<p>Companies should provide information in relation to:</p> <ul style="list-style-type: none"> • The relevance of environmental, social and governance factors to their business models and strategy. • How ESG issues may affect their business. • How risks and opportunities pertaining to ESG are recognized managed, measured and reported. 	<p>Partially Complied.</p> <p>Sustainability principles related to ESG factors are embedded in the operations of the Company and initiatives implemented to ensure adherence by the Company.</p>
H.1.2. Environmental Factors	H.1.2.1	<p>Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health, and environmental implications of their decisions and activities, including;</p> <ul style="list-style-type: none"> • pollution prevention, • sustainable resource use (eg: water, energy), • climate change, • protection of environment, • bio diversity, • restoration of natural resources. 	<p>Partially Complied</p> <p>Sustainability principles related to environmental factors are embedded in the operations of the Company and initiatives implemented to ensure adherence to environmental governance by the Company are discussed in the Management Discussion and Analysis and compliance section of this report.</p>
H.1.3 Social Factors	H.1.3.1	<p>Social governance of an organization should include its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organization's business model.</p> <ul style="list-style-type: none"> • The organization should adopt an integrated approach to building a relationship with the community and striving for sustainable development including responsible community engagement, fair competition, thereby demonstrating corporate social responsibility. 	<p>Complied</p> <p>Sustainability principles related to social factors are embedded in the operations of the Company and initiatives were implemented to ensure adherence to social governance by the Company.</p>

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> • The organization should adopt an integrated approach to building a relationship with customers. This includes establishing a process for customer engagement, product responsibility and product recall and other matters relevant to the organization's business model. • The labour practice related governance of an organization should encompass all policies and practices in relation to work performed by or on behalf of the organization in accordance with its business model, and should also include policies and practices such as equal opportunity, career development and training, reward and recognition, conditions of work, work-life balance and industrial relations. • The organization should have policies and procedures to ensure that suppliers and outsourced providers comply with social governance norms of the company. 	
H.1.4. Governance	H.1.4.1	<p>Companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognizing managing and reporting on all pertinent aspects of ESG.</p> <ul style="list-style-type: none"> • The company should recognize the key resources/capitals deployed in its business and establish financial and non-financial measures for resource/capital management and related outputs and outcomes. • The company should have a process to ascertain, assess and manage risks which have an impact on the sustainability of the company. 	<p>Complied</p> <p>Process of managing risks in line with ESG aspects is discussed in the Risk management report.</p>

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Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
		<ul style="list-style-type: none"> • The company should have a process to recognize material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence. • The disclosures should deal with how the company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organizational culture, code of conduct and business model supports sustainability of the company in the short, medium and long term. 	
H.1.5. Board's Role On ESG Factors	H.1.5.1	<p>ESG reporting is a Board's responsibility and it is designed to add value by providing a credible account of the Company's economic, social and environmental impact.</p> <p>ESG reporting and disclosure should be formalized as part of the Company's reporting process and take place on a regular basis.</p> <p>ESG reporting should link sustainable issues more closely with strategy.</p> <p>ESG reporting may be built on a number of different guidelines, such as:</p> <ul style="list-style-type: none"> • Integrated Reporting Framework • The Global Reporting Initiative Guidelines 	<p>Complied</p> <p>ESG reporting and disclosure is done as part of the Company's reporting process based on Integrated Reporting Framework and The Global Reporting Initiative Guidelines.</p>

Section B

This section covers the Company's extent of adherence to the requirements of the Continuous Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange. This reflects the Company's level of conformity to CSE's Listing Rules which comprise the following fundamental principles:

- Non-Executive Directors
- Independent Directors
- Disclosures Relating to Directors
- Remuneration Committee
- Audit Committee

The following table presents the details of the Company's compliance with Section 7.10 and Section 9 of the CSE Listing Rules on Corporate Governance as at 31st March 2020.

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 where 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 14 to 16.
	7.10.3 (b)	The Board shall make a determination annually as to the Independence or Non-Independence of each Non- Executive Director.	Complied
	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 14 to 16.
	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 14 to 16.

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Section	Rule No	Corporate Governance Rule	Details of Compliance
Remuneration Committee Composition	7.10.5 (a)	Number of Independent Non-Executive Directors in the Committee to be a minimum of two (where a Company has only two Directors on the Board), or in all other instances majority of whom to be independent.	The Committee Includes three Non-Executive Directors out of them two are Independent Non-Executive Directors.
		Separate Committee to be formed for the Company or the Listed Parent's Remuneration Committee to be used.	A separate Remuneration Committee was formed for the Company.
		Chairman of the Committee to be a Non-Executive Director.	The Board of Directors has appointed an Independent Non-Executive Director as the Chairman of the Committee.
Functions	7.10.5 (b)	Function of the Committee. The committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer.	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 113 Please refer page 113 Please refer page 156
Audit Committee Composition	7.10.6 (a)	Number of Independent Non-Executive Directors in the Committee to be – <ul style="list-style-type: none"> a minimum of two (where a Company has only two Directors on the Board), or in all other instances majority of whom to be independent. 	The Committee comprises four Directors of whom three are Independent Non-Executive Directors.
		Separate Committee to be formed for the Company or the Listed Parent's Committee to be used.	A separate Audit Committee was formed for the Company.
		Chairman of the Committee to be a Non-Executive Director.	The Board of Directors has appointed a Senior Independent Non-Executive Director as the Chairman of the Committee.
		Chairman or one member of the Committee to be a member of a recognised professional accounting body.	Board Members of the Committee are members of a recognized professional accounting body.
		CEO and CFO to attend Committee meetings, unless otherwise determined by the Audit Committee.	CEO and CFO attend by invitation.

Section	Rule No	Corporate Governance Rule	Details of Compliance
Functions	7.10.6 (b)	Function of the Committee.	The Audit Committee Report sets out the functions of the Committee.
Disclosure in the Annual Report	7.10.6 (c)	Names of Directors comprising the Audit Committee 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 pages 108 to 109
Public Holding	7.13.1(a)	In case of float adjusted market capitalization is below Rs. 2.5bn, public holding percentage should maintain minimum at 20% and the minimum 500 public shareholders.	Complied
Related Party Transactions Review Committee Composition	9.2.2	Combination of non-executive directors and independent non-executive directors. The composition of the committee may also include executive Directors, at the option of the listed entity. One independent Non - Executive Director Shall be appointed as chairman of the committee.	The Committee comprises of two Independent Non-Executive Directors, one Non-Executive Director and one Executive Director of the parent company. The Senior Independent Non- Executive Director of the company attends the meetings to represent the company.
	9.2.3	Separate Committee to be formed for the Company or the Listed Parent's Committee to be used.	Board of Directors of Singer Finance have resolved to permit the Related Party Transactions Review Committee of the parent Company to function as the Related Party Transactions Review Committee of the Company and appointed Mr. J.A Setukavalar – Senior Independent Non-Executive Director to represent the Company at the BRPTRC.
Functions of the Committee.			The Related Party Transactions Review Committee Report sets out the functions of the Committee.
	9.2.4	Related Party Transactions Review Committee – Meetings. The Committee shall meet at least once a calendar quarter.	Partly Complied Refer Committee Report on page 114.

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Section	Rule No	Corporate Governance Rule	Details of Compliance
Disclosure in the Annual Report	9.3.2 (a)	Non-recurrent Related Party Transactions if aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower.	Complied
	9.3.2 (b)	Recurrent Related Party Transactions – If aggregate value exceeds 10 % Gross/ income as in the latest audited accounts.	Complied
	9.3.2. (c)	The Annual report shall contain a Report of the Related Party Transactions Review Committee in the prescribed manner.	Please refer Related Party Transactions Review Committee report on page 114.
	9.3.2 (d)	A declaration by the Board of Directors as an affirmative statement of the compliance with the rules pertaining to related party transactions.	Complied Please refer page 114.

Attendance of the Board and Sub Committee meetings are given below,

Name of Director	Board Meetings	Audit Committee	Integrated Risk Management Committee	Related Party Transaction Review Committee (Singer (Sri Lanka) PLC)	Nomination Committee	Remuneration Committee	Credit Committee
Mr. Aravinda Perera - Chairman/NED	11/11	4/4	-	-	-	1/1	-
Mr. Jayendran A. Setukavalar - Senior INED	08/11	4/4	-	4/4 (by invitation)	-	-	-
Mr. Priyath Salgado - INED	09/11	4/4	2/3	-	-	1/1	3/3
Mr. Jayanth Perera - INED	11/11	4/4	3/3	-	-	1/1	-
Ms. Darshini Talpahewa- NED	09/11	-	-	-	-	-	-
Mr. Sadeep Perera- NED	09/11	-	-	-	-	-	-
Mr. Thushan Amarasuriya - Director/CEO	11/11	-	3/3	-	-	-	3/3
Mr. M. H. Wijewardene - NED	10/11	-	-	4/4	-	-	-
Mr. Deepal Sooriyarachchi* - INED	-	-	-	3/4	-	-	-
Mr. D. K. De S. Wijeyeratne* - INED	-	-	-	4/4	-	-	-
Mr. K. K. Lalith P. Yatiwella (Alternate Director to Ms. Darshini Talpahewa) **	02/11	-	-	-	-	-	-

* Directors of parent company

** Principal Director has attended the other meetings

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 the 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.
- It is hereby certified that the Company is in compliance with the Acts, rules and directions issued by the Monetary Board during the period under review.



Thushan Amarasuriya
Chief Executive Officer



Jayendran Setukavalar
Chairman - Audit Committee



Iman Perera
Chief Operating Officer



Suranga Jayaweera
Senior Manager - Compliance

Colombo
14th May 2020

Audit Committee Report

Preamble

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

Composition of the Committee

Mr. Jayendran Setukavalar
(Senior INED) -Chairman

Mr. Aravinda Perera (NED)

Mr. Priyath Salgado (INED)

Mr. Jayanth Perera (INED)

The Board of Directors has established the audit committee in accordance with best practices on audit committees. As at year end, the Audit Committee comprised of three Independent Non-Executive Directors and One Non Executive Director of the Board. Hayleys Group Services (Pvt) Ltd functions as the Secretary to the Committee. Chief Executive Officer, Chief Operating Officer, Head of Finance, Senior Manager Compliance and Chief Credit & Recoveries Officer represent the management at the Audit Committee by invitation and when necessary, Audit Staff, Representatives of External and Internal Auditors, and relevant operational managers attend the meetings by invitation.

Responsibilities and Duties of the Committee

The Audit Committee's authority, responsibilities and specific duties

have been formalised through an Audit Committee Charter. By this, the Audit Committee is empowered among other things to examine any matters relating to the financial affairs of the Singer Finance (Lanka) PLC and to review the adequacy of the internal control procedures, coverage of internal and external audit programmes, preparation, presentation and adequacy of disclosure in the financial statements and Compliance with Statutory and Corporate Governance requirements. The Committee also assess the Company's ability to continue as a going concern in the foreseeable future.

The Committee also provides a forum for the impartial review of the reports of internal and external auditors and to take into consideration findings and recommendations stated therein, related to significant business and internal control risks.

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

The Committee and the Board reviews the Quarterly Financial Results to ensure compliance with mandatory, statutory and other regulatory requirements laid down by the authorities.

The Compliance Officer monitors the Singer Finance (Lanka) PLC compliance with the applicable laws and regulations, including any internal policy on code of conduct of its employees. Thus the committee ensures that a sound financial reporting framework, which is well monitored to give accurate,

appropriate and timely information to the Board of Directors, Management, Regulatory Authorities and shareholders is in place.

Internal Audit

The internal audit function of the branches is partly outsourced to Messer's BDO Chartered Accountants. The Head Office functions are audited by the Internal Audit division of the Company headed by the Manager Internal Audit. The internal auditors are responsible to review and report on the efficacy of the internal control system and compliance with statutory and other regulations and the Company's accounting and operational policies.

Meetings of the Committee

During the year, four Audit Committee meetings were held to discuss the reports of the Internal and External Auditors, quarterly and Annual Financial Accounts. The draft accounts were also discussed and recommended at the meeting held on 4th May 2020. 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.

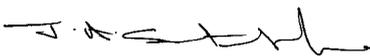
The Audit Committee recommended to the Board of Directors that Messrs KPMG Chartered Accountants be reappointed as the External Auditors for the year ending 31st March 2021 subject to the approval of the Shareholders at the Annual General Meeting.

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

In terms of the Section 8 (2) 1 of the above direction the Chief Finance Officer, the Chief Internal Auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months; the committee shall meet with the external auditors without the Executive Directors being present. The Audit Committee Chairman last met with the external auditors without the presence of the Executive Directors and Management on the 28th of January 2020.

Conclusion

Finally, I thank all the members who served on the audit committee during the year for their valuable contribution to the deliberations of the committee.



Jayendran Setukavalar
Chairman – Audit Committee

Colombo
14th May 2020

Board Nomination Committee Report

Role of the Committee

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

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

Composition and Quorum

Committee comprise of two Independent Non-Executive Directors and one Non-Executive Director. Chief Executive Officer of the Group attends by invitation. The Chairman of the Committee is an Independent Non-Executive Director appointed by the Board.

Mr Jayanth Perera (INED)-Chairman

Mr. Aravinda Perera (NED)

Mr. Priyath Salgado (INED)

Hayleys Group Services (Pvt) Ltd functions as the Secretary to the Committee.

Meetings and Activities

The Committee has not met during the year under review.

Conclusion

I wish to thank and place my record of appreciation to all the members of the committee.



Jayanth Perera

Chairman – Board Nomination Committee

Colombo
14th May 2020

Integrated Risk Management Committee Report

Role of the Committee

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

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

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

Composition and Quorum

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

Mr Jayanth Perera (INED)-Chairman

Mr. Priyath Salgado (INED)

Mr. Thushan Amarasuriya (CEO)/
Executive Director

Four executives representing different risk areas of the Company participate for the meeting. Assistant Manager Risk 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 Senior Manager Compliance serves as the Secretary. The committee also comprises of the Chief Operating Officer, Head of Finance, Chief Credit & Recoveries Officer, Senior Manager Credit, Consultant to the Chairman, Assistant Manager Risk, Senior Operations Manager, Manager Deposit Operations and Senior Analyst Programmer. Minutes of the quarterly meetings are escalated through the IRMC to the Board.

Conclusion

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



Jayanth Perera

Chairman - Integrated Risk
Management Committee

Colombo
14th May 2020

Credit Committee Report

Purpose

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

Committee Authority and Responsibilities

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

The Committee shall oversee Management's Administration of the Company's credit portfolio, including

Management's responses to trends in credit risk, credit concentration and asset quality, and shall receive and review reports from Management regarding compliance with applicable credit risk related policies, procedures and tolerances.

The members of the Committee were:

Mr. Priyath Salgado (INED) - Chairman

Mr. Jeevaka Jayawardena - Secretary

Mr. Thushan Amarasuriya

Mr. Iman Perera

Mr. Ruwan Jayasuriya

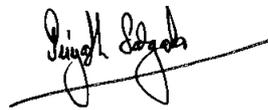
Mr. Thilan Rupasinghe

Mr. Eraj Fernando

Conclusion

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

For and on behalf of the Credit Committee.



Priyath Salgado

Chairman - Credit Committee

Colombo
14th May 2020

Remuneration Committee Report

The Remuneration Committee is appointed by the Board of Directors of the Company.

The Members of the Remuneration Committee;

Mr. Jayanth Perera (INED) - Chairman
Mr. Aravinda Perera (NED)
Mr. Priyath Salgado (INED)

The Remuneration Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. An Alternate Director who is also the Finance Director of the parent company functions as the Secretary to the Committee by Invitation. Group Chief Executive Officer attends the Committee by invitation. The Committee is chaired by an Independent Non-Executive Director. The Group Chief Executive Officer assists the Committee by providing the relevant information and participating in its analysis and deliberations.

The scope of the Committee is to “look into fees, remuneration and perquisites of the Chief Executive Officer who is also an Executive Director of the Board of the Company, Independent Directors, and Non-Executive Directors and approve recommendations made by the Group Chief Executive Officer.

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

A primary objective of the compensation packages is to attract and retain a highly qualified and experienced workforce and reward performances. These compensation packages should provide compensation commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long-term shareholder returns.

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

I wish to thank members of the Committee, the Group Chief Executive for their valuable contributions to the deliberations of the Committee.



Jayanth Perera
Chairman - Remuneration Committee

Colombo
14th May 2020

Board Related Party Transactions Review Committee Report

Composition of the Board Related Party Transactions Review Committee

The Board of Singer (Sri Lanka) PLC, the Parent Company established the 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 by Invitation. The Board Related Party Transactions Review Committee comprises of Two Independent Non-Executive Directors and one Executive Director. The following Directors serve on the Committee.

Mr. Deepal Sooriyaarachchi - Chairman (INED)

Mr. Dilip K De S Wijeyerathne (INED)

Mr. M.H Wijewardene (NED)

Mr. Jayendran Setukavalar (Senior INED of Singer Finance (Lanka) PLC) (By Invitation - Represents Singer Finance (Lanka) PLC)

The above composition is in compliance with the provisions of the Code regarding the composition of the Board Related Party Transactions Review Committee. Brief profiles of the members are given on pages 14 to 16 of this Annual Report.

Hayleys Group Services (Pvt) Ltd functions as the Secretary to the Parent Company's Board Related Party Transactions Review Committee.

Meetings

During 2019/20 the committee met four times. Attendance by the Committee members at this meeting is given in the table on page 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.
3. Key Management Personnel (KMPs) and their Close Family members (CFMs) are identified half yearly together with their NIC numbers and business registration numbers. This information is in the system.
4. Systems are updated with KMP and their CFM details on a half yearly basis or as and when the need arises in the event of a material change.
5. Data is extracted from the system, verified and validated.
6. All managers are advised to report RPTs to the Secretary to BRPTRC 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. 39 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
14th May 2020

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.

Auditor's Report on the Directors' Statement on Internal Control Over Financial Reporting



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE BOARD OF DIRECTORS OF SINGER FINANCE (LANKA) PLC

We were engaged by the Board of Directors of Singer Finance (Lanka) PLC ("the Company") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the Annual Report for the year ended 31st March 2020 as set out in pages 116 to 117 in the Annual Report.

Responsibilities of the Management and Those Charged with Governance for the Statement on Internal Control

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company / Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 10 (2) (c) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

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.

Scope of the Engagement in Compliance with SLSAE 3051

Our responsibility is to issue a report to the Board on the Statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051 – Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

Summary of Work Performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

- Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.
- Reviewed the documentation prepared by the Management to support the Statement made.
- Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.
- Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(f) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

CHARTERED ACCOUNTANTS
14th May 2020

Colombo

M.R. Mithular 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 FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alshakoon ACA		

Principals - S.R.I. Perera FCMA(UK), LL.B. Attorney-at-Law, H.S. Goonewardene ACA

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 pages 108 & 109.
- The comments made by the External Auditors in connection with internal control system during the financial year 2019/2020 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

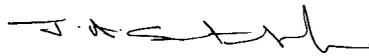
Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

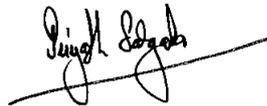
The External Auditors have reviewed the above Directors' Statement on Internal Controls included in the Annual Report of the Company for the year ended 31 March 2020 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding

of the process adopted by the Board in the review of the design and effectiveness of the internal control system over financial reporting of the Company.

By order of the Board



Jayendran Setukavalar
Chairman – Audit Committee



Priyath Salgado
Independent Non Executive Director



Thushan Amarsuriya
Executive Director/CEO

Colombo
14th May 2020

Board of Directors Communication Policy

Policy Statement

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

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

Communications to the Board

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

Hayleys Group Services (Pvt) Ltd

Company Secretaries
No 400, Deans Road,
Colombo 10

Procedures for Handling Communications to the Board

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

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

Separately, the parent Company's Audit Committee has established a Group Whistle-blower Policy for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls,

auditing matters, fraud and unethical business practices, sexual harassment/ misconduct, racial or religious discrimination and the confidential, anonymous submission by employees or any other concerned persons of concerns regarding questionable practices or events that would be harmful to the Company's progress and reputation.

Hayleys Group Services (Pvt) Ltd

Company Secretaries
No 400, Deans Road,
Colombo 10

FOCUSSED

on building trust

Financial Calendar - 2019/20

Annual Report 2018/19	6th May 2019
Twelfth Annual General Meeting	17th July 2019
Interim Dividend Payment	28th May 2019

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

1st Quarter

For the three months ended 30th June 2019 (Unaudited)	08th August 2019
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2nd Quarter

For the six months ended 30th September 2019 (Unaudited)	08th November 2019
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3rd Quarter

For the nine months ended 31st December 2019 (Unaudited)	11th February 2020
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4th Quarter

For the twelve months ended 31st March 2020 (Unaudited)	15th May 2020
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Annual Report & Annual General Meeting

Annual Report 2019/20 Approved on	14th May 2020
Thirteenth Annual General Meeting	21st July 2020

Proposed Financial Calendar 2020/21

1st Quarter Results

For the three months period ending 30th June 2020 (Unaudited)	August 2020
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2nd Quarter Results

For the six months period ending 30th September 2020 (Unaudited)	November 2020
---	---------------

3rd Quarter Results

For the nine months period ending 31st December 2020 (Unaudited)	February 2021
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4th Quarter Results

For the twelve months period ending 31st March 2021 (Unaudited)	May 2021
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Annual Report and Accounts for 2020/21 (audited)	June 2021
Fourteenth Annual General Meeting	June 2021

FINANCIAL REPORTS

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 2020.

Review of the Year

The Chairman's Review (pages 6 to 8), the Group Chief Executive Officer's Review (pages 9 to 10), Chief Executive Officer's review (Pages 11 to 13) and Management Discussion & Analysis (pages 20 to 25), 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 32 to 37 elaborates the financial results of the Company. These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

Principal Activities

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

Independent Auditors' Report

The independent Auditors' report on the Financial Statements is given on pages 126 to 129 in this Annual Report.

Financial Statements

The Financial Statements for the year ended 31st March 2020 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 130 to 203 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 134 to 154. The accounting policies adopted are consistent with the previous financial year except as disclosed under Note 2 in page 136.

Property, Plant & Equipment

During the year under review, the Company invested Rs. 171 million (including Capital Working Progress) (2018/19, Rs. 141.1 million) in Property, Plant & Equipment. Rs. 95.3 million was spent on renovating and upgrading leasehold premises. Further Rs. 17 million, Rs. 39.4 million, and Rs. 19.4 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. 22 to the Financial Statements.

Intangible Assets

During the year under review, the Company acquired Rs 2.2 million worth of software to develop the IT infrastructure of the Company. Total investment in software as at Balance Sheet date was Rs. 42.3 million. Details of intangible assets are given under Note No. 21 to the Financial Statements.

Directors' Responsibilities

The Statement of Directors' Responsibility is given on page 125.

Corporate Governance

The Company has complied with Corporate Governances Rules laid down under the Listing Rules of the Colombo Stock Exchange, Code of best practice on Corporate Governance issued in year 2017 by the Institute of Chartered Accountants of Sri Lanka and the Corporate Governance Direction No 3 of 2008 and Finance Companies (Corporate Governance Amendment) Direction No 4 of 2008 issued by the Central Bank of Sri Lanka. The corporate governance section on pages 38 to 106 describes the good corporate governance principles adopted by the Company.

Profit and Appropriations	2020	2019
	Rs.	Rs.
Company profit before tax for the year ended 31st March after deducting all expenses, known liabilities and depreciation amounts to	630,309,619	722,903,656
From this has to be deducted the provision for income tax cost	(241,268,542)	(181,169,764)
Making a profit after tax for the year of	389,041,077	541,733,892
To this has to be added a balance brought forward from the previous year	1,384,394,913	1,202,658,012
Interim/ Final dividend	Nil	(222,281,483)
Leaving a total available for appropriation of	1,773,435,990	1,522,110,421

The following appropriations have been proposed:

Transfer to Reserve fund	(19,452,054)	(27,086,695)
Adjustment on Initial Application of SLFRS 16	(34,395,116)	Nil
Impact of Differed tax on Adopting SLFRS 16	9,630,632	Nil
Adjustment on Initial Application of SLFRS 09	Nil	(109,338,621)
Actuarial Gain/ (Loss) on Retirement Benefit Obligation	1,347,550	(1,791,933)
Tax on Other Comprehensive Income	(377,314)	501,741
Making a total appropriation before Other Comprehensive Income	(43,246,302)	(137,715,508)
Leaving a balance on Company basis to be carried forward of	1,730,189,688	1,384,394,913

Dividend

No Dividend was declared out of the profits of Financial Year 2019/20 by the Directors.

Reserves

The Company's Reserves and Retained Equity as at 31st March 2020 amounted to Rs. 1,913 million vs Rs. 1,547.5 million as at 31st March 2019. The break-up and movement are shown in the Statement of Changes in Equity in the Financial Statements.

Stated Capital

As per the terms of the Companies Act No. 07 of 2007, the stated capital of the Company was Rs. 1,996,444,457/- as at 31st March 2020. Details and movement of the stated capital are given in Note No 32 to the Financial Statements on page 178.

Events after the Reporting Period

There have been no material events occurring after the Reporting date

which requires adjustments to or disclosure except as stated in Note 38 in these financial statements.

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors' Responsibility on page 125.

Directors Interests and Interest Register

Details of transactions with Director-related entities are disclosed in Note No. 39 to the Financial Statements on pages 199 to 200 and have been declared at the Board Meetings, pursuant to the Section 192 (2) of the Companies Act No. 07 of 2007.

Board Committees

Audit Committee

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

Mr. Jayendran Setukavalar (Senior Independent Non-Executive Director) - Chairman

Mr. Priyath Salgado (Independent Non-Executive Director)

Mr. Aravinda Perera (Non-Executive Director)

Mr. Jayanth Perera (Independent Non-Executive Director)

The Report of the Audit Committee on pages 108 & 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.

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

Integrated Risk Management Committee

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

Mr. Jayanth Perera (Independent Non - Executive Director) - Chairman

Mr. Priyath Salgado (Independent Non - Executive Director)

Mr. Thushan Amarasuriya - Chief Executive Officer/ (Executive Director)

Mr. Sameera Madusanka - Secretary

By invitation

Mr. Iman Perera - Chief Operating Officer

Mr. Eraj Fernando - Head of Finance

Mr. Ruwan Jayasuriya - Chief Credit & Recoveries Officer

Mr. Thilan Rupasinghe - Head of Treasury and Digital Transformation

Mr. Suranga Jayaweera - Senior Manager Compliance

The Report of the Integrated Risk Management Committee on page 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. Jayanth Perera - (Independent Non-Executive Director) - Chairman

Mr. Aravinda Perera - (Non-Executive Director)

Mr. Priyath Salgado - (Independent Non-Executive Director)

Mr. Lalith Yatiwella - Secretary

The Report of the Remuneration Committee on page 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 11 and 39.6 to the Financial Statements on pages 156 and 200.

Board Nomination Committee

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

Mr. Jayanth Perera (Independent Non-Executive Director)-Chairman

Mr. Aravinda Perera (Non-Executive Director)

Mr. Priyath Salgado (Independent Non-Executive Director)

Hayleys Group Services (Pvt) Ltd - Secretary

The Report of the Board Nomination Committee on page 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 in 2017 by the Institute of Chartered Accountants 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 and Listing Rules of the Colombo Stock Exchange. Mr. Jayendran Setukavalar represents Singer Finance (Lanka) PLC at the BRPTRC by Invitation and following are the other Directors in the Board Related Party Transaction Review Committee from the parent company, Singer (Sri Lanka) PLC.

Mr. Deepal Sooriyaarachchi (Independent Non-Executive Director)- Chairman

Mr. Dilip K De S Wijeyeratne (Independent Non-Executive Director)

Mr. Mahesh Wijewardene (Non-Executive Director)

Hayleys Group Services (Pvt) Ltd -Secretary

The report of the Board-Related Party Transactions Review Committee on page 114 sets out the manner of compliance by the Company.

The Board of Directors has given the following statement;

"The related party transactions of the Company, during the financial year have been reviewed by the Related Party Transactions Review Committee of Singer (Sri Lanka) PLC and are in compliance with the Section 09 of the Listing Rules."

Directors' Indemnity and Insurance

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri

Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

Share Information and Substantial Shareholdings

The distribution of shareholding, Public holding percentage, market value of shares, twenty largest Shareholders are given on pages 206 to 209 in this Annual Report.

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

Retirement, Re-election, Resignation and Appointment of Directors

In terms of Article 24(4) of the Articles of Association of the company Mr. Priyath Salgado and Mr. Jayanth Perera who retire by rotation and being eligible, is recommended for re-election.

Directors' Interest in Ordinary Shares and Debentures

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

Name of the Director	Shareholding		Debenture Holding	
	31.03.2020	01.04.2019	31.03.2020	01.04.2019
	No of shares	No of shares	No of Debenture	No of Debenture
Mr. Aravinda Perera	-	-	-	-
Mr. Jayendran Setukavalar	-	-	-	-
Mr. Priyath Salgado	12,224	12,224	-	-
Mr. Jayanth Perera	-	-	-	-
Ms. Darshini Talpahewa	-	-	-	-
Mr. Sadeep Perera	-	-	-	-
Mr. Mahesh Wijewardene	-	-	-	-
Mr. Thushan Amarasuriya	50,155	50,155	-	-
Mr. Lalith Yatiwella (Alternate Director to Ms. Darshini Talpahewa)	-	-	-	-

The names of Directors of the Company as at 31st March 2020 and their brief profiles are shown on pages 14 to 16.

Employment

The number of persons employed by the Company as at 31st March 2020 was 624 (2019 – 518).

Independence of Directors

In accordance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, Finance Companies (Corporate Governance Amendment) Direction No. 4 of 2008, Section A 5.4 of Code of Best

Practice on Corporate Governance and Rule 7.10.2(b) of the Colombo Stock Exchange (CSE) Listing Rules, Mr. Jayendran Setukavalar, Mr. Priyath Salgado & Mr. Jayanth Perera who are Independent 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.

The Board has designated Mr. Jayendran Setukavalar as a Senior Independent Director in order to ensure compliance with the section 4 (4) of Finance Companies (Corporate Governance) Direction No. 3 of 2008

by virtue of the ability to make such appointment vested by section 7 (2) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Independent Non-Executive Directors

Mr. Jayendran Setukavalar (Senior Independent Non-Executive Director)

Mr. Priyath Salgado (Independent Non-Executive Director)

Mr. Jayanth Perera (Independent Non-Executive Director)

Corporate Governance

Director's Declaration

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

(a) The Company complied with all applicable laws and regulations in conducting its business

(b) The Directors have declared all material Interest in contracts involving the Company and refrained from voting on matters in which they were materially interested

(c) The Company has made all endeavour to ensure the equitable treatment of shareholders

(d) The business is a going concern with supporting assumptions or qualifications as necessary, and

(e) Have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

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

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

Donations

During the year, the Company has made Rs. 350,454/- as donations. (2019 - Rs. Nil)

Appraisal of the Board Performance

Performance of the Board, and Committees of the Board are reviewed periodically. Chairman gets feedback on the status and affairs of respective committees through respective Chairmen of such Committees quarterly. Further, the members of the Board are subjected to an annual self-evaluation of their performance.

Code of Conduct and Ethics

The company is following the Code of conduct established by the Singer Group. All the Key and Senior Managers need to adhere to the code of the parent company and escalate down the same to their reports. If there are any deviations, such matters need to be brought to the notice of the Chief Executive Officer.

Cyber Security Risk

Internet connectivity of the company is channeled through the servers of the parent company. The parent company reviews its Cyber risk periodically.

Auditors

The financial statements for the period under review were audited by Messrs KPMG, Chartered Accountants who offer themselves for re-appointment for the ensuing year. The Directors propose the re-appointment of Messrs KPMG, Chartered Accountant as Auditors of the Company for the year 2020/21.

A resolution proposing Messrs KPMG as Auditors of the Company and authorise Directors to determine their remuneration will be put to the shareholders at the Annual General Meeting.

The audit and non-audit fees paid to the Auditors by the Company is disclosed in Note No 11 on page 156 in this Annual Report.

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

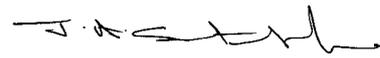
The Audit Committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditors. Details on the work of the Audit Committee are set out in the Audit Committee Report.

Notice of Meeting

The 13th Annual General Meeting will be held at the Conference Room of Hayleys PLC, No. 400, Deans Road, Colombo 10., Sri Lanka, on Tuesday, 21st July 2020 at 2.00 p.m.

The Notice of the Annual General Meeting of the shareholders is given on page 216.

For and on behalf of the Board,



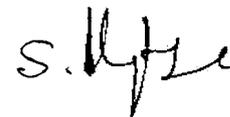
Jayendran Setukavalar

Senior Independent Non-Executive Director



Thushan Amarasuriya

Executive Director/CEO



Hayleys Group Services (Pvt) Ltd

Secretaries for
Singer Finance (Lanka) PLC

Colombo
14th May 2020

Statement of Directors' Responsibility

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

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

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

The Directors endeavour to ensure that the Company maintains sufficient records to be able to disclose, with reasonable accuracy, the financial position of the Company and to be able to ensure that the Financial Statements of the Company meet with the requirements of the Companies Act, Sri Lanka Accounting Standards, the Directions issued by the Monetary Board of the Central Bank of Sri Lanka,

Finance Business Act No. 42 of 2011 and the Rules of the Colombo Stock Exchange.

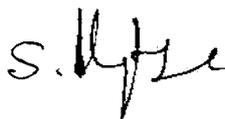
The Directors have a reasonable expectation, that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore, have continued to adopt the going concern basis in preparing the accounts.

Messrs KPMG, Chartered Accountants, the Auditors of the Company, have examined the Financial Statements made available by the Board of Directors together with all relevant financial records, related data, minutes of Shareholders' and Directors' meetings and express their opinion in their Report on pages 126 to 129 of the Annual Report.

Compliance Report

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

By Order of the Board



Hayleys Group Services (Pvt) Ltd

Company Secretaries for
Singer Finance (Lanka) PLC

Colombo
14th May 2020

Independent Auditor's Report



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

To the Shareholders of Singer Finance (Lanka) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Singer Finance (Lanka) PLC ("the Company"), which comprise the statement of financial position as at March 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 130 to 203 of the annual report.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled

our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company financial of the current period. These matters were addressed in the context of our audit of the Company financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowance for loans and advances, finance lease receivables and hire purchases receivables

Risk Description

At 31 March 2020, 89% of the total assets of the Company consisted of loans and advances, finance lease receivables and hire purchase receivables totaling to Rs. 20.2 Bn., net of impairment allowance of Rs. 763 Mn

The determination of impairment allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, macroeconomic forecasts, exposures at default and discount rate, adjustments for forward looking information and other adjustment factors. In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Companies internal credit risk management strategy. Management judgement is involved in the selection of those parameters and the application of assumptions. The COVID-19 outbreak increases the credit risk and significantly affects the macro economic forecasts referred to above.

Our Responses

Our audit procedures included the following:

Understanding and assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans and advances, finance lease receivables and hire purchase receivables and the measurement of provisions for impairment.

Assessing the reliability of the expected credit loss model used by management pursuant to the COVID 19 outbreak in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments and assessing the reasonableness of key management judgement;

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

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

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

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

Principals - S.R.I. Perera FCMA(UK), LL.B. Attorney-at-Law, H.S. Goonewardene ACA



Impairment allowance for loans and advances, finance lease receivables and hire purchases receivables

Risk Description

We identified the impairment of loans and advances, finance lease receivables and hire purchase receivables as a key audit matter because of the inherent uncertainty and management judgement involved and the materiality of the reported amounts for loans and advances, finance lease receivables and hire purchase receivables (and impairment allowance thereof).

Refer note 18 and the accounting policies in the note 3.25 of the annual report.

Our Responses

Evaluating the model methodology and key assumptions by testing the completeness and accuracy of key inputs into models and assessed the appropriateness of other assumptions. We substantially tested the completeness and accuracy of key inputs into models and assessed the appropriateness of assumptions.

Recalculating the amount of credit loss allowance for samples of loans and advances, finance lease receivables and hire purchase receivables to verify the calculation accuracy of the credit loss allowance.

We involved our IT specialists to assess the logic and compilation of the overdue information of loans and advances, finance lease receivables and hire purchase receivables.

Evaluating whether the disclosures on impairment of loans and advances, finance lease receivables and hire purchase receivables meet the disclosure requirements of the prevailing accounting standards.

Management assessment of the Company's ability to continue as a going concern

Risk Description

The financial statements have been prepared on a going concern basis. In adopting the going concern basis of preparation of the financial statements, the directors have reviewed the company's cash flow projections for the next 12 months, prepared by the management. The cash flow projections were based on management's assumptions and estimation of future cash inflows and outflows, also taking into consideration the impact of COVID-19 related events.

Note 40 to the financial statements, describes the impact of COVID-19 outbreak to the current year financial statements and possible effects to the Company's, future prospects, performance and cash flows. Further, the management has described how they plan to deal with these events and circumstances as the outbreak is still prevailing as at the date of this report.

We identified the assessment of going concern as a key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain, and effect of those uncertainties may significantly impact the resulting accounting estimates. Therefore, the assessment requires the exercise of significant management judgement in assessing future cash inflows and outflows which could be subject to potential management bias.

Refer note 40 and the accounting policies in the note 1.2.8.

Our Responses

Our audit procedures included the following:

Obtaining the Company's cash flow projections covering a period of not less than twelve months from the reporting period end date and challenging these key assumptions used in preparing the projections.

Evaluating the sensitivity of the projected available cash by considering downside scenarios together with reasonably plausible changes to the key assumptions and considering whether there were any indicators of management bias in the selection of the assumptions

Inspecting the facility agreements for the Company's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's liquidity;

Assessing disclosures in the financial statements in relation to the going concern basis of accounting with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion of the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated

in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1224.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

May 14, 2020

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March	Note	2020 Rs.	2019 Rs.
Gross Income	5	4,598,411,872	4,129,759,099
Interest Income	6	4,310,448,981	3,818,504,475
Interest Expense	7	(1,991,391,914)	(1,645,623,610)
Net Interest Income		2,319,057,067	2,172,880,865
Fee and Commission Income	8	215,531,416	237,077,127
Other Operating Income	9	72,431,475	74,177,497
Total Operating Income		2,607,019,958	2,484,135,489
Impairment charge for Receivables and Other Losses	10	(358,386,480)	(281,988,326)
Net Operating Income		2,248,633,478	2,202,147,163
Expenses			
Personnel Expenses	11.1	(546,203,395)	(480,022,770)
Depreciation & Amortization		(128,597,346)	(40,239,831)
Other Operating Expenses		(683,656,336)	(698,024,795)
Operating Profit Before VAT, NBT & DRL on Financial Services	11	890,176,401	983,859,767
Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services	12	(259,866,782)	(260,956,111)
Profit Before Income Tax		630,309,619	722,903,656
Income Tax Expense	13	(241,268,542)	(181,169,764)
Profit for the Year		389,041,077	541,733,892
Other Comprehensive Income			
Items that will never be Classified to Profit or Loss			
Actuarial Gain / (Loss) on Defined Benefit Plan	31.1	1,347,550	(1,791,933)
Deffered Tax on Actual (Gain)/ Loss	30.1	(377,314)	501,741
Total Other Comprehensive Expenses for the Year, Net of Tax		970,236	(1,290,192)
Total Comprehensive Income for the Year		390,011,313	540,443,700
Earnings per Share	14	1.93	2.68
Dividend per Share	15	-	1.10

The Notes on pages 134 through 203 form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

Statement of Financial Position

As at 31st March	Note	2020 Rs.	2019 Rs.
ASSETS			
Cash and Cash Equivalents	16.1	214,376,260	317,308,939
Placement with Banks		101,393,778	83,323,971
Financial Assets at Amortised Cost-Hire Purchase Receivables	17.1	3,909,547	14,583,898
Financial Assets at Amortised Cost-Finance Lease Receivables	17.2	14,958,657,140	13,950,247,686
Financial Assets at Amortised Cost-Loans and Advances	17.3	5,194,999,539	3,883,299,663
Financial Assets measured at fair value through other comprehensive income	18	41,300	41,300
Financial Assets at Amortised Cost-Debt and Other Financial Instruments	19	789,889,126	623,372,330
Due From Related Companies	28	185,521,961	92,444,219
Other Debtors and Prepayments	20	260,165,963	290,636,035
Deferred Tax Assets	30.1	-	15,632,099
Intangible Assets	21	42,276,587	46,293,489
Property, Plant and Equipment	22	327,720,448	221,884,867
Right-Of-Use Assets	23	468,490,131	-
Total Assets		22,547,441,780	19,539,068,496
LIABILITIES & EQUITY			
Liabilities			
Financial liabilities at amortised cost-Due to Customers	24	7,175,552,218	6,095,815,777
Financial liabilities at amortised cost-Interest Bearing Loans and Borrowings	25	9,228,198,557	6,631,190,416
Lease Liabilities	26	476,002,315	-
Trade and Other Payables	27	467,552,033	848,021,443
Due to Related Companies	28	404,512,176	1,001,569,894
Bank Overdraft	16.2	618,329,553	1,134,835,645
Current Tax Liabilities	29	117,350,832	220,581,391
Deferred Tax Liabilities	30	77,364,355	-
Retirement Benefit Obligations	31	73,397,396	63,118,414
Total Liabilities		18,638,259,435	15,995,132,980
Equity			
Stated Capital	32	1,996,444,457	1,996,444,457
Statutory Reserves	33	182,548,200	163,096,146
Retained Earnings		1,730,189,688	1,384,394,913
Total Equity		3,909,182,345	3,543,935,516
Total Liabilities & Equity		22,547,441,780	19,539,068,496
Commitment and Contingencies	37	287,486,663	639,586,156
Net Assets per Share		19.35	17.54

The Notes on pages 134 through 203 form an integral part of these Financial Statements.

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



Eraj Fernando
Chief Financial Officer

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



Aravinda Perera
Chairman

Colombo
14th May 2020



Thushan Amarasuriya
Director/Chief Executive Officer

Statement of Changes in Equity

	Attributable to Equity Holders of the Company			
	Stated	Reserve	Retained	Total
	Capital	Fund	Earnings	
	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2018	1,996,444,457	136,009,451	1,202,658,012	3,335,111,920
Adjustment on Initial Application of SLFRS 09	-	-	(109,338,621)	(109,338,621)
Adjusted Balance as at 1st April 2018	1,996,444,457	136,009,451	1,093,319,391	3,225,773,299
Total Comprehensive Income For The Year				
Profit for the Year	-	-	541,733,892	541,733,892
Other Comprehensive Income	-	-	(1,290,192)	(1,290,192)
Total Comprehensive Income for the Year	-	-	540,443,700	540,443,700
Transactions with Owners, Recognized Directly in Equity				
Distribution to Owners of the Company				
Transferred to/(from) during the year	-	27,086,695	(27,086,695)	-
Dividends	-	-	(222,281,483)	(222,281,483)
Total Transactions with Equity Owners	-	27,086,695	(249,368,178)	(222,281,483)
Balance as at 31st March 2019	1,996,444,457	163,096,146	1,384,394,913	3,543,935,516
Adjustment on Initial Application of SLFRS 16, net of tax	-	-	(24,764,484)	(24,764,484)
Adjusted Balance as at 1st April 2019	1,996,444,457	163,096,146	1,359,630,429	3,519,171,032
Total Comprehensive Income for the year				
Profit for the Year	-	-	389,041,077	389,041,077
Other Comprehensive Income	-	-	970,236	970,236
Total Comprehensive Income for the Year	-	-	390,011,313	390,011,313
Transactions with Owners, Recognized Directly in Equity				
Distribution to Owners of the Company				
Transferred to/(from) during the year	-	19,452,054	(19,452,054)	-
Total Transactions with Equity Owners	-	19,452,054	(19,452,054)	-
Balance as at 31st March 2020	1,996,444,457	182,548,200	1,730,189,688	3,909,182,345

The Company initially applied SLFRS 16 at 1st April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying SLFRS 16 is recognised in retained earnings at the date of initial application.

The Notes on pages 134 through 203 form an integral part of these Financial Statements.

Cash Flow Statement

For the Year Ended 31st March

	Note	2020 Rs.	2019 Rs.
Cash Flows from Operating Activities			
Profit Before Tax		630,309,619	722,903,656
Adjustments For			
Non-Cash Items Included in Profit Before Income Tax			
Interest Income from Investing Activities		(66,216,522)	(57,812,453)
Interest Income from Placement With Banks		(8,692,807)	(8,493,062)
Finance Cost		1,865,305,895	1,313,938,037
Depreciation/Amortisation		128,597,344	40,239,831
Provision for Retirement Benefit Obligation	31.1	15,769,407	14,053,523
Impairment Charges for Loan and Other Losses	10	358,386,480	281,988,326
Loss on Sales of Property, Plant and Equipment		7,676,733	85,700
Securitization Issue Cost		24,955,862	7,380,720
Debenture Issue Cost		5,478,651	7,058,246
Operating Profit Before Changes In Operating Assets And Liabilities		2,961,570,664	2,321,342,524
Changes in;			
Increase in Lease Rentals Receivables		(1,221,316,848)	(2,757,145,322)
Decrease in Hire Purchase Debtors		12,366,618	69,964,297
Increase in Loans and Advances		(1,458,871,229)	(1,185,844,027)
Increase in Other Debtors And Prepayments		(39,192,805)	(105,196,018)
Increase in Due From Related Companies		(93,077,742)	(145,296,106)
Increase / (Decrease) in Public Deposits		1,021,154,126	763,240,707
Increase in Amounts Due to Related Companies		3,037,580	(74,655,472)
Increase / (Decrease) in Trade and Other Payables		(159,152,596)	(106,681,296)
Cash Flows From/ (Used In) Operations		1,026,517,768	(1,220,270,712)
Finance Costs Paid		(1,652,086,982)	(1,297,700,275)
Retiring Gratuity Paid	31	(4,238,173)	(7,940,530)
ESC Paid		(22,670,369)	(19,474,887)
Income Tax Paid		(204,098,728)	(96,341,369)
Net Cash Used in Operating Activities		(856,576,484)	(2,641,727,773)
Cash Flows From Investing Activities			
Acquisition of Property Plant and Equipment		(171,350,104)	(141,171,848)
Proceeds from Sale of Property, Plant and Equipment		2,239,219	5,445,973
Incurred on Software Development	21	(2,164,668)	(2,770,511)
Net Change in Investment Securities		(160,558,403)	45,083,454
Net Change in Bank Deposits		(20,000,000)	-
Interest Income Received		70,881,128	67,412,411
Net Cash Flows from/ (Used in) Investing Activities		(280,952,827)	(26,000,521)
Cash Flows from Financing Activities			
Proceeds from Securitization Loan	25.3	950,000,000	2,050,000,000
Loans Obtained During the Year from Banks	25.2	5,625,000,000	3,760,000,000
Loans Obtained During the Year From Related Party	28.2.1	500,000,000	625,000,000
Lease Rentals Paid	26	(106,578,525)	-
Repayment of Bank Loans	25.2	(3,024,077,659)	(2,946,660,000)
Re-Payment of Interest Bearing Loans - Related Party	28.2.1	(1,100,000,000)	(625,000,000)
Repayment of Debenture		(409,300,000)	(416,668,000)
Repayment of Securitization	25.3	(640,720,000)	(153,500,000)
Securitization Loan Issue Cost		(21,904,276)	(29,761,680)
Dividends Paid		(221,316,814)	(31,994,193)
Net Cash Flows from Financing Activities		1,551,102,726	2,231,416,127
Net increase/ (decrease) in Cash And Cash Equivalents		413,573,413	(436,312,167)
Cash and Cash Equivalents at The beginning of the year		(817,526,706)	(381,214,539)
Cash and Cash Equivalents at The end of the year	16	(403,953,293)	(817,526,706)

The Notes on pages 134 through 203 form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1. Reporting Entity

1.1.1. General

Singer Finance (Lanka) PLC (“Company”), regulated under the Finance Business Act No. 42 of 2011, was incorporated on 19th April 2004 as a Public Limited Liability Company domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007.

The registered office of the Company is located at No. 498, R. A. De Mel Mawatha, Colombo 03 and the principal place of business is situated at the same place.

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

The Staff strength of the Company as at 31st March 2020 was 624 (518 as at 31st March 2019).

1.1.2. Principal Activities and Nature of Operations

The principal activities of the Company consist of finance leasing, hire purchase financing, gold loan, financing of consumer durables under loan scheme and granting loans, factoring, authorised foreign currency dealer and mobilising fixed deposits and savings deposits.

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

1.1.3. Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Singer (Sri Lanka) PLC. The Company's ultimate parent undertaking and controlling party is Hayleys PLC, which is incorporated in Sri Lanka.

1.2. Basis of Preparation

1.2.1. Statement of Compliance

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

This is the first set of Company's annual financial statements in which SLFRS 16 has been applied.

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 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 14th May 2020.

1.2.4. Basis of Measurement

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

- Financial investments – Fair Value through Other Comprehensive Income measured at fair value.
- Liability for Defined Benefit Obligations is recognised as the present value of the defined benefit obligation.

1.2.5. Functional and Presentation Currency

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

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

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

1.2.6. Presentation of Financial Statements

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

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

1.2.7. Materiality and Aggregation

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

1.2.8. Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management has assessed the existing and anticipated effects of COVID - 19 on the Company, and 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.

Notes to the Financial Statements

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 3.1.8 - Fair Value Measurement

Note 3.25 - Impairment of Financial Assets

Note 3.3.3 - Useful life of Property, Plant and Equipment

Note 3.6 - Impairment of Non Financial Assets

Note 3.13 - Employee Benefit

Note 3.15.2 - Deferred Taxation

Note 3.23 - Commitments and Contingencies

Estimation uncertainty in preparation of financial statements

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and inflation). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, impact of unemployment and decline in consumer discretionary spending.
- the effectiveness of government and The Central Bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

2. CHANGES IN ACCOUNTING POLICIES

The Company has consistently applied the Accounting Policies as set out in Notes 3.1 to 3.27 on pages 138 to 154 to all periods presented in these Financial Statements, except for changes arising out of transition to SLFRS 16 as set out below:

2.1 New and amended standards and interpretations

In these Financial Statements, the Company has applied SLFRS 16, which is effective for the annual reporting periods beginning on or after January 1, 2019 for the first time. A number of other new standards are also effective from 1 April 2019 but they do not have material effect on the Company's Financial statements. The Company has not early adopted any other accounting standard, interpretation or amendment that has been issued but not effective.

2.1.1 SLFRS 16

Leases SLFRS 16 issued in 2016, supersedes LKAS 17, IFRIC 4 on "Determining whether an arrangement contains a Lease", SIC-15 on "Operating Leases – Incentives" and SIC-27 on "Evaluating the substance of transactions involving the legal form of a lease". SLFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to recognise most leases on the SOFP.

One of the most notable aspects of SLFRS 16 is that the lessee and lessor accounting models are asymmetrical. SLFRS 16 has retained LKAS 17's finance lease/operating lease distinction for lessors but this distinction is no longer relevant for lessees. Hence, the changes introduced in SLFRS 16 are not significant in respect of contracts in which the Company is the

lessor. However, SLFRS 16 has introduced fundamental changes to accounting principles when the Company becomes the lessee of the contract.

The Company adopted SLFRS 16 using the modified retrospective approach, under which the cumulative effect on initial application is recognized in retained earnings as at 1st April 2019. Accordingly, the comparative information presented in 2018/2019 is not restated, i.e. it is presented, as previously reported under LKAS 17 and related interpretations. The details of changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

The Company recognises a lease liability at the date of initial application for leases previously classified as operating leases applying LKAS 17. The lessee shall measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's IBR as at 1st April 2019.

The Company recognises as right-of-use asset at the date of initial application for leases previously classified as operating leases applying LKAS 17. Right to use assets are measured at their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the lessee's IBR at the date of initial application and adjusted by

the amount of any prepaid or accrued lease payments.

The Company tested for its right to use asset for impairment on date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedient when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particle, the Company,

- did not recognized right of use asset and liabilities for leases for which the lease terms ends within 12 months of date of initial application.
- did not recognized right - of -use assets and liabilities for leases of low valued assets
- excluded initial direct costs from the measurement of the right of use assets at the date of initial application ; and
- used hindsight when determining of lease term.

2.1.1.1 Changes to identification of leases

SLFRS 16 has changed the recognition of leases by replacing the 'risk and reward' model in LKAS 17 with a 'right-of-use' model for lessees. The Company determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset a period

of time in exchange for consideration.

SLFRS 16 introduces a single on-balance sheet model for lessees similar to the accounting for finance lease under LKAS 17. Accordingly, leases within the scope of SLFRS 16 are brought on to the balance sheet recognising a 'right-of-use' asset and related lease liability. As a result, the portion of off-balance sheet finance kept in the form of operating lease is recognised on balance sheet, except for short-term leases (lease term 12 months or less) and leases of low value.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1st April 2019.

2.1.1.2 Separating components of a contract

The Company determines, the right to use an underlying asset is a separate lease component if both of the following criteria are met.

- The lessee can benefit from use of the asset either on its own or together with other

Notes to the Financial Statements

resources that are available to the lessee.

- The underlying asset is neither dependent on, nor highly interrelated with, the other underlying assets in the contract. However, for leases of property the Company has elected not to separate non-lease components and account for lease and associated non-lease components as single lease component.

For contracts in which the Company becomes the lessee, the consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

2.1.1.3 Determination of lease term

All lease liabilities are to be measured with reference to the estimate of lease term. Accordingly, the Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option

to terminate the lease if the Company is reasonably certain not to exercise that option. In this assessment, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, only upon the occurrence of a significant event or significant change in circumstances that are within the control of the Company as a lessee. In addition, as per SLFRS 16, the Company revises lease term only if there is a change in the non-cancellable period of lease.

2.1.1.4 Impact on transition of SLFRS 16

On transition to SLFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

Assets	Total Rs.
Right-Of-Use Assets	450,644,384
Deferred Tax Assets	9,630,632
Other Debtors and Prepayments	(54,182,646)
Total Assets	406,092,370
Equity and liabilities	
Retained Earnings	(24,764,484)
Lease Liabilities	430,856,854
Total Liabilities	406,092,370

When measuring lease liabilities for leases that were classified as operating leases, The Company discounted lease payments using its incremental borrowing rate at 1st April 2019. The Weighted-Average rate applied is 14.4%.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial Assets and Financial liabilities

3.1.1. Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.1.1.1 "Day 1" Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the

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

3.1.2 Classification

3.1.2.1. Financial Assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

On initial recognition of an entity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified and measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial

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assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers,

- contingent events that would change the amount and timing of cash flows;
- leverage features
- prepayment and extension terms
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements) and
- features that modify consideration of the time value of money.(e.g. periodical reset of interest rates.)

Financial assets – Subsequent measurement and gains and losses Reclassifications

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes

Financial Assets are not reclassified subsequent to their initial recognition except in the period after the Company changes its business model for managing financial assets.

3.1.2.2 Financial Liabilities

The Company classifies its financial liabilities other than financial guarantees and loan commitments as measured at amortised cost Using the effective interest method.

3.1.3. Derecognition

Financial Assets

The Company derecognizes a financial assets when the contractual right to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial assets and transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset or a portion of them in such cases the transferred assets are not derecognized.

When the assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale – and – repurchase transaction, because the company retains all the old or substantially all of the risks and rewards of ownership of such assets.

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

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or a liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial Liabilities

A financial liability is de-recognised when the obligation under liability is discharged or cancelled or expired. On derecognition of financial liability, the difference between the carrying amount extinguished and the consideration paid

including any non- cash assets transferred or liabilities assumed is recognized in profit or loss.

3.1.4. Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

3.1.5. Modifications of Financial Assets and Liabilities

Financial Assets

If the terms of the financial assets are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different then the contractual right to cash flows from the original financial assets are deemed to have expired. In this case, the original financial asset is derecognized and new financial asset is recognized at fair value plus any eligible transaction cost. Any fees received as a part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction cost are included in the initial measurement of the assets; and
- other fees are included in profit or loss as part of the gain or the loss on derecognition.

If the cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts result of the qualitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the result in adjustment as a modification gain or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any cost or fee incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining terms of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower

Notes to the Financial Statements

then the gain or the loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial Liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities the effect, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any cost and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the financial liability by recomputing the effective interest rate on the instrument.

3.1.6. Offsetting of Financial Instruments

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

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

3.1.7. Amortised Cost Measurement

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

3.1.8. Fair value measurement

'Fair Value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of the instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transaction for the asset or liability taken place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate

basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price .

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments - e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure - are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period

during which the change has occurred.

3.2 Cash & Cash Equivalents

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

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

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

3.3 Property, Plant and Equipment

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

3.3.1 Basis of recognition and measurement

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

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

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

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

3.3.2 Subsequent cost

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

Notes to the Financial Statements

3.3.3 Depreciation

Depreciation is calculated to write-off the cost of items of Property, Plant & Equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

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

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

Improvements on Leasehold Premises

Head Office	5 years
Branches	7 years

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

3.3.4 Change in Depreciation Rate

Depreciation methods, useful lives and residual values are

reassessed at each Reporting date and adjusted, if required.

3.3.5 De-recognition

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

3.3.6 Capital Work-in-Progress

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

3.4 Intangible Assets

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

3.4.1 Basis of recognition and measurement

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost

of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

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

3.4.2 Subsequent Expenditure

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

3.4.3 Amortisation of intangible assets

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

Computer Software 10 Years

3.4.4 De-recognition of Intangible Assets

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

3.5 Leases

The Company has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately.

3.5.1 Application as per SLFRS 16 (Applicable from April 1, 2019)

With effect from April 1, 2019, the Company applies this standard to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4, without reassessing whether a contract contains a lease at the date of initial application as a practical expedient. For the contracts entered on or after the effective date of transition, the Company assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

After the assessment of whether a contract is, or contains, a lease, the Company determines whether it contains additional lease or non-lease

(service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

3.5.1.1 Company as a Lessee

As per SLFRS 16 when the Company has determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the commencement date, the Company recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of cost to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received. Lease

payments are discounted using the IBR. The Company determines IBR by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of lease and type of lease and type of asset leased.

After initial recognition, the Company applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Company depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

The Company represents right-of-use assets that do not meet the definition of investment property as right-of-use assets and lease liabilities in the statement of financial position as separate line item.

3.5.1.2 Company as a Lessor

Similar to above, at the commencement of the contract, the Company determines whether the contract contains a lease component and one or more additional lease components or non-lease components. When there is one or more additional lease or nonlease component, the Company allocates consideration based on the guidelines given in SLFRS 15.

Notes to the Financial Statements

However, SLFRS 16 largely retains the lessor accounting requirements in LKAS 17 and classification of leases is based on the extent to which risks and rewards incidental to ownership of leased asset lie with the lessor or lessee.

3.5.1.2.1 Finance leases- Company as a Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in Note 17.2 on "Finance Lease Receivable" or Note 17.3 "Loans and advances", as appropriate. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

3.5.2 Application as per LKAS 17 (Applicable up to March 31, 2019)

3.5.2.1 Operating Leases – Company as a Lessee

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

3.5.2.2 Operating Leases – Company as a Lessor

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

3.5.3 Finance Leases

3.5.3.1 Finance Leases – Company as a Lessee

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the

lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

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

3.5.3.2 Finance Leases – Company as a Lessor

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

3.6 Impairment of Non-Financial Assets

At each Reporting date, the Company reviews the carrying amounts of its non – financial assets (other than 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.

3.7 Dividend Payables

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

3.8 Deposits due to Customers

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

3.9 Deposit Insurance Scheme

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

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

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

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

3.10 Debt Securities Issued and Subordinated Term Debts

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

Notes to the Financial Statements

payable is recognised in profit or loss.

3.11 Other Liabilities

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

3.12 Provisions

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

3.13 Employee Benefits

3.13.1 Defined Benefit Plan (DBP) - Gratuity

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

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

The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method

(PUC) as recommended by LKAS-19, "employee benefits".

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

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

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

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

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

The gratuity liability is not externally funded.

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

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

which services are rendered by employees.

3.13.2.1 Mercantile Services Provident Society (MSPS)

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

3.13.2.2 Employees' Trust Fund (ETF)

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

3.14 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that 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.

3.14.1 Interest Income and Expense

Interest income and expense are recognised in profit or loss using the Effective Interest Rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the

financial instrument, but not future credit losses.

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

Interest income and expense presented in the Income Statement include:

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

3.14.2 Over Due Interest

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

3.14.3 Fees and Commission Income and Expense

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

3.14.4 Net Gain / (Loss) from Trading

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

3.15 Tax Expense

Income tax expense comprises current and deferred tax.

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

3.15.1 Current Taxation

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

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

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

The Company estimates and provides for potential losses and settlements that arise out of uncertain income tax positions to the extent that such losses are probable and can be estimated.

3.15.2 Deferred Taxation

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

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

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

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

3.16 Value Added Tax on Financial Services-& DRL

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

The amount of VAT charged in determining the profit or loss

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for the period is given in note no.12 on page 157.

3.17 Nation Building Tax on Financial Services (NBT)

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

As per notice published by the Department of Inland Revenue dated January 20, 2020, DRL was abolished with effect from January 01, 2020

The amount of NBT charged in determining the profit or loss for the period is given in note no.12 on page 157.

3.18 Debt Repayment Levy (DRL)

As per the Finance Act No. 35 of 2018, with effect from October 1, 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained in Note 3.16 above.

As per notice published by the Department of Inland Revenue dated January 20, 2020, DRL was abolished with effect from January 01, 2020

The amount of DRL charged in determining the profit or loss for the period is given in Note 12 on page 157.

3.19 Crop Insurance Levy (CIL)

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

3.20 Withholding Tax on Dividends Distributed by the Company

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

3.21 Earnings per Share (EPS)

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

3.22 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's Management

to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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

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

3.23 Commitments and Contingencies

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

3.24 Statement of Cash Flows

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

3.25 Impairment

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- finance lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following,

for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply

the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of EGL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the*

reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);

- *financial assets that are credit-impaired at the reporting date:* as the difference between the

gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts

that the Company expects to recover.

The key inputs used for measurement of ECL is likely to be the term structures of the following variables:

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical

Notes to the Financial Statements

models are based on internally compiled data comprising both quantitative and qualitative factors. The Company forecast PD by incorporating forward looking economic variables (unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Company has used these parameters from internally-developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL

method are summarised below:

Stage 1 : The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 : For loans considered credit-impaired the Company recognises the lifetime expected credit losses. The method is similar to that of Stage 2 assets, with the PD set at 100%.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties

of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the

estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 180 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the

Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI.-no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Presentation of allowance for ECL in the statement of financial position.

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;

3.26 Collateral Repossessed

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

3.27 Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when

Notes to the Financial Statements

the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

4.1 Amendments to Existing Accounting Standards issued but not yet effective

Several amendments to Accounting Standards are effective for annual financial periods beginning on or after January 1, 2020, and earlier application is permitted. However, the Company has not early adopted the following amendments to Accounting Standards in preparing these Financial Statements as they are not expected to have a significant impact on the Company's Financial Statements.

4.1.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on "Accounting Policies,

Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.' The Company shall apply those amendments prospectively for annual financial periods beginning on or after January 1, 2020.

4.1.2 Amendments to the conceptual framework for financial reporting

CA Sri Lanka has issued a revised Conceptual Framework which will be used in standard setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity y revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition

- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current Accounting Standards. However, if the Company rely on the framework in determining certain accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. The Company will need to consider whether those accounting policies are still appropriate under the revised Framework.

For the Year Ended 31st March		2020	2019
		Rs.	Rs.
5	Gross Income		
5.1	Summary		
	Gross Income	4,598,411,872	4,129,759,099
5.2	Analysis of Gross Income		
	Interest Income (Note 6)	4,310,448,981	3,818,504,475
	Fee and Commission Income (Note 8)	215,531,416	237,077,127
	Other Operating Income (Note 9)	72,431,475	74,177,497
		4,598,411,872	4,129,759,099
6	Interest Income		
	Interest Income on Hire Purchase Receivables	1,282,307	7,305,092
	Interest Income on Lease Receivables	2,952,142,868	2,630,826,396
	Interest Income on Loans and Advances	973,674,111	837,927,774
	Income on Financial Instruments at Amortised Cost	66,216,522	57,812,453
	Interest Income on Placements with Banks	8,692,807	8,493,062
	Interest Income on Inter Company Receivables	41,339,788	70,389,755
	Interest on Over Due Rentals	267,100,578	205,749,943
		4,310,448,981	3,818,504,475
7	Interest Expense		
	Interest on Other Financial Liabilities Due to Customers	827,951,050	627,102,061
	Interest on Bank Loans	370,015,258	259,385,093
	Interest on Lease Liabilities-SLFRS 16	67,061,036	-
	Interest on Inter Company Payable	95,651,506	240,385,150
	Interest on Debenture	229,864,659	301,709,424
	Interest on Securitization Loan	327,814,197	140,180,424
	Interest on Bank Overdraft	73,034,208	76,861,458
		1,991,391,914	1,645,623,610
8	Fee and Commission Income		
	Service Charge Income	108,287,859	106,104,171
	Commission Income	11,378,742	802,839
	Reimbursement Fee - Credit Cards	294,133	8,322,887
	Insurance Commission Income	81,486,121	69,551,993
	Suraksha Income	10,127,941	1,042,583
	Other Credit Card Related Income	3,956,620	51,252,654
		215,531,416	237,077,127

Notes to the Financial Statements

For the Year Ended 31st March		2020	2019
		Rs.	Rs.
9	Other Operating Income		
	Income from Foreign Exchange Operations	928,251	1,515,964
	Gain on Translation of Foreign Currency	3,114,755	912,384
	Unwinding Interest Income on Employee Loans	16,308,425	6,664,065
	Loss on disposal of Property, Plant and Equipment	(7,676,733)	(85,700)
	Loan Loss Recoveries	12,038,122	15,082,537
	Credit Income	661,461	610,854
	Income on Closure	29,151,019	39,634,405
	Other Income	17,906,175	9,842,988
		72,431,475	74,177,497
10	Impairment Charge for Receivable and Other Losses		
	Impairment Reversal on Hire Purchase Receivable (Note 17.1.3)	(1,692,267)	(2,525,619)
	Impairment Charge on Lease Receivable (Note 17.2.4)	212,907,394	151,192,331
	Impairment Charge on Loans and Advances (Note 17.3.4)	147,171,353	133,321,614
		358,386,480	281,988,326
11	Profit from ordinary activities before VAT, NBT & DRL on Financial Services and Tax Stated after charging all expenses including the following:		
	Directors' Emoluments	17,298,508	22,126,017
	Auditors' Remuneration - Statutory Audit	1,160,000	1,100,000
	- Audit Related Services	1,030,000	797,274
	- Non-Audit Services	800,000	1,510,000
	Amortization of Intangible Assets	6,181,570	5,897,152
	Depreciation on Property Plant & Equipment	55,598,570	34,342,679
	Depreciation of Right-of-Use Assets	66,817,204	-
	Legal Expense	7,604,000	6,300,000
	Personnel Expenses (Note 11.1)	546,203,395	480,022,770
	Operating Lease Rentals	11,802,969	86,902,278
11.1	Personnel Expenses		
	Salaries and Other Staff Related Expenses	482,554,885	428,091,776
	Defined Benefit Plan Costs - Retiring Gratuity (Note 31.1)	15,769,407	14,053,523
	Defined Contribution Plan Costs - MSPS and ETF	47,879,103	37,877,471
		546,203,395	480,022,770

For the Year Ended 31st March		2020	2019
		Rs.	Rs.
12	Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services		
	Value Added Tax (VAT)	175,046,332	187,453,203
	Nation Building Tax (NBT)	14,053,755	25,119,787
	Debt Repayment Levy (DRL)	70,766,695	48,383,121
		259,866,782	260,956,111
13	Income Tax Expense		
	Current Income Tax Expense (Note 13.2)	202,231,781	251,802,396
	Income Tax Settlement Related to Prior Years	-	4,860,416
	Under Provision in respect of Prior Years	(63,213,011)	94,513,184
		139,018,770	351,175,996
	Deferred Tax Expenses / (Reversal) (Note 30.1)	102,249,773	(170,006,232)
	Income Tax Charge for The Year (Note 13.1)	241,268,542	181,169,764
13.1	Reconciliation between income tax expenses and the accounting profit.		
	Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue No. 24 of 2017 and the amendments thereto at the schedule specified below,		
	Accounting Profit Before tax	630,309,619	722,903,656
	Tax expense as per accounting profit (28%)	136,841,968	202,413,024
	Tax expense as per accounting profit (24%)	33,981,193	-
	Adjustments		
	Tax effect of Capital Portion of lease rentals	(39,703,419)	(102,495,426)
	Tax effect of Disallowed Expenses	214,469,294	169,162,063
	Tax effect of Deductible Expenses	(143,357,255)	(17,277,265)
	Tax on business Profit (Based on taxable profit)	202,231,781	251,802,396
	Income Tax Settlement related to Prior Years	-	4,860,416
	Under Provision in respect of Prior Years	(63,213,012)	94,513,184
		139,018,769	351,175,996
	Deferred Tax Expenses (Reversal) (Note 30.1)	102,249,773	(170,006,232)
	Income tax expenses reported in the statement of comprehensive income at the effective tax rate	241,268,542	181,169,764

Notes to the Financial Statements

13.2 A Reconciliation between Tax Expense and the Accounting Profit based on the Statutory Tax Rate

For the Year Ended 31st March 2020	Leasing Business Rs.	Other Business Rs.	Total Rs.
Accounting profit before tax	554,875,662	75,433,957	630,309,619
Adjustments			
Capital portion of leasing rental due	3,226,522,698	-	3,226,522,698
Non-taxable income/losses	-	(240,800)	(240,800)
Disallowable expenses	545,573,304	278,741,804	824,315,108
Allowable expenses	(3,700,465,108)	(233,883,756)	(3,934,348,864)
Total statutory income	626,506,556	120,051,205	746,557,761
Qualifying payments	(243,530)	(111,924)	(355,454)
Taxable income	626,263,026	119,939,281	746,202,307
Income tax rate (%)			
For the Nine Months Ended 31st December 2019	28	28	28
For the Three Months Ended 31st March 2020	24	24	24
For the Nine Months Ended 31st December 2019	135,963,441	26,039,151	162,002,592
For the Three Months Ended 31st March 2020	33,763,034	6,466,155	40,229,189
Total Income Tax Expense (Note 13)	169,726,475	32,505,306	202,231,781

Income tax has been computed at 28% for the nine months period April 2019 to December 2019 and at 24% for the three month period January 2020 to March 2020 (2018/2019 - 28%). Although the tax rate of 24% is not substantively enacted as at the reporting date, the difference between the income tax liability using proposed rate of 24% and the existing rate of 28% amount to Rs. 6,704,865 and is not material to the financial statements of the Company.

For the Year Ended 31st March 2019	Leasing Business Rs.	Other Business Rs.	Total Rs.
Accounting profit before tax	539,051,073	183,852,583	722,903,656
Adjustments			
Capital portion of leasing rentals due	5,038,072,849	-	5,038,072,849
Disallowable expenses	361,683,059	242,467,170	604,150,229
Allowable expenses	(5,445,921,968)	(19,910,494)	(5,465,832,462)
Total statutory income	492,885,013	406,409,259	899,294,272
Taxable income	492,885,013	406,409,259	899,294,272
Income tax rate (%)	28	28	28
Income tax (Note 13)	138,007,804	113,794,592	251,802,396

14 EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding as at the reporting date as required by LKAS 33 "Earnings Per Share"

For the Year Ended 31st March	2020	2019
Amount Used as the Numerator		
Profit Attributable to Equity Holders of the Company (Rs.)	389,041,077	541,733,892
Amount Used as the Denominator		
Weighted Average number of Ordinary Shares in issue (Note 14.1)	202,074,075	202,074,075
Basic Earnings per Share (Rs.)	1.93	2.68
14.1 Weighted Average number of Ordinary Shares		
Issued Ordinary Shares at the beginning of the Year	202,074,075	202,074,075
Number of Ordinary Shares at the end of the Year	202,074,075	202,074,075
Weighted Average number of Ordinary Shares at the end of the Year	202,074,075	202,074,075

Notes to the Financial Statements

14.2 Diluted Earnings per Share

There were no potentially dilutive ordinary shares as at 31 March 2020 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

For the Year Ended 31st March		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
15	DIVIDEND PER ORDINARY SHARE				
	Dividend				
	Interim Dividend	-	222,281,483	-	1.10
	Final Dividend	-	-	-	-
		-	222,281,483	-	1.10
As at 31st March				2020	2019
				Rs.	Rs.
16	Cash and Cash Equivalents				
16.1	Favorable Cash and Cash Equivalent Balances				
	Cash in hand			76,128,448	101,922,781
	Cash at Banks in Local Currency			89,441,256	201,224,784
	Cash at Banks in Foreign Currency			48,806,556	14,161,374
				214,376,260	317,308,939
16.2	Unfavorable Cash and Cash Equivalent Balances				
	Bank Overdraft			(618,329,553)	(1,134,835,645)
	Net Cash and Cash Equivalents for the purpose of Cash Flow Statement			(403,953,293)	(817,526,706)
17	Financial assets at amortised cost - Loans and Receivables from Customers				
17.1	Hire Purchase Receivables				
	Rentals Receivable			9,805,571	23,558,442
	Other Charges Receivable			1,749,268	2,171,398
	Unearned Interest Income			(1,196,799)	(2,569,777)
	Gross Receivables			10,358,040	23,160,063
	Allowance for Impairment for Hire Purchase Receivables (Note 17.1.3)			(6,448,493)	(8,576,165)
	Net Receivables			3,909,547	14,583,898
17.1.1	Hire Purchase Rentals Receivable within One Year from Reporting Date				
	Rentals Receivable within One Year			7,336,008	19,065,472
	Other Charges Receivable within One Year			1,749,268	2,171,398
	Unearned Interest Income			(812,812)	(1,590,813)
	Net Receivables within One Year			8,272,464	19,646,057

As at 31st March	2020 Rs.	2019 Rs.
17.1.2 Hire Purchase Rentals Receivable after One Year but before Five Years from Reporting Date		
Rentals Receivable after One Year but before Five Years	2,469,563	4,492,970
Unearned Interest Income	(383,987)	(978,964)
Net Receivables after One Year but before Five Years	2,085,576	3,514,006
Gross Receivables	10,358,040	23,160,063
17.1.3 Movement in Allowance for Impairment Losses for Hire Purchase Receivables		
Balance as at beginning of the Year	8,576,165	11,790,035
Impact of adopting SLFRS 9 - "Financial Instruments"	-	822,332
Balance as at beginning of the Year	8,576,165	12,612,367
Reversals for the year	(1,692,267)	(2,525,619)
Written off during the year	(435,405)	(1,510,583)
Balance as at 31st March	6,448,493	8,576,165
17.2 Finance Lease Receivables		
Rentals Receivable	20,070,386,879	18,902,695,197
Other Charges Receivable	133,845,337	116,609,275
Unearned Interest Income	(4,895,580,826)	(4,820,711,578)
Gross Receivables	15,308,651,390	14,198,592,894
Allowance for Impairment for Lease Rentals Receivable (Note 17.2.4)	(349,994,250)	(248,345,208)
Net Receivables	14,958,657,140	13,950,247,686
17.2.1 Lease Rentals Receivables within One Year from Reporting Date		
Rentals Receivables within One Year	7,986,896,845	7,479,162,385
Other Charges Receivables within One Year	133,845,337	116,609,275
Unearned Interest Income	(2,239,215,617)	(2,408,178,615)
Net Receivables within One Year	5,881,526,565	5,187,593,045
17.2.2 Lease Rentals Receivable after One Year but before Five Years from Reporting Date		
Rentals Receivable after One Year but before Five Years	12,068,695,303	11,395,268,105
Unearned Interest Income	(2,655,206,829)	(2,411,131,124)
Net Receivables after One Year but before Five Years	9,413,488,474	8,984,136,981

Notes to the Financial Statements

As at 31st March	2020 Rs.	2019 Rs.
17.2.3 Lease Rentals Receivables after Five Years from Reporting Date		
Rentals Receivable after Five Years	14,794,731	28,264,707
Unearned Interest Income	(1,158,380)	(1,401,839)
Net Receivables after Five Years	13,636,351	26,862,868
Gross Receivables	15,308,651,390	14,198,592,894
17.2.4 Movement in Allowance for Impairment for Lease Rentals Receivable		
Balance as at beginning of the Year	248,345,208	126,311,108
Impact of adopting SLFRS 9 -"Financial Instruments"	-	38,930,624
Balance as at beginning of the Year	248,345,208	165,241,732
Charge for the year	212,907,394	151,192,331
Written off during the year	(111,258,352)	(68,088,855)
Balance as at 31st March	349,994,250	248,345,208
17.3 Loans and Advances		
Loans and Advances	5,954,795,835	4,493,466,943
Other Charges Receivable	15,328,650	7,308,790
Unearned Interest Income	(463,257,402)	(362,502,241)
Receivables on Loans against Fixed Deposits	94,751,100	68,229,423
Gross Receivables	5,601,618,183	4,206,502,915
Allowance for Impairment for Loans and Advances (Note 17.3.4)	(406,618,644)	(323,203,252)
Net Receivables	5,194,999,539	3,883,299,663
17.3.1 Loans and Advances Receivable within One Year from Reporting Date		
Loans and Advances Receivable within One Year	4,772,105,901	3,449,157,980
Other Charges Receivable within One Year	15,328,650	7,308,790
Receivables on Loans against Fixed Deposits	94,751,100	68,229,423
Unearned Interest Income	(300,328,415)	(268,044,411)
Net Receivables	4,581,857,236	3,256,651,782

As at 31st March	2020 Rs.	2019 Rs.
17.3.2 Loans and Advances Receivable after One Year but before Five Years from Reporting Date		
Loans and Advances Receivable after One Year but before Five Years	1,178,116,677	1,043,483,026
Unearned Interest Income	(162,775,343)	(94,414,491)
Net Receivables after One Year but before Five Years	1,015,341,334	949,068,535
17.3.3 Loans and Advances Receivable after Five Years from Reporting Date		
Loans and Advances Receivable after Five Years	4,573,257	825,937
Unearned Interest Income	(153,644)	(43,339)
Net Receivables after Five Years	4,419,613	782,598
Gross Receivables	5,601,618,183	4,206,502,915
17.3.4 Movement in Allowance for Impairment for Loans & Advances		
Balance as at beginning of the Year	323,203,252	168,104,067
Impact of adopting SLFRS 9 -"Financial Instruments"	-	69,585,665
Balance as at beginning of the Year	323,203,252	237,689,732
Charge for the year	147,171,353	133,321,614
Written off during the year	(63,755,961)	(47,808,094)
Balance as at 31st March	406,618,644	323,203,252
17.4 Allowance for Impairment		
17.4.1 Movement in Allowance for Impairment		
Balance as at beginning of the Year	580,124,625	306,205,210
Impact of adopting SLFRS 9 -"Financial Instruments"	-	109,338,621
Balance as at beginning of the Year	580,124,625	415,543,831
Charge for the year	358,386,480	281,988,326
Written off during the year	(175,449,718)	(117,407,532)
Balance as at 31st March	763,061,387	580,124,625
17.4.2 Allowance for Impairment consist of Provisioning Against		
Hire Purchase Receivables (Note 17.1.3)	6,448,493	8,576,165
Lease Receivables (Note 17.2.4)	349,994,250	248,345,208
Loans and Advances (Note 17.3.4)	406,618,644	323,203,252
	763,061,387	580,124,625

Notes to the Financial Statements

17.4.3 The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss:

As at 31st March 2020	Individual Rs.	Collective Rs.	Total Rs.
Financial assets at amortised cost-Hire Purchase Receivables			
Stage 1	-	(48,302)	(48,302)
Stage 2	-	13,068	13,068
Stage 3	(186,733)	(1,470,300)	(1,657,033)
	(186,733)	(1,505,534)	(1,692,267)
Financial assets at amortised cost-Finance Lease Receivables			
Stage 1	-	(16,960,776)	(16,960,776)
Stage 2	-	(2,105,859)	(2,105,859)
Stage 3	11,679,854	220,294,175	231,974,029
	11,679,854	201,227,540	212,907,394
Financial assets at amortised cost-Loans and Advances			
Stage 1	-	(58,060,302)	(58,060,302)
Stage 2	-	(2,635,785)	(2,635,785)
Stage 3	57,729,806	150,137,634	207,867,440
	57,729,806	89,441,547	147,171,353
Financial assets at amortised cost -Total			
Stage 1	-	(75,069,380)	(75,069,380)
Stage 2	-	(4,728,576)	(4,728,576)
Stage 3	69,222,927	368,961,509	438,184,436
	69,222,927	289,163,553	358,386,480
As at 31st March 2019			
	Individual Rs.	Collective Rs.	Total Rs.
Financial assets at amortised cost-Hire Purchase Receivables			
Stage 1	-	(352,398)	(352,398)
Stage 2	-	(659,129)	(659,129)
Stage 3	864,170	(2,378,262)	(1,514,092)
	864,170	(3,389,789)	(2,525,619)

As at 31st March 2019	Individual Rs.	Collective Rs.	Total Rs.
Financial assets at amortised cost-Finance Lease Receivables			
Stage 1	-	9,733,182	9,733,182
Stage 2	-	36,247,803	36,247,803
Stage 3	20,283,310	84,928,036	105,211,346
	20,283,310	130,909,021	151,192,331
Financial assets at amortised cost-Loans and Advances			
Stage 1	-	26,410,670	26,410,670
Stage 2	-	19,517,565	19,517,565
Stage 3	6,793,408	80,599,971	87,393,379
	6,793,408	126,528,206	133,321,614
Financial assets at amortised cost -Total			
Stage 1	-	35,791,454	35,791,454
Stage 2	-	55,106,239	55,106,239
Stage 3	27,940,888	163,149,745	191,090,633
	27,940,888	254,047,438	281,988,326
As at 31st March		2020 Rs.	2019 Rs.
17.4.4 Movement in Impairment during the year			
Stage 1			
Restated opening balance as at 1st April		146,386,155	110,594,701
Net impairment charge for the year		(75,069,380)	35,791,454
Closing balance as at 31st March		71,316,775	146,386,155
Stage 2			
Restated opening balance as at 1st April		124,978,390	69,872,151
Net impairment charge for the year		(4,728,576)	55,106,239
Closing balance as at 31st March		120,249,814	124,978,390
Stage 3			
Restated opening balance as at 1st April		308,760,080	235,076,979
Net impairment charge for the year		438,184,436	191,090,633
Written off during the year		(175,449,718)	(117,407,532)
Closing balance as at 31st March		571,494,798	308,760,080
Total			
Restated opening balance as at 1st April		580,124,625	415,543,831
Net impairment charge for the year		358,386,480	281,988,326
Written off during the year		(175,449,718)	(117,407,532)
Closing balance as at 31st March		763,061,387	580,124,625

Notes to the Financial Statements

As at 31st March	2020 Rs.	2019 Rs.
17.4.5 Breakdown of Gross Loans & Provision		
Stage 1		
Net Receivables	18,314,544,925	15,808,993,776
Impairment Allowance	71,316,774	146,386,155
Gross Receivables	18,385,861,699	15,955,379,931
Stage 2		
Net Receivables	1,449,732,689	1,551,138,826
Impairment Allowance	120,249,814	124,978,390
Gross Receivables	1,569,982,503	1,676,117,216
Stage 3		
Net Receivables	393,288,612	487,998,645
Impairment Allowance	571,494,799	308,760,080
Gross Receivables	964,783,411	796,758,725
Total		
Net Receivables	20,157,566,226	17,848,131,247
Impairment Allowance	763,061,387	580,124,625
Gross Receivables	20,920,627,613	18,428,255,872

17.5 Analysis by Sector

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

As at 31st March	2020		2019	
	Rs.	%	Rs.	%
Agriculture	1,741,878,885	8.6	2,053,004,408	11.5
Tourism	126,034,846	0.6	114,038,258	0.6
Transport	8,536,206,533	42.3	5,923,973,634	33.2
Construction	178,193,110	0.9	67,257,275	0.4
Services	2,820,204,118	14.1	2,164,752,076	12.1
Individual	6,755,048,734	33.5	7,525,105,596	42.2
	20,157,566,226	100.0	17,848,131,247	100.0

As at 31st March		2020	2019
	No. of Ordinary Shares	Fair Value of the Investment Rs.	Fair value of the Investment Rs.
18	Financial assets measured at fair value through other comprehensive income		
	Unquoted Shares		
	Credit Information Bureau of Sri Lanka	100	41,300
			41,300
As at 31st March		2020	2019
		Rs.	Rs.
19	Financial assets at amortised cost-Debt and other financial instruments		
	Investment in Treasury Bills	548,582,609	529,920,590
	Investment in Treasury Bonds	241,306,517	93,451,740
		789,889,126	623,372,330
20	Other Debtors and Prepayments		
	Loans to Employees (Note 20.1)	97,036,046	79,660,357
	Economic Service Charges	-	15,068,886
	Prepayments and Advances	126,818,968	165,826,747
	Other Receivables	36,310,949	30,080,045
		260,165,963	290,636,035
20.1	Loans to Employees		
	Balance as at beginning of the Year	79,660,357	53,980,821
	Loans granted during the year	64,477,931	64,210,900
	Loan recoveries during the Year	(46,925,126)	(38,354,248)
	Provision for Impairment (Note 20.2)	(177,116)	(177,116)
	Balance as at 31st March	97,036,046	79,660,357
	Due within one Year	30,008,497	26,147,272
	Due after one Year	67,027,549	53,513,085
		97,036,046	79,660,357
20.2	Movement in Provision for Impairment		
	Balance as at beginning of the Year	177,116	940,001
	Reversals for the year	-	(762,885)
	Balance as at 31st March	177,116	177,116

Notes to the Financial Statements

As at 31st March		2020	2019
		Rs.	Rs.
21	Intangible Assets		
21.1	Cost		
	Balance as at Beginning of the Year	125,596,481	122,825,970
	Additions during the Year	2,164,668	2,770,511
	Balance as at 31st March	127,761,149	125,596,481
21.2	Accumulated Amortization		
	Balance as at Beginning of the Year	(79,302,992)	(73,405,840)
	Amortization During the Year	(6,181,570)	(5,897,152)
	Balance as at 31st March	(85,484,562)	(79,302,992)
21.3	Carrying Amount		
	Total Carrying Amount of EDP Software	42,276,587	46,293,489

21.4 During the financial year, the company acquired Software to the aggregated value of **Rs. 2,164,668** (2018/19 - Rs. 2,770,511).

21.5 EDP Software included in fully amortized and impaired assets having cost amounting to **Rs. 64,695,264** (2018/19 - Rs. 64,695,264).

	Balance as at 1st April 2018 Rs.	Additions & Transfers Rs.	Disposals Rs.	Balance as at 1st April 2019 Rs.	Additions & Transfers Rs.	Disposals Rs.	Balance as at 31st March 2020 Rs.	
22	Property, Plant and Equipment							
22.1	Cost							
	Improvements on							
	Leasehold Premises	122,412,977	61,812,615	-	184,225,592	110,767,853	(21,159,414)	273,834,031
	Equipment	34,441,600	38,864,933	-	73,306,533	39,457,176	(2,030,979)	110,732,730
	EDP Equipment	65,715,152	14,903,589	(101,650)	80,517,091	17,085,352	(1,447,981)	96,154,462
	Motor Vehicles	10,180,000	-	(10,180,000)	-	-	-	-
	Furniture and Fittings	26,796,024	8,316,579	(52,335)	35,060,268	19,475,490	(2,098,129)	52,437,629
		259,545,753	123,897,716	(10,333,985)	373,109,484	186,785,871	(26,736,503)	533,158,852

	Balance as at 1st April 2018	Depreciation Charge for the year	Disposals	Balance as at 1st April 2019	Depreciation Charge for the year	Disposals	Balance as at 31st March 2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
22.2 Accumulated Depreciation							
Improvement on Leasehold Premises	(71,807,249)	(17,381,879)	-	(89,189,128)	(29,827,915)	12,916,170	(106,100,873)
Equipment	(14,118,315)	(4,656,462)	-	(18,774,777)	(9,409,428)	1,267,744	(26,916,461)
EDP Equipment	(37,269,092)	(9,269,832)	6,777	(46,532,147)	(12,245,385)	1,414,763	(57,362,769)
Motor Vehicles	(4,278,538)	(513,012)	4,791,550	-	-	-	-
Furniture and Fittings	(13,752,390)	(2,521,494)	3,985	(16,269,899)	(4,115,842)	1,221,873	(19,163,868)
	(141,225,584)	(34,342,679)	4,802,312	(170,765,951)	(55,598,570)	16,820,550	(209,543,971)

	Balance as at 1st April 2018	Additions	Transfers	Balance as at 1st April 2019	Additions	Transfers	Balance as at 31st March 2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capital Work in Progress	2,267,202	25,206,044	(7,931,912)	19,541,334	-	(15,435,767)	4,105,567
	2,267,202	25,206,044	(7,931,912)	19,541,334	-	(15,435,767)	4,105,567

As at 31st March	2020	2019
	Rs.	Rs.
22.3 Carrying Amount		
Improvements on Leasehold Premises	167,733,158	95,036,464
Equipment	83,816,269	54,531,756
EDP Equipment	38,791,693	33,984,944
Furniture and Fittings	33,273,761	18,790,369
Capital Work In Progress	4,105,567	19,541,334
	327,720,448	221,884,867

22.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregated value of **Rs. 171,350,103** (2018/19 - Rs. 115,965,804) on cash basis.

22.5 Cost of fully depreciated assets which are still in use as at reporting date is as follows:

As at 31st March	2020	2019
	Rs.	Rs.
Improvements on Leasehold Premises	49,151,670	31,127,041
Equipment	3,591,534	3,844,938
EDP Equipment	23,708,925	24,200,468
Furniture and Fittings	4,844,823	5,252,339
	81,296,952	64,424,786

Notes to the Financial Statements

22.6 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	2020 Rs.	2019 Rs.
23 Right-Of-Use Assets		
23.1 Gross carrying amount		
At Cost		
As at beginning of the year	-	-
Adjustment on Initial Application of SLFRS 16 (Note 3)	450,644,384	-
Adjusted balance as at 1st April 2019	450,644,384	-
Additions during the year	84,662,951	-
Balance as at 31st March	535,307,335	-
23.2 Accumulated Depreciation		
As at beginning of the year	-	-
Charge for the Year	(66,817,204)	-
Balance as at 31st March	(66,817,204)	-
23.3 Net Book Value		
Right-Of-Use Assets	468,490,131	-
23.4 Amounts recognised in profit or loss:		
Depreciation expense of Right-Of-Use assets	66,817,204	-
	66,817,204	-
As At 31st March	2020 Rs.	2019 Rs.
24 Financial Liabilities at Amortised Cost-Due to Customers		
Fixed Deposits at Amortized Cost	7,078,217,688	6,042,060,077
Saving Deposits	97,334,530	53,755,700
	7,175,552,218	6,095,815,777

As At 31st March	2020			2019		
	Amount	Amount	Total	Amount	Amount	Total
	Repayable	Repayable		Repayable	Repayable	
	Within 1 Year	After 1 Year		Within 1 Year	After 1 Year	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
25 Interest-Bearing Loans and Borrowings						
Debenture (Note 25.1)	2,161,650,958	-	2,161,650,958	502,390,619	2,084,352,115	2,586,742,734
Bank Loans (Note 25.2)	3,884,310,251	871,753,322	4,756,063,573	1,658,421,795	476,680,000	2,135,101,795
Securitization Loans (Note 25.3)	1,161,504,026	1,148,980,000	2,310,484,026	581,766,847	1,327,579,040	1,909,345,887
	7,207,465,235	2,020,733,322	9,228,198,557	2,742,579,261	3,888,611,155	6,631,190,416

	Type	No of Debenture Listed	Face Value Rs.	Interest Rate %	Issued Date	Maturity Date	As at 31st March	
							2020	2019
							Rs.	Rs.
25.1 Debenture								
60 Months Secured Debentures	D	15,000,000	1,500,000,000	9.95	17-June-2015	16-June-2020	1,536,527,253	1,531,560,548
36 Months Secured Debentures	E	4,093,000	409,300,000	11.50	06-April-2016	06-April-2019	-	431,696,371
48 Months Secured Debentures	F	5,907,000	590,700,000	12.00	06-April-2016	06-April-2020	625,123,705	623,485,815
		25,000,000	2,500,000,000				2,161,650,958	2,586,742,734

	As at	Loans			As at
	1st April 2019	Obtained	Repayments	Accrued Interest	31st March 2020
	Rs.	Rs.	Rs.	Rs.	Rs.
25.2 Bank Loans					
Movement of Bank Loans					
Sampath Bank	293,227,875	700,000,000	(399,927,875)	1,076,636	594,376,636
Cargills Bank	-	200,000,000	(853,929)	6,750,685	205,896,756
Commercial Bank	-	350,000,000	(1,688,492)	855,822	349,167,330
Nations Trust Bank	1,035,679,847	1,500,000,000	(1,505,679,847)	4,583,445	1,034,583,445
Seylan Bank	503,797,731	1,500,000,000	(320,417,731)	5,344,130	1,688,724,130
National Development Bank	302,396,342	275,000,000	(453,843,115)	565,529	124,118,756
Bank of Ceylon	-	1,100,000,000	(341,666,670)	863,190	759,196,520
	2,135,101,795	5,625,000,000	(3,024,077,659)	20,039,437	4,756,063,573

Notes to the Financial Statements

				31st March 2020
Bank	Rate of Interest	Repayment Terms	Security	Rs.
(a) Bank Loan Repayable within One Year				
Sampath Bank	AWPLR+1.75%	Monthly Repayment	Lease Receivable	594,376,636
Seylan Bank	AWPLR+2.5%	Monthly Repayment	Lease Receivable	1,405,304,130
Nations Trust Bank	AWPLR+1.5%	Monthly Repayment	Lease Receivable	1,034,583,445
National Development Bank	AWPLR+1.75%	Monthly Repayment	Lease Receivable	124,118,756
Bank of Ceylon	AWPLR+1.75%	Monthly Repayment	Lease Receivable	400,863,198
Commercial Bank	AWPLR+2%	Monthly Repayment	Lease Receivable	119,167,329
Cargills Bank	AWPLR+1.75%	Monthly Repayment	Lease Receivable	205,896,757
				3,884,310,251

				31st March 2020
Bank	Rate of Interest	Repayment Terms	Security	Rs.
(b) Bank Loan Repayable after One Year				
Sampath Bank	AWPLR+1.75%	Monthly Repayment	Lease Receivable	-
Seylan Bank	AWPLR+2.5%	Monthly Repayment	Lease Receivable	283,420,000
Bank of Ceylon	AWPLR+1.75%	Monthly Repayment	Lease Receivable	358,333,322
Commercial Bank	AWPLR+2%	Monthly Repayment	Lease Receivable	230,000,000
				871,753,322

(c) Bank Loan Repayable within One Year

				31st March 2019
Bank	Rate of interest	Repayment Terms	Security	Rs.
Sampath Bank	AWPLR+1.5%	Monthly Repayment	Lease Receivable	199,927,875
Seylan Bank	AWPLR+2.5%	Monthly Repayment	Lease Receivable	120,417,731
Nations Trust Bank	AWPLR+1.5%	Monthly Repayment	Lease Receivable	1,035,679,847
National Development Bank	AWPLR+1.75%	Monthly Repayment	Lease Receivable	302,396,342
				1,658,421,795

(d) Bank Loan Repayable after One Year

				31st March 2019
Bank	Rate of interest	Repayment Terms	Security	Rs.
Sampath Bank	AWPLR+1.5%	Monthly Repayment	Lease Receivable	93,300,000
Seylan Bank	AWPLR+2.5%	Monthly Repayment	Lease Receivable	383,380,000
				476,680,000

	As at 1st April 2019 Rs.	Obtained during the year Rs.	(Repayments) Rs.	Unamortised Issue Cost Rs.	Accrued Interest Rs.	As at 31st March 2020 Rs.
25.3 Securitization	1,909,345,887	950,000,000	(640,720,000)	3,051,586	88,806,553	2,310,484,026
Securitization	1,909,345,887	950,000,000	(640,720,000)	3,051,586	88,806,553	2,310,484,026

Issue No.	Face Value	Maximum Period (Months)	Trustee	Balance as at 31st March 2020	Security
25.4 Details of Securitization as at 31st March is as follows					
S-01	200,000,000	36	Hatton National Bank	163,823,025	Lease and Hire Purchase Receivables
S-02	300,000,000	36	Hatton National Bank	163,998,402	Lease and Hire Purchase Receivables
S-03	1,250,000,000	36	Hatton National Bank	668,254,704	Lease and Hire Purchase Receivables
S-04	300,000,000	36	Hatton National Bank	275,743,087	Lease and Hire Purchase Receivables
S-05	150,000,000	36	Hatton National Bank	137,941,443	Lease and Hire Purchase Receivables
S-06	150,000,000	36	Hatton National Bank	144,107,210	Lease and Hire Purchase Receivables
S-07	500,000,000	36	Hatton National Bank	461,564,395	Lease and Hire Purchase Receivables
S-08	300,000,000	36	Hatton National Bank	295,051,760	Lease and Hire Purchase Receivables
	3,150,000,000			2,310,484,026	

Issue No.	Face Value	Maximum Period (Months)	Trustee	Balance as at 31st March 2019	Security
S-01	1,250,000,000	36	Hatton National Bank	1,123,097,951	Lease Receivables
S-02	500,000,000	36	Hatton National Bank	490,827,936	Lease Receivables
S-03	300,000,000	36	Hatton National Bank	295,420,000	Lease Receivables
	2,050,000,000			1,909,345,887	

As at 31st March		2020 Rs.	2019 Rs.
26 Lease liability			
As at beginning of the year		-	-
Adjustments on Initial Application of SLFRS 16 (Note 3)		430,856,853	-
Adjusted balance as at 1st April 2019		430,856,853	-
New contracted liabilities during the year		84,662,951	-
Interest Charge for the Year		67,061,036	-
Lease Rental Payments for the Year		(106,578,525)	-
Balance as at 31st March		476,002,315	-
Maturity analysis of undiscounted contractual lease payments are as follows;			
26.1	Less than one year	23,382,987	-
	Between one and five years	186,208,446	-
	More than five years	266,410,882	-
		476,002,315	-
26.2	Amounts recognised in profit or loss:		
	Interest expense on lease liabilities	67,061,036	-
	Expense relating to leases of low-value assets (included in Other Operating Expenses)	11,802,969	-
		78,864,005	-

Notes to the Financial Statements

As at 31st March	2020 Rs.	2019 Rs.
26.3 Information on the Company's variable lease payments, including the magnitude in relation to fixed payments:		
Fixed rent	106,579,000	-
Variable rent with minimum payment	-	-
	106,579,000	-

As At 31st March	2020 Rs.	2019 Rs.
27 Trade and Other Payables		
Trade Payable	131,202,001	273,574,065
VAT on Financial Services & DRL	28,003,467	17,664,220
VAT Payable	627,251	3,112,478
Accrued Expenses	68,770,066	131,020,076
Insurance Payable	63,231,273	89,713,763
Dividend Payable	6,889,006	228,205,820
Deferred Revenue-Suraksha	7,112,216	5,509,978
Unidentified Customer Deposits	67,352,973	13,389,663
Other Payables	94,363,780	85,831,380
	467,552,033	848,021,443

As At 31st March	2020 Rs.	2019 Rs.
28 Amount due to/(from) Related Companies		
28.1 Amount due from Related Companies		
Trade		
Singer (Sri Lanka) PLC	184,151,084	78,738,426
Relationship		
Singer (Sri Lanka) PLC	-	13,705,793
Advance Paid		
Singer (Sri Lanka) PLC	-	13,705,793
Non-Trade		
Hayleys Travels	1,370,877	-
Relationship		
Hayleys Travels	1,370,877	-
	185,521,961	92,444,219
28.2 Amount due to Related Companies		
Non-Trade		
Hayleys PLC	4,512,176	1,569,894
Relationship		
Hayleys PLC	4,512,176	1,569,894
Loan from Related Party		
Singer (Sri Lanka) PLC (Note 28.2.1)	400,000,000	1,000,000,000
	404,512,176	1,001,569,894

28.2.1 Movement of Loan from Related Party

	As at 1st April 2019	Loans Obtained	Repayments	As at 31st March 2020
	Rs.	Rs.	Rs.	Rs.
Singer (Sri Lanka) PLC	1,000,000,000	500,000,000	(1,100,000,000)	400,000,000
	1,000,000,000	500,000,000	(1,100,000,000)	400,000,000

28.3 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 +0.5%.

As at 31st March	2020 Rs.	2019 Rs.
29 Current Tax Liabilities		
Balance as at beginning of the Year	220,581,391	10,046,896
Expenses recognised in Profit or Loss (Note 13)	139,018,770	351,175,996
Income Tax Paid	(204,098,728)	(96,341,369)
WHT Set-off	(411,345)	(907,078)
Notional Tax Set-off	-	(6,489,510)
ESC Set-off	(37,739,255)	(36,903,544)
Balance as at 31st March	117,350,832	220,581,391

As at 31st March	2020 Rs.	2019 Rs.
30 Deferred Tax (Assets)/Liabilities		
30.1 Movement		
Balance as at beginning of the year	(15,632,099)	154,875,874
Adjustment on Initial Application of SLFRS 16	(9,630,633)	-
Origination of timing differences - recognized in Profit or Loss (Note 13)	102,249,773	(170,006,232)
Origination of timing differences - recognized in Other Comprehensive Income	377,314	(501,741)
Balance as at 31st March	77,364,355	(15,632,099)

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

30.2 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.

Notes to the Financial Statements

30.3 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	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment	-	27,471,504	-	24,431,868
Intangible Assets	-	8,602,625	-	9,555,569
Impairment Provision	84,240,063	-	162,434,895	-
Retirement Benefit Obligation	20,551,271	-	17,673,156	-
ROU Asset & Lease Liability	20,014,699	-	-	-
Lease Rental Receivables	-	166,096,259	-	130,488,515
	124,806,033	202,170,388	180,108,051	164,475,952
Net Deferred Tax		77,364,355	15,632,099	

As at 31st March	2020	2019
	Rs.	Rs.
31 Retirement Benefit Obligations		
Present Value of Unfunded Gratuity	73,397,396	63,118,414
	73,397,396	63,118,414
Provision for Retiring Gratuity		
Balance as at 1 April	63,118,414	55,213,488
Expenses recognised in Profit or Loss (Note 31.1)	15,769,407	14,053,523
Transfer of employees from Related Company	95,298	-
Actuarial Loss in Other Comprehensive Income	(1,347,550)	1,791,933
	77,635,569	71,058,944
Benefits Paid during the Year	(4,238,173)	(7,940,530)
Balance as at 31 March	73,397,396	63,118,414

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 Gunasekera 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		2020	2019
		Rs.	Rs.
31.1	Expense recognized in Profit or Loss:		
	Current Service Cost	8,826,381	7,980,039
	Interest Cost	6,943,026	6,073,484
		15,769,407	14,053,523
	Actuarial (Gain)/Loss in Other Comprehensive Income	(1,347,550)	1,791,933

31.2 Actuarial Assumptions

Following key assumptions were made in arriving at the above figures

		2020	2019
(a)	Rate of Discount	10% p.a. (net of tax)	11% p.a. (net of tax)
(b)	Salary Increment Rate	9%	10%
(c)	Retirement Age		
	Males	60 years	60 years
	Females	60 years	60 years

- (d) Assumptions regarding future mortality are based on A1967/70 Ultimate Mortality Table, issued by the Institute of Actuaries, London.

The demographic assumptions underline the valuation are with respect to retirement age, early withdrawal from service and retirement on medical grounds.

31.3 Sensitivity of Assumption employed on Actuarial Valuation

Assumptions regarding discount rate and Salary Increment rate have significantly effect on the amounts recognized in the Statement of Comprehensive Income of Statement of Financial Position.

The following table demonstrate the sensitivity of a reasonably possible changing such assumption with all other variables held constant, in the actuarial valuation of retirement benefit obligation as at 31st March 2020.

	Increase (decrease) in Discount Rate	Increase (decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Com- prehensive Income increase /(decrease) in results for the year	Sensitivity Effect on Retirement Benefit Obligation increase / (decrease)
			Rs.	Rs.
			3,513,625	(3,513,625)
			(3,885,180)	3,885,180
	1%	1%	(3,999,349)	3,999,349
	-1%	-1%	3,678,996	(3,678,996)

Notes to the Financial Statements

	As at 1st April 2019 Number	Issued for Cash during the Year Number	Issued for Non-Cash Consideration Number	As at 31st March 2020 Number
32 Stated Capital				
32.1 Issued and Fully Paid				
Number of Shares Ordinary Shares	202,074,075	-	-	202,074,075
	202,074,075	-	-	202,074,075
	Rs.	Rs.	Rs.	Rs.
Rupees - Ordinary Shares	1,996,444,457	-	-	1,996,444,457
	1,996,444,457	-	-	1,996,444,457
As at 31st March				
			2020	2019
			Rs.	Rs.
33 Statutory Reserves				
Reserve Fund (Note 33.1)			182,548,200	163,096,146
			182,548,200	163,096,146
33.1 Reserve Fund				
Balance as at 1st April			163,096,146	136,009,451
Amount Transfer during the year			19,452,054	27,086,695
Balance as at 31st March			182,548,200	163,096,146

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.

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

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

34 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.

34.1 Business Segments (Rs.'000)

For the Year Ended 31st March	Finance Lease		Hire Purchase		Loans & Advances		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Interest Income	3,175,614	2,801,307	1,705	9,477	1,016,882	871,025	116,249	136,695	4,310,450	3,818,504
Net Fee and Commission Income	111,935	110,880	60	385	103,368	125,631	168	181	215,531	237,077
Other Operating Income	30,529	43,903	16	148	21,239	20,748	20,647	9,379	73,359	75,694
Total Revenue	3,318,078	2,956,090	1,781	10,010	1,141,489	1,017,404	137,064	146,255	4,598,412	4,129,759
Interest Expense	(1,467,107)	(1,207,252)	(788)	(4,084)	(469,791)	(375,377)	(53,706)	(58,911)	(1,991,392)	(1,645,624)
Depreciation & Amortization	(97,367)	(30,617)	(52)	(104)	(31,178)	(9,519)	-	-	(128,597)	(40,240)
Personal and Other Operating Expenses	(931,181)	(896,320)	(500)	(3,032)	(298,179)	(278,696)	-	-	(1,229,860)	(1,178,048)
Impairment charges for Loans and Other Losses	(212,907)	(151,192)	1,692	2,526	(147,171)	(133,322)	-	-	(358,386)	(281,988)
VAT, NBT & DRL on Financial Services	(191,450)	(191,441)	(103)	(648)	(61,305)	(59,526)	(7,009)	(9,340)	(259,867)	(260,955)
Profit Before Tax	418,066	479,268	2,030	4,668	133,865	160,964	76,349	78,004	630,310	722,904
Income Tax Expense	(160,026)	(121,946)	(777)	(1,170)	(51,241)	(38,505)	(29,225)	(19,549)	(241,269)	(181,170)
Profit For The Year	258,040	357,322	1,253	3,498	82,624	122,459	47,124	58,455	389,041	541,734
Segment Assets	15,883,625	14,617,380	4,151	15,281	5,516,232	4,069,008	1,143,434	837,399	22,547,442	19,539,068
Segment Liabilities	13,129,788	11,966,127	3,432	12,510	4,559,851	3,330,984	945,188	685,512	18,638,259	15,995,133
Segment assets include the additions to non current assets	133,107	94,762	35	99	46,227	26,379	9,582	5,428	188,951	126,668

Notes to the Financial Statements

35 Maturity Analysis of Assets and Liabilities

An analysis of the interest bearing assets and liabilities employed by the Company as at 31st March 2020, based on the remaining period at the reporting date to the respective contractual maturity date is given below.

As at 31st March	2020					Total
	Less than 3 months	3-12 months	1-3 years	3-5 years	over 5 years	
Interest-Bearing Loans and Borrowings						
Cash and Cash Equivalents	214,376,260	-	-	-	-	214,376,260
Placements with Banks	101,393,778	-	-	-	-	101,393,778
Financial Assets at Amortised Cost-Hire Purchase Receivables	736,256	1,087,715	2,085,576	-	-	3,909,547
Financial Assets at Amortised Cost-Finance Lease Receivables	1,795,527,245	3,736,005,070	7,095,742,057	2,317,746,417	13,636,351	14,958,657,140
Financial Assets at Amortised Cost-Loans and Advances	1,441,617,107	2,733,621,485	820,148,463	195,192,871	4,419,613	5,194,999,539
Financial Assets at Amortised Cost-Debt and other financial instruments	532,961,866	160,731,012	96,196,248	-	-	789,889,126
Loans to Employees	422,060	11,071,618	45,482,858	36,194,713	3,864,797	97,036,046
Due From Related Companies	185,521,961	-	-	-	-	185,521,961
Total Interest Earning Assets	4,272,556,533	6,642,516,900	8,059,655,202	2,549,134,001	21,920,761	21,545,783,397
Percentage(%)	19.9	30.8	37.4	11.8	0.1	100.0
Interest Bearing Liabilities						
Financial Liabilities at Amortised Cost-Due to Customers	2,262,056,657	3,686,832,157	503,372,337	707,912,882	15,378,185	7,175,552,218
Financial Liabilities at Amortised Cost-Interest Bearing Loans and Borrowings	6,096,895,228	1,110,570,007	1,778,400,016	242,333,306	-	9,228,198,557
Due to Related Companies	4,512,176	-	400,000,000	-	-	404,512,176
Bank Overdrafts	618,329,553	-	-	-	-	618,329,553
Total Interest Bearing Liabilities	8,981,793,614	4,797,402,164	2,681,772,353	950,246,188	15,378,185	17,426,592,504
Percentage(%)	51.5	27.5	15.4	5.5	0.1	100.0

As at 31st March	2019					Total
	Less than 3 months	3-12 months	1-3 years	3-5 years	over 5 years	
Interest Earning Assets						
Cash and Cash Equivalents	317,308,939	-	-	-	-	317,308,939
Placement with Banks	83,323,971	-	-	-	-	83,323,971
Financial Assets at Amortised Cost-Hire Purchase Receivables	5,287,768	5,782,124	2,664,705	849,301	-	14,583,898
Financial Assets at Amortised Cost-Finance Lease Receivables	1,327,632,173	3,611,615,664	6,873,164,805	2,110,972,176	26,862,868	13,950,247,686
Financial Assets at Amortised Cost-Loans and Advances	970,995,023	1,962,453,507	740,286,085	208,782,450	782,598	3,883,299,663
Financial Assets at Amortised Cost-Debt and other financial instruments	411,212,832	129,916,570	82,242,928	-	-	623,372,330
Loans to Employees	4,223,958	10,945,539	35,727,804	23,687,704	5,075,352	79,660,357
Due From Related Companies	78,738,426	-	-	-	-	78,738,426
Total Interest Earning Assets	3,198,723,090	5,720,713,404	7,734,086,327	2,344,291,631	32,720,818	19,030,535,270
Percentage(%)	16.9	30.1	40.6	12.3	0.1	100.0
Interest Bearing Liabilities						
Financial Liabilities at Amortised Cost-Due to Customers	2,487,456,239	2,803,340,062	480,043,271	311,940,845	13,035,360	6,095,815,777
Financial Liabilities at Amortised Cost-Interest Bearing Loans and Borrowings	2,198,069,261	544,510,000	3,705,151,155	183,460,000	-	6,631,190,416
Due to Related Companies	1,569,894	1,000,000,000	-	-	-	1,001,569,894
Bank Overdraft	1,134,835,645	-	-	-	-	1,134,835,645
Total Interest Bearing Liabilities	5,821,931,039	4,347,850,062	4,185,194,426	495,400,845	13,035,360	14,863,411,732
Percentage(%)	39.2	29.3	28.2	3.3	0.1	100.0

Notes to the Financial Statements

36 Financial Instruments

36.1 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.

36.1.1 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 receivables from to customers, Amounts Due from related parties and other banks and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obliger default risk, country and sector risk).

(i) Settlement Risk

The Company activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades retires transaction-specific or counter party-specific approvals from the Company risk.

(ii) Management of Credit Risk

- (a) The Board of Directors has delegated responsibility for the oversight of credit risk to its Company Deligated Credit Committee . A separate Credit evaluation department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Large facilities require approval by Company credit, the Head of the Company Credit, the Credit Committee or the Board of Directors as appropriate.

Reviewing and assessing credit risk: The Company's 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 receivables, financial guarantees and similar exposures) and by issuer, credit rating band, market liquidity and country (for investment securities);

Developing and maintaining the Company's process for measuring ECL: This includes processes for:

- Initial approval, regular validation and back testing of the models used;
- Determining and monitoring significant increase in Credit risk;
- Incorporate of forward -looking information.

Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Company Credit Committee, which may require appropriate corrective action to be taken.

Providing advice, guidance and specialist skills to business units to promote best practice throughout the group in the management of credit risk.

Regular audits of business units and Company Credit processes are under taken by internal Audit.

(b) Exposure to Credit Risk

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

As at 31st March	Maximum Exposure		Net Exposure	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Cash at Banks	138,247,812	215,386,158	138,247,812	215,386,158
Placements with Banks (Note 36.1.1 (v) (a))	101,393,778	83,323,971	101,393,778	83,323,971
Loans & receivables from Customers (Note 36.1.1 (c))	20,920,627,613	18,428,255,872	20,157,566,226	17,848,131,247
Financial assets at amortised cost-Debt and other financial instruments (Note 36.1.1 (v) (b))	789,889,126	623,372,330	789,889,126	623,372,330
Loans to Employees	97,036,046	79,660,357	97,036,046	79,660,357
Due From Related Companies	185,521,961	92,444,219	185,521,961	92,444,219
	22,232,716,336	19,522,442,907	21,469,654,949	18,942,318,282

Notes to the Financial Statements

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

As at 31st March	Net Exposure	
	2020 Rs.	2019 Rs.
Individual Customers	19,808,220,487	17,674,488,709
Corporate Customers	349,345,739	173,642,538
	20,157,566,226	17,848,131,247

(c) Credit Concentration risk on loans and receivables from customers

(i) Product Concentration

The Company reviews on a regular basis its concentration of credit granted in each of the product offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Company is maintained.

As at 31st March	Maximum Exposure			
	2020		2019	
	Rs.	%	Rs.	%
Leasing	15,308,651,390	73%	14,198,592,894	77%
Hire Purchase	10,358,040	0%	23,160,063	1%
Loans and Advances	5,601,618,183	27%	4,206,502,915	22%
	20,920,627,613	100%	18,428,255,872	100%

Product Concentration

As at 31st March	Net Exposure			
	2020		2019	
	Rs.	%	Rs.	%
Leasing	14,958,657,140	74%	13,950,247,686	78%
Hire Purchase	3,909,547	0%	14,583,898	1%
Loans and Advances	5,194,999,539	26%	3,883,299,663	21%
	20,157,566,226	100%	17,848,131,247	100%

(ii) Geographical Concentration

The Company reviews its geographical diversification on a regular basis at the review meetings and sets long-term targets in achieving a geographically well diversified credit portfolio. Company's strategy on geographical diversification was executed through the establishment of a distribution network of the Company. The geographical concentration is considered when selecting prospective locations for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where a high concentration was seen in the Western Province.

Geographical Concentration

As at 31st March	Net Exposure			
	2020		2019	
	Rs.	%	Rs.	%
Central	2,129,639,725	11%	2,044,387,841	11%
Eastern	517,473,839	3%	607,595,128	3%
North Central	1,559,002,839	8%	1,651,855,743	9%
North Western	5,469,036,774	27%	4,762,306,288	28%
Northern	519,159,558	3%	327,971,518	2%
Sabaragamuwa	829,153,007	4%	701,853,294	4%
Southern	2,267,837,931	11%	2,369,652,611	13%
Uva	573,190,144	3%	668,926,953	4%
Western	6,293,072,409	30%	4,713,581,871	26%
	20,157,566,226	100%	17,848,131,247	100%

(iii) Sector wise analysis of credit exposures

The 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.

The Company has set targets to bring down the exposures of each industry to a level accepted by the Group based on its risk appetite.

As at 31st March	Net Exposure			
	2020		2019	
	Rs.	%	Rs.	%
Agriculture	1,741,878,885	9%	2,053,004,408	12%
Tourism	126,034,846	1%	114,038,258	1%
Transport	8,536,206,533	42%	5,923,973,634	33%
Construction	178,193,110	1%	67,257,275	0%
Services	2,820,204,118	14%	2,164,752,076	12%
Individual	6,755,048,734	33%	7,525,105,596	42%
	20,157,566,226	100%	17,848,131,247	100%

Notes to the Financial Statements

(iv) Allowance for Impairment

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

The Company assesses the impairment for Loans and receivables to customers on collective basis. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of losses incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data.

Impairment Losses

The aging of receivables at the reporting date was

As at 31st March	2020			2019		
	Gross Rs.	Impairment Rs.	Net Rs.	Gross Rs.	Impairment Rs.	Net Rs.
Not past due	11,650,075,883	21,034,414	11,629,041,469	10,965,233,239	57,156,787	10,908,076,452
Past due 1-30 days	3,958,112,826	27,788,643	3,930,324,183	3,381,478,169	35,890,321	3,345,587,848
Past due 31-120 days	4,098,039,330	106,252,529	3,991,786,801	3,285,277,698	118,497,635	3,166,780,063
Past due 121-180 days	409,825,917	57,925,047	351,900,870	407,211,273	74,432,829	332,778,444
Past due 181-360 days	420,887,883	231,076,026	189,811,857	200,046,480	111,554,648	88,491,832
Past due more than 360 days	383,685,774	318,984,728	64,701,046	189,009,013	182,592,405	6,416,608
	20,920,627,613	763,061,387	20,157,566,226	18,428,255,872	580,124,625	17,848,131,247

(v) Financial Investments

(a) Placement with Banks

As at 31st March	2020		2019	
	Bank	Rs.	Bank	Rs.
Rating				
AA+	People's Bank	20,059,171	People's Bank	22,221,231
A+	NDB	20,201,370	NDB	20,289,315
AA-	HNB	20,191,096	HNB	20,263,014
A-	Seylan Bank	20,397,101	Seylan Bank	20,550,411
A	Cargills Bank	20,545,040		-
		101,393,778		83,323,971

(b) Financial assets at amortised cost-Debt and other financial instruments.

As at 31st March	2020 Rs.	2019 Rs.
Rating		
AA-	789,889,126	623,372,330
	789,889,126	623,372,330

** Primary dealer - Commercial Bank of Ceylon PLC, the entire portfolio consist of Government Treasury Bills.

(d) 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 and cash equivalents are held with the reputed commercial banks.

36.1.2 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 2020	Carrying Amount Rs.	Contractual Cash flows Rs.	6 months or less Rs.	6-12 Months Rs.	1-2 Years Rs.	2-5 Years Rs.	More than 5 Years Rs.
Non Derivative Financial Liabilities							
Secured Bank Loans	3,652,979,100	4,136,758,433	2,934,432,528	227,531,340	704,376,562	270,418,003	-
Unsecured Bank Loans	1,103,084,473	1,216,070,000	1,216,070,000	-	-	-	-
Securitization Loans	2,310,484,026	2,585,614,016	693,306,520	608,077,160	1,284,230,336	-	-
Secured Debenture issues	2,161,650,958	2,192,227,851	2,192,227,851	-	-	-	-
Due to Related Companies	404,512,176	448,040,000	48,040,000	400,000,000	-	-	-
Trade Other payables	370,151,249	370,151,249	370,151,249	-	-	-	-
Financial liabilities at amortised cost-Due to Customers	7,175,552,218	8,041,550,033	4,015,189,764	2,652,324,819	564,179,715	793,428,758	16,426,977
Bank Overdrafts	618,329,553	618,329,553	-	-	-	-	-
	17,796,743,753	19,608,741,135	11,469,417,912	3,887,933,319	2,552,786,613	1,063,846,761	16,426,977

Notes to the Financial Statements

31st March 2019	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	2,135,101,795	2,425,421,900	1,766,060,050	170,666,610	164,037,630	324,657,610	-
Securitization	1,909,345,887	2,162,645,800	417,700,400	372,469,520	820,334,400	552,141,480	-
Secured Debenture issues	2,586,742,734	2,769,250,000	458,416,000	149,250,000	2,161,584,000		
Due to Related Companies	1,001,569,894	1,156,769,894	156,769,894	1,000,000,000	-	-	-
Trade Other payables	696,224,669	696,224,669	696,224,669	-	-	-	-
Financial liabilities at amortised cost-Due to Customers	6,095,815,777	6,663,623,934	3,946,478,945	1,806,186,816	471,549,820	425,462,445	13,945,907
Bank Overdrafts	1,134,835,645	1,134,835,646	1,134,835,646	-	-	-	-
	15,559,636,401	17,008,771,843	8,576,485,604	3,498,572,946	3,617,505,850	1,302,261,535	13,945,907

36.1.3 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 the Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Company's solvency, while optimizing the return on risk. Market risk comprises two types of risks;

(a) Interest Rate Risk

(b) Currency Risk

(a) Interest Rate Risk

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

Profile

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

As at 31st March	2020 Rs.	2019 Rs.
Fixed Rate Instruments		
Financial Assets	21,145,926,476	18,872,177,787
Financial Liabilities	(11,647,687,202)	(10,591,904,397)
	9,498,239,274	8,280,273,390
Variable Rate Instruments		
Financial Assets	-	-
Financial Liabilities	(4,542,246,196)	(4,271,507,335)
	(4,542,246,196)	(4,271,507,335)

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 as below. This analysis assumes that all other variables remain constant:

	Profit or Loss		Equity Net of Tax	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs.	Rs.	Rs.	Rs.
31st March 2020				
Variable Rate Instruments	(45,422,462)	45,422,462	(32,704,173)	32,704,173
Cash Flow Sensitivity (Net)	(45,422,462)	45,422,462	(32,704,173)	32,704,173
31st March 2019				
Variable Rate Instruments	(42,715,073)	42,715,073	(30,754,853)	30,754,853
Cash Flow Sensitivity (Net)	(42,715,073)	42,715,073	(30,754,853)	30,754,853

(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.

36.1.4 Operational Risk

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

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

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

Notes to the Financial Statements

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

Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, senior management of the Company and the Audit Committee.

36.2 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 2020		Amortised	Fair value	Other Financial	Total	Fair	Fair Value
Note	Cost	through OCI	Liabilities		Value	Measurement	
Rs	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Level
Financial Assets							
Cash and Cash Equivalents	16.1	214,376,260	-	-	214,376,260	-	-
Placements with Banks		101,393,778	-	-	101,393,778	-	-
Financial assets at amortised cost-Hire Purchase Receivables	17.1	3,909,547	-	-	3,909,547	-	-
Financial assets at amortised cost-Finance Lease Receivables	17.2	14,958,657,140	-	-	14,958,657,140	-	-
Financial assets at amortised cost-Loans and Advances	17.3	5,194,999,539	-	-	5,194,999,539	-	-
Financial assets measured at fair value through other comprehensive income	18	-	41,300	-	41,300	41,300	Level 3
Financial assets at amortised cost-Debt and other financial instruments	19	789,889,126	-	-	789,889,126	788,989,002	Level 2
Total Financial Assets		21,263,225,390	41,300	-	21,263,266,690	789,030,302	
Financial Liabilities							
Other Financial Liabilities Due to Customers	24	-	-	7,175,552,218	7,175,552,218	-	-
Debenture	25	-	-	2,161,650,958	2,161,650,958	-	-
Bank Loans	25	-	-	4,756,063,573	4,756,063,573	-	-
Securitization Loans	25	-	-	2,310,484,026	2,310,484,026	-	-
Due to Related Companies	28	-	-	404,512,176	404,512,176	-	-
Lease Liabilities	26	-	-	476,002,315	476,002,315	-	-
Bank Overdraft	16.2	-	-	618,329,553	618,329,553	-	-
Total Financial Liabilities		-	-	17,902,594,819	17,902,594,819	-	

Notes to the Financial Statements

As at 31st March 2019			Fair value through OCI	Other Financial Liabilities	Total	Fair Value	Fair Value Measurement Level
	Note	Amortised Cost Rs	Rs	Rs	Rs	Rs	
Financial Assets							
Cash and Cash Equivalents	16.1	317,308,939	-	-	317,308,939	-	-
Placement with Banks		83,323,971	-	-	83,323,971	-	-
Financial assets at amortised cost-Hire Purchase Receivables	17.1	14,583,898	-	-	14,583,898	-	-
Financial assets at amortised cost-Finance Lease Receivables	17.2	13,950,247,686	-	-	13,950,247,686	-	-
Financial assets at amortised cost-Loans and Advances	17.3	3,883,299,663	-	-	3,883,299,663	-	-
Financial assets measured at fair value through other comprehensive income	18	-	41,300	-	41,300	41,300	Level 3
Financial assets at amortised cost-Debt and other financial instruments	19	623,372,330	-	-	623,372,330	591,916,883	Level 2
Total Financial Assets		18,872,136,487	41,300	-	18,872,177,787	591,958,183	
Financial Liabilities							
Other Financial Liabilities							
Due to Customers	24	-	-	6,095,815,777	6,095,815,777	-	-
Debenture	25	-	-	2,586,742,734	2,586,742,734	-	-
Bank Loans	25	-	-	2,135,101,795	2,135,101,795	-	-
Securitization	25	-	-	1,909,345,887	1,909,345,887	-	-
Due to Related Companies	28	-	-	1,001,569,894	1,001,569,894	-	-
Bank Overdraft	16.2	-	-	1,134,835,645	1,134,835,645	-	-
Total Financial Liabilities		-	-	14,863,411,732	14,863,411,732	-	

Amortized cost for Hire Purchase receivables, Lease receivables, 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 Financial assets at amortised cost-Debt and other financial instruments.

36.3 Fair Values of Financial Instruments

Financial Instruments Measured at Fair Value - Fair Value Hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of fair value hierarchy. The amounts are based on the values recognised in the statement of financial position.

The following shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

As at 31st March 2020	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value through other comprehensive income	18	-	-	41,300	41,300
		-	-	41,300	41,300
As at 31st March 2019					
Financial assets measured at fair value through other comprehensive income	18	-	-	41,300	41,300
		-	-	41,300	41,300

Notes to the Financial Statements

36.4 Fair Value of Financial Assets Not Carried at Fair Value

Financial assets not carried at fair value are disclosed under the category Amortised Cost. The values reported under Amortised Cost category are comparable to their fair value.

As at 31st March	Note	2020		2019														
		Carrying Value	Fair Value	Level 1	Level 2	Level 3	Carrying Value		Fair Value									
							Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.				
Financial Assets																		
Cash and Cash Equivalents	16.1	214,376,260	214,376,260	-	-	-	317,308,939	317,308,939	-	-	-	-	-	-	-	-	-	-
Placement with Banks		101,393,778	101,393,778	-	-	-	83,323,971	83,323,971	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost-Hire Purchase Receivables	17.1	3,909,547	3,909,547	-	-	-	14,583,898	14,583,898	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost-Finance Lease Receivables	17.2	14,958,657,140	14,958,657,140	-	-	-	13,950,247,686	13,950,247,686	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost-Loans and Advances	17.3	5,194,999,539	5,194,999,539	-	-	-	3,883,299,663	3,883,299,663	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost-Debt and other financial instruments	19	789,889,126	789,889,126	-	-	-	623,372,330	591,916,883	-	-	-	-	-	-	-	-	-	591,916,883
		21,263,225,390	21,263,225,390	-	-	-	18,872,136,487	18,840,681,040	-	-	-	-	-	-	-	-	-	591,916,883
Financial Liabilities																		
Financial liabilities at amortised cost-Due to Customers	24	7,175,552,218	7,175,552,218	-	7,175,552,218	-	6,095,815,777	6,095,815,777	-	-	-	-	-	-	-	-	-	-
Debtenture	25	2,161,650,958	2,161,650,958	-	2,161,650,958	-	2,586,742,734	2,586,742,734	-	-	-	-	-	-	-	-	-	-
Bank Loans	25	4,756,063,573	4,756,063,573	-	4,756,063,573	-	2,135,101,795	2,135,101,795	-	-	-	-	-	-	-	-	-	-
Securitization	25	2,310,484,026	2,310,484,026	-	2,310,484,026	-	1,909,345,887	1,909,345,887	-	-	-	-	-	-	-	-	-	-
Due to Related Companies	28	404,512,176	404,512,176	-	-	-	1,001,569,894	1,001,569,894	-	-	-	-	-	-	-	-	-	-
Bank Overdraft	16.2	618,329,553	618,329,553	-	-	-	1,134,835,645	1,134,835,645	-	-	-	-	-	-	-	-	-	-
		17,426,592,504	17,426,592,504	-	16,403,750,775	-	14,863,411,732	14,863,411,732	-	-	-	-	-	-	-	-	-	12,727,006,193

36.3 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. 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 on a concurrent basis.

36.3.1 Capital Adequacy

Capital adequacy is a measure of financial institution's financial strength and stability. This is a widely accepted concept, tries to specify the limit up to which a business can expand in terms of its risk – weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on companies' exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The capital adequacy ratio is calculated as a percentage on company's capital to its risk weighted assets as specified by the direction No 03 of 2018 with the effect from 1st July 2018.

Based on the Direction No. 03 of 2018 the Listed Finance Companies which are having asset base less than 100 Billion need to be have minimum Core Capital Ratio (Tier-I) of 6.5% and 10.5% based on the Total Capital Ratio (Tier-II) . This minimum requirement will increase to 7% and 11% respectively with the effect from 1st July 2020.

The core capital represents the permanent shareholders' equity and reserves created or increase by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital, the revaluation reserves, general provisions and other hybrid capital instruments and unsecured subordinated debts.

The Risk Weighted Assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka.

Notes to the Financial Statements

Details of the computation and the resulting ratios are given below:

As at 31st March	Balance		Risk-Weighted Factor %	Risk-Weighted Balance	
	2020 Rs.	2019 Rs.		2020 Rs.	2019 Rs.
Assets					
Risk Weighted Amount for Credit Risk					
Notes and Coins	67,950,030	99,120,778	0%	-	-
Cash Items in the Process of Collection	28,565,436	186,977,852	20%	5,713,087	37,395,570
Fixed Assets	796,210,579	221,000,510	100%	796,210,579	221,000,510
Other Assets/Exposures	654,517,678	518,006,873	100%	654,517,678	518,006,873
Investment in Government Securities	789,889,125	623,372,330	0%	-	-
Bank deposits	101,393,778	83,323,970	20%	20,278,756	16,664,794
Retail claims in respect of motor vehicles and machinery	11,169,782,369	7,935,770,584	100%	11,169,782,369	7,935,770,584
Claims Secured by Gold					
Outstanding claim portion up to 70% of the market value	218,071,411	145,163,225	0%	-	-
Remaining outstanding claim portion over 70% of the market value	121,715,407	5,714,871	100%	121,715,407	5,714,871
Other retail claims	8,883,995,714	9,964,474,589	125%	11,104,994,643	12,455,593,236
Other Non-Performing Assets					
Specific provisions are equal or more than 20%	612,527,985	358,797,879	100%	612,527,985	358,797,879
Total Risk - Weighted Assets	23,444,619,512	20,141,723,460		24,485,740,503	21,548,944,317
Risk Weighted Amount for Operational Risk					
Interest Income	3,484,490,754	2,918,214,497	15%	522,673,613	437,732,175
Interest Expenses	(1,624,343,647)	(1,296,290,577)	15%	(243,651,547)	(194,443,587)
Non-interest income	512,508,361	445,271,279	15%	76,876,254	66,790,692
	2,372,655,468	2,067,195,199		355,898,320	310,079,280
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach				3,389,507,811	3,100,792,798
Total Risk - Weighted Assets	25,817,274,980	22,208,918,659		27,875,248,313	24,649,737,114

As at 31st March	Risk-Weighted Balance	
	2020	2019
	Rs.	Rs.
Total Capital Base Computation		
Stated Capital	1,996,444,457	1,996,444,457
Reserve Fund	182,548,200	136,009,451
Published Retained Earnings	1,730,189,688	1,384,394,913
Less:-		
Other Intangible Assets (net)	42,276,587	46,293,490
Total Core Capital	3,866,905,758	3,470,555,331
Supplementary Capital	-	-
Total Supplementary Capital	-	-
Capital Base	3,866,905,758	3,470,555,331

Capital Adequacy ratio

As at 31st March	Risk-Weighted Balance	
	2020	2019
	%	%
Core Capital Ratio	$\frac{\text{Core Capital}}{\text{Risk- Weighted Assets}}$	14.08%
Total Capital Ratio	$\frac{\text{Capital Base}}{\text{Risk- Weighted Assets}}$	14.08%

The previous capital adequacy directions was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction risks were confined to credit risk and no capital requirements for other risks such as Market and operational risks. The new capital adequacy framework covers both credit risk and operational risk. Since the change in the basis and coverage of risks for capital adequacy impacted the tire one capital and total capital computation drastically, and for the purpose of disclosing the comparable correspondence figures, the below presentation is also noted.

As at 31st March	Risk-Weighted Balance	
	2020	2019
	Based on Direction No 03 of 2018	Based on Direction No 03 of 2018
Core Capital Ratio	13.87%	14.08%
Total Capital Ratio	13.87%	14.08%

Notes to the Financial Statements

37 Commitments and Contingencies

37.1 Commitments

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

(a) Operating Lease commitments as at 31st March 2020, is as follows:

Within one year Rs. 25.95 million

(b) Unutilized Facilities

As at 31st March	2020	2019
Credit card credit limit	Nil	268,073,446
Revolving loan facility amount	255,036,663	296,662,710

37.2 Contingencies

- (a) As at 31st March 2020, the Company has provided letters of guarantee totaling to Rs. 4,500,000/- against Fixed Deposits of Rs. 4,700,000/-
- (b) A Case bearing No.404 has been filed against the Company by a customer in the District Court of Ampara claiming Rs.2,000,000 as damages caused by repossessing and selling of the vehicle leased through the Company. The lawyers of the Company are of the view that the ultimate resolution of this litigation would not likely to have a material impact.

37.3 Assets Pledged

Company has given a negative pledge amounting to Rs.12,285,606,329/- over the Company's Lease receivable and Hire Purchase receivable, for the following banks over Loans, Overdrafts, Securitization & Debentures having a carrying value of Rs. 9,331,493,330/- as at 31st March 2020.

Bank	Exposure	Type of Facility	Outstanding Credit Facility Rs.	Carrying Value Rs.
		Loan	593,300,000	
Sampath Bank	135% of the Banks's exposure	Overdraft Facility	300,000,000	1,205,955,000
Commercial Bank	150% of the Banks's exposure	Overdraft Facility	550,000,000	825,000,000
		Loan	683,380,000	
Seylan Bank	130% of the Banks's exposure	Overdraft Facility	250,000,000	1,213,394,000
		Loan	930,000,000	
Nations Trust Bank	130% of the Banks's exposure	Overdraft Facility	70,000,000	1,300,000,000
National Development Bank	130% of the Banks's exposure	Overdraft Facility	100,000,000	390,000,000
Cargills Bank	130% of the Banks's exposure	Loan	200,000,000	260,000,000
Bank of Ceylon	130% of the Banks's exposure	Loan	758,333,330	985,833,329
Singer (Sri Lanka) PLC	130% of the Company exposure	Loan	400,000,000	520,000,000
Deutsche Bank	130% of the Debenture exposure	Debenture	2,090,700,000	2,717,910,000
Hatton National Bank	130% of the Banks's exposure	Securitization	2,205,780,000	2,867,514,000
			9,331,493,330	12,285,606,329

38 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.

39 Related Party Transactions

39.1 Identification of Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosure", the details of which are reported below.

The Company's immediate Parent Undertaking is Singer (Sri Lanka) PLC. The Company's Ultimate Parent Undertaking is Hayleys PLC.

39.2 Transactions with parent company and affiliate companies

During the year, the company had the following transactions with its parent company and other related entities.

Name of the Company and Relationship	Nature of Transaction	2020 Rs.	2019 Rs.
Hayleys PLC (Ultimate Parent)	Expenses Paid Through Hayleys PLC	25,731,725	19,180,711
	Balance Settlement	22,789,443	17,610,817
Singer (Sri Lanka) PLC (Parent Company)	Dividend Paid (Gross)	-	177,669,589
	Debenture Interest Paid	80,671,010	71,793,997
	Debenture Interest Expense	65,200,223	99,352,982
	Withdrawals of Rental Collections From Singer (Sri Lanka) PLC	2,928,358,683	3,364,180,793
	Sales Financed to purchase goods from Singer (Sri Lanka) PLC	733,701,852	733,531,708
	Loans Obtained During The Year (Note-29.6.1)	500,000,000	625,000,000
	Loans Settled During The Year (Note-29.6.1)	1,100,000,000	625,000,000
	Purchase of Assets	134,916	-
	Interest Expense	54,311,718	169,988,772
	Rental Collections through Singer (Sri Lanka) PLC	4,443,491,491	5,124,431,974
	Service Charge Income	33,358,683	24,819,207
	Collection Commission Paid	38,983,378	43,021,299
	Royalty Expense	48,069,761	42,146,523
	Rent Reimbursed	11,802,969	26,496,531
	Expenses Paid Through Singer (Sri Lanka) PLC	556,074,238	468,512,752
	Advance Paid	41,669,718	106,567,809
	Advance Balance Settlement	55,375,511	137,107,889
Singer Industries (Ceylon) PLC (Affiliate Company)	Fixed Deposits	160,586,449	137,324,321
	Interest Expenses on Fixed Deposits (Gross)	22,870,200	16,656,408

Notes to the Financial Statements

39.3 Disclosures on related party transactions according to the section 9 of the listing rules

The Company has entered in to following recurrent related party transactions which exceed 10% of the gross revenue/income as disclosed below;

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as a % of Gross Revenue	Terms and Conditions of the Related Party Transactions
			2019/20 Rs.	2019/20 %	
Singer (Sri Lanka) PLC	Parent Company	Withdrawals of Rental Collections From Singer (Sri Lanka) PLC	2,928,358,683	64	Interest rate at the market rate
		Sales Financed to purchase goods from Singer (Sri Lanka) PLC	733,701,852	16	
		Loans Obtained During The Year	500,000,000	11	
		Loans Settled During The Year	1,100,000,000	24	
		Rental Collections through Singer (Sri Lanka) PLC	4,443,491,491	97	
		Expenses Paid Through Singer (Sri Lanka) PLC	556,074,238	12	

39.4 The amount due to Singer(Sri Lanka) PLC as at 31st March 2020, are disclosed in Note 28 of the Financial Statements.

39.6 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

(a) According to LKAS 24 - "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company and its parent company (Including Executive and Non Executive Directors) and their immediate family members have been classified as Key Management Personnel of the Company.

As at 31st March	2020 Rs.	2019 Rs.
(i) Transactions Key Management Personnel or close Family Members		
Deposit kept by Key Management Personnel or their close family members	51,300,516	49,748,574
(ii) Compensation of Key Management Personnel		
Short-Term Employee Benefits	17,298,508	22,126,017
Post-Employment Benefit Paid	-	5,395,000

In addition to their salaries the Company provides non-cash benefits to the Key Management Personnel and contributes to a post employment defined benefit plan on their behalf. Directors emoluments are disclosed in Note 11 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.

39.7 Transactions with Related Parties are carried out in the ordinary course of the business and were made on terms equivalent to those that prevail in arm's length transactions.

40 Impact due to Covid 19

As a result of the initial diagnosis of COVID 19 patients in Sri Lanka, the Government of Sri Lanka imposed island wide curfew and a state of “work from home” for the general public from 20 March 2020, with restrictions waived only for essential services. After a period of a month, the imposition of curfew has been eased in many parts of the country in April 2020. Although the stringent lockdown measures implemented in the nation, the Company actioned its business continuity plans to ensure that business activities were upheld to the possible extent through “Work from Home”.

Due to the uncertainty formed by the COVID 19, the Company expects the significant impact on its performance mainly in the first and second quarter of 2020/21. Particularly as the Central Bank of Sri Lanka (CBSL) issued directions and guidelines for financial institutions to offer concessions on financial obligations for individual customers and private businesses as a result of the adverse short-term impact on their source of income. Accordingly, to avoid the unexpected risks of the business operation, principally over the next 12 months, the Company is stress-tested under multiple operating scenarios, to ascertain the impact on the ability to sustain its operations with its funding facilities and banking options in place. The Company is confident of the ability of the businesses to manage its operations even under a worst-case scenario. However, the exact impact on the business in the foreseeable future is still to be realized given the volatility created by COVID 19. There is a considerable judgement in preparing the forecast. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company.

The significant judgements impacted by these forecasts and associated uncertainties are predominantly relating to Credit loss estimates, Deposit estimates and Lending estimates.

Collectively assessed allowance for expected credit losses

The Company measures the impairment allowances for the loans and receivables using Expected Credit Loss model (ECL) as per SLFRS 09. The Company's accounting policy for the recognition and measurement of the impairment allowance is described in Note 3.25 to the annual report.

SLFRS 09 allows the entities to adjust their approach of determining ECLs based on various circumstances. Several ECL assumptions used in recent past may no longer hold in the current environment due to the impact of COVID 19. To assess the Significant Increase in Credit Risk(SICR), SLFRS 09 requires that entities assess changes in the risk of a default occurring over the expected life of a financial instrument. In assessing forecast conditions, the main focus needs to be given to the significant support measures announced by CBSL.

The Company expects a possible increase in credit risk due to the loss of income by the businesses and the individuals which would delay the settlement of rentals and some of the customers may default the settlements. However, the Company is of the view that the extension of payment period of facilities under the CBSL announced moratorium scheme will support the eligible customers to resume their businesses and it will allow them to pay the obligations in foreseeable future. Therefore the recoverability of the facilities will not be permanently impaired. Hence, there will not be Significant Increase in Credit Risk of all facilities requested the Moratorium.

Key assumptions and judgements used in the ECL model are as follows,

Assumptions	Significant judgment involved
Economic factor adjustments	The Company used the most updated future economic forecasts available at the reporting date. The latest forecasts released by the recognized organizations includes the COVID 19 impact.
Assignment of the weightage to worst case scenario	Weightage assigned to worst case scenario has been increased by transferring the weightage from best case scenario to worst case scenario.
Probability of Default (PDs) and Loss Given Default (LGDs)	The Company considered the PDs and LGDs computed as at 29th February 2020.

Notes to the Financial Statements

Sensitivity Analysis

The assumptions involved in ECL is highly sensitive to the changes in economic conditions. Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of Collectively assessed ECL to the assignment of weightages:

Change in weightage	Impact to the collectively assessed ECL.
100% best case scenario	Decrease in impairment by Rs. 60.4Mn
100% base case scenario	Decrease in impairment by Rs. 7.6Mn
100% worst case scenario	Increase in impairment by Rs. 32.6Mn

COVID 19 Impact on Liquidity Management of the Company

The sudden outbreak of COVID 19 has compelled the banks and NBFIs to critically evaluate their liquidity management, as the announcement by the CBSL on moratoriums and concessions for the victims of COVID 19 will create rapid need a of liquidity.

The Company have done a detailed analysis on the maturity position of the facilities and the available funding options in order to avoid unexpected surprises of liquidity needs. Based on the evaluation, Company has ready access to financial resources and undrawn borrowing facilities as outlined below,

1. Company successfully floated Debenture amounting to Rs. 1Bn in April/May 2020, which was oversubscribed.
2. The Company negotiated for additional Securitization Loans amounting to Rs. 4.3 Bn in April 2020.
3. Negotiations for a bank loan of Rs. 1Bn was initiated.

The Company have very strong control environment to monitor and adhere to the covenant requirements of the fund suppliers. Company have not faced any such covenant non-compliance issues in the past. However, with the onset of COVID 19 pandemic, the Company stringent the controls to comply with the covenant requirements, as this will negatively impact the liquidity status as well as reputation of the Company.

The Company is comfortable with its existing buffer of liquid assets. The Company has taken steps to implement cost saving measures without compromising its service standards and efficiency. This will help Company to stay competitive in the industry and will help the Company to maintain the suitable liquidity position in future.

41 Directors' Responsibility

Directors of the company are responsible for the preparation and presentation of these Financial Statements.

Parent ,Associate & Related Companies

Company Name	Principal Activity	Directors
Hayleys PLC	Global Markets and Manufacturing, Agriculture, Power and Energy, domestic and industrial lighting,Transportation and Logistics, Leisure and Aviation, Consumer, and Investments and Services	A.M.Pandithage Dr. H. Cabral H.S.R. Kariyawasan K.D.D.Perera L.R.V. Waidyaratne R.J. Karunarahah J.Darmasena M.H.Jamaldeen S.C. Ganegoda K.D.G. Gunaratne M.Y.A. Perera A.A.K. Amarasinghe
Singer (Sri Lanka) PLC	Trading in Sewing Machines, Industrial Machines, Electrical Equipment & Consumer Durables, Personal Computers, Agricultural Equipment & Furniture	A.M. Pandithage K.D. D. Perera D.K.De S. Wijeyeratne D. Sooriyaarachchi D.H. Fernando M.H. Wijewardene M.H. Jamaldeen S.C. Ganegoda H.P.S. Perera A.A.K. Amarasinghe K.K.L.P. Yatiwella
Singer Industries (Ceylon) PLC	Manufacturing Sewing Machines	A.M. Pandithage S.C. Ganegoda V.G.K.Vidyaratne M.H. Jamaldeen N.L.S. Joseph K.D.G. Gunarathne K.D. Kospelawawatta D.K.De S. Wijeyeratne M.H. Wijewardene K.K.L.P. Yatiwella
Hayleys Travels	Flight Tickets,Holiday Packages,VISA services,Travel Insurance & Rent a car	A.M. Pandithage E.J. Pietersz J.G. Victoria L.R.V. Waidyaratne V. Jayasundera S.C. Ganegoda S.J. Wijesinghe

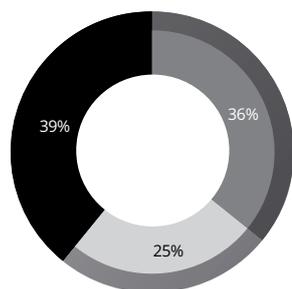
Ten Year Summary

Year Ended 31st March	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Operating Results										
Income	4,598,412	4,129,845	3,277,570	2,610,297	2,113,396	1,986,040	1,894,761	1,755,601	1,277,360	1,002,382
Interest Expense	1,991,392	1,645,624	1,287,378	978,996	688,135	669,413	759,449	742,013	407,774	283,008
Non-Interest Expense (Personal Cost, Admin and Selling and Impairment)	1,716,842	1,500,361	1,118,830	937,298	696,664	711,726	732,390	669,289	557,252	459,739
Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services	259,867	260,956	171,063	125,789	81,784	38,766	28,428	20,908	26,595	34,808
Profit Before Tax	630,310	722,904	700,299	568,214	646,813	566,135	374,493	323,391	285,739	224,826
Provision for Taxation	241,269	181,170	257,153	198,385	205,958	177,469	105,897	66,857	70,058	105,371
Profit After Tax	389,041	541,734	443,146	369,829	440,855	388,666	268,597	256,534	215,681	119,455
Other Comprehensive Income for the Year, Net of Taxes	970	(1,290)	(6,506)	1,159	(720)	(1,563)	(447)	-	-	-
Total Comprehensive Income for the Year	390,011	540,444	436,640	370,988	440,135	387,103	268,149	256,535	215,681	119,456
Dividends	-	222,281	196,011	175,253	248,000	206,667	107,467	107,467	85,333	42,667
As at 31st March	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Assets										
Liquid assets	1,105,660	1,024,006	1,048,590	797,195	666,326	766,506	815,542	402,973	325,844	211,141
Investments	41	41	41	41	41	41	41	41	41	41
Advances	20,157,566	17,848,131	14,366,433	11,552,460	10,036,295	7,841,541	7,047,463	6,590,722	6,182,774	4,007,415
Other Assets	260,166	290,636	210,265	192,113	185,872	141,412	116,219	151,236	174,967	124,203
Property, Plant & Equipment	327,720	221,885	120,587	124,658	111,233	66,728	72,711	53,461	29,554	27,993
Due From Related Companies	185,522	92,444	336,269	201,865	-	-	-	-	-	-
Intangible Assets	42,277	46,293	49,420	32,011	36,041	30,728	32,383	25,262	13,650	12,346
Deferred Tax Assets	-	15,632	-	-	-	-	-	33,780	11,858	13,420
Income Tax Receivable	-	-	-	-	-	-	-	-	9,288	-
Right-of-use assets / Lease assets	468,490	-	-	-	-	-	-	-	-	-
Total Assets	22,547,442	19,539,068	16,131,605	12,900,343	11,035,808	8,846,956	8,084,359	7,257,475	6,747,976	4,396,559
Liabilities										
Interest-Bearing Loans & Borrowings	9,846,529	6,631,191	4,990,517	5,493,345	3,978,929	1,592,323	1,325,231	1,009,276	1,223,338	81,968
Deposit from customers	7,175,552	6,095,816	5,356,078	3,210,548	3,173,767	4,150,193	4,277,335	3,318,927	2,740,998	1,882,620
Amount due to Related companies	404,512	1,001,570	1,465,346	771,235	421,199	51,325	28,679	661,651	1,299,856	1,187,515
Retirement Benefit Obligations	73,397	63,118	55,213	36,842	30,515	22,369	14,947	11,521	7,479	5,572
Deferred Tax Liability	77,364	-	154,876	39,942	54,345	31,972	14,543	34,755	4,879	3,986
Other Liabilities	584,903	2,203,438	774,463	627,817	779,425	634,614	339,100	297,504	359,292	295,779
Lease Liabilities	476,003	-	-	-	-	-	-	-	-	-
Total Liabilities	18,638,260	15,995,133	12,796,493	10,179,729	8,438,180	6,482,796	5,999,835	5,333,634	5,635,842	3,457,440
Equity										
Stated Capital	1,996,444	1,996,444	1,994,454	1,445,333	1,445,333	1,445,333	1,445,333	1,445,333	800,000	800,000
Statutory Reserves	182,548	163,096	136,010	113,852	95,361	73,318	136,128	108,437	65,161	20,990
Retained Earnings	1,730,190	1,384,395	1,204,648	1,161,431	1,056,934	845,509	503,063	370,071	246,973	118,129
Total Equity	3,909,182	3,543,935	3,335,112	2,720,616	2,597,628	2,364,160	2,084,524	1,923,841	1,112,134	939,119
Total Liabilities & Equity	22,547,442	19,539,068	16,131,605	12,900,345	11,035,808	8,846,956	8,084,359	7,257,475	6,747,976	4,396,559
Investor Information										
Gross Dividend (Rs.)	-	222,281	196,011	175,253	248,000	206,667	107,467	107,467	85,333	42,667
Dividend per share (Rs.)	-	1.10	0.97	1.06	1.50	1.25	0.65	0.65	0.79	0.40
Dividend Cover (Times)	-	2.44	2.26	2.11	1.78	1.88	2.50	2.39	2.53	2.80
Net Assets Per Share (Rs.)	19.35	17.54	16.50	16.46	15.71	14.30	12.61	13.17	10.33	14.83
Market Price Per Share (Rs.)										
-Maximum	14.70	16.40	21.00	23.60	27.90	21.40	15.70	18.50	44.20	55.70
Market Price Per Share (Rs.) -Minimum	8.00	12.50	14.90	16.60	16.50	12.00	10.50	10.90	15.20	35.00
Price as at Year End (Rs.)	8.60	12.60	15.40	17.10	18.10	18.30	12.10	12.60	16.20	36.50
Price Earning Ratio (Times)	4.47	4.70	6.11	7.63	6.98	7.93	7.49	7.18	8.09	19.35
Earning Per Share (After Tax)	1.93	2.68	2.52	2.24	2.67	2.35	1.62	1.76	2.00	1.89
Ratios										
Annual Income Growth (%)	11.35	26.00	25.56	23.51	6.41	4.82	7.93	37.44	27.43	42.16
Growth In Interest Expenses (%)	21.01	27.83	31.50	42.27	2.80	(11.86)	2.35	81.97	44.09	(10.56)
Growth In Non Interest Expenses (%)	14.43	34.10	19.37	34.54	(2.12)	(2.82)	9.43	20.11	21.21	64.21
Growth In Profit after tax (%)	(28.19)	22.25	19.82	(16.11)	13.43	44.70	4.70	18.94	80.55	120.73
Growth In Advances (%)	12.94	24.23	24.36	15.11	27.99	11.27	6.93	6.60	54.28	34.43
Growth In Deposits (%)	17.71	13.81	66.83	1.16	(23.53)	(2.97)	28.88	21.08	45.59	24.02
Growth In Shareholder's Fund (%)	10.31	6.26	22.59	4.73	9.88	13.41	8.35	72.99	18.42	101.62
Equity : Assets (%)	17.34	18.14	20.67	21.09	23.54	26.72	25.78	26.51	16.48	21.36
Debt : Equity (Times)	4.46	3.87	3.40	3.38	2.92	2.45	2.70	2.59	4.73	3.36

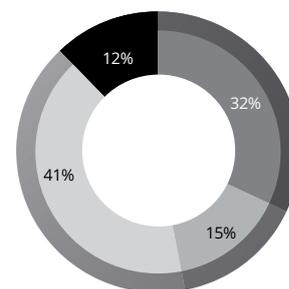
Value Added Statement

Year Ended 31st March	2019/20		2018/19	
	Rs.		Rs.	
Income earned by providing financial services	4,310,448,981		3,818,504,475	
Cost of Services	(2,652,456,020)		(2,343,648,405)	
Value added by financial services	1,657,992,961		1,474,856,070	
Non-financial income	287,962,891		311,254,624	
Provision for Impairment Losses	(358,386,480)		(281,988,326)	
	1,587,569,372		1,504,122,368	
Value Allocated				
To employees as remuneration	568,795,622	36%	480,022,770	32%
To shareholders as dividend	-	-	222,281,483	15%
To government as tax				
- Income Tax	139,018,772	9%	351,175,996	23%
- FS VAT	259,866,782	16%	260,956,111	17%
To business expansion and growth				
- as Depreciation	128,597,346	8%	40,239,831	3%
- as Retained earnings	389,041,077	25%	319,452,409	21%
- as Deferred Taxation	102,249,773	6%	(170,006,232)	-11%
	1,587,569,372	100%	1,504,122,368	100%

Value Distribution 2019/20



Value Distribution 2018/19



- To employees as remuneration
- To shareholders as dividend
- To government as tax
- To business expansion and growth

Share Information

1. Stated Capital

	31st March 2020	31st March 2019
Issued and Fully-paid Capital (Rs.)	1,996,444,457	1,996,444,457
No. of Shares- Ordinary Shares	202,074,075	202,074,075
Class of shares	Ordinary Shares	
Voting Rights	One Vote per Ordinary Share	

2. Stock Exchange Listing

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

3. Directors Shareholdings

Name of the Director	31st March 2020 No of Shares	31st March 2019 No of Shares
Mr. M.Y.A. Perera	-	-
Mr. J.A. Setukavalar	-	-
Mr. M.P.A. Salgado	12,224	12,224
Mr. J.M.J. Perera	-	-
Ms. D. Talpahewa	-	-
Mr. L.S.S. Perera	-	-
Mr. M.H. Wijewardene	-	-
Mr. T.A. Amarasuriya (CEO / Executive Director)	50,155	50,155
Mr. K.K.L.P. Yatiwella (Alternate Director to Ms. D. Talpahewa)	-	-

4. Analysis of Shareholders According to the Number of Shares as at 31st March 2020

No. of Shareholders: **31st March 2020 - 6,839** (31st March 2019 - 6,839)

	Resident Shareholders			Non Resident Shareholders			Total Shareholders		
	No.of Holders	Total Holdings	%	No.of Share holders	Total Holdings	%	No.of Share holders	Total Holdings	%
1- 1000 Shares	4,819	2,051,834	1.02	14	8,310	0.00	4,833	2,060,144	1.02
1001- 10000 Shares	1,539	5,243,743	2.59	9	36,222	0.02	1,548	5,279,965	2.61
10001- 100000 Shares	399	11,618,431	5.75	7	277,270	0.14	406	11,895,701	5.89
100001- 1000000 Shares	48	13,531,852	6.70	-	-	-	48	13,531,852	6.70
OVER 10000001 Shares	4	169,306,413	83.78	-	-	-	4	169,306,413	83.78
Total	6,809	201,752,273	99.84	30	321,802	0.16	6,839	202,074,075	100.00

5. Analysis of Shares

Categories of Shares	31st March 2020		31st March 2019	
	No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares
Individuals	6,653	25,616,080	6,728	25,616,080
Institutions	186	176,457,995	182	176,457,995
Total	6,839	202,074,075	6,910	202,074,075

6. Market Value Per Share

For the Year Ended 31st March	2020		2019	
	Rs.	Date	Rs.	Date
Highest Value per share during the Year	14.70	30th July 2019	16.40	17th May 2018
Lowest Value per share during the Year	8.00	20th March 2020	12.50	22nd October 2018 & 29th March 2019
Closing Price	8.60	20th March 2020	12.60	29th March 2019

7. Dividends

Interim Dividend **2019/20 - Nil** (2018/19 -Rs. 1.10)

Final Dividend **2019/20 - Nil** (2018/19 - Rs. Nil)

Share Information

8. Twenty Largest Shareholders

Name	31st March 2020	
	No of Shares	%
1 Singer (Sri Lanka) Plc	161,513,035	79.93
2 Employees Trust Fund Board	3,440,878	1.70
3 Associated Electrical Corporation Ltd	2,947,500	1.46
4 Mr. Atapattu Mudiyansele Chandrasoma Sunil Atapattu	1,405,000	0.70
5 Mr. Dilan Andrew Stefan De Abrew Abeyesinhe	1,000,000	0.49
6 Mr. Sandun Thushara Hettige Don	711,000	0.35
7 Mrs. Hemalatha Gracelin Elizabeth Arumugampillai	684,500	0.34
8 United Motors Lanka PLC	679,224	0.34
9 Hatton National Bank PLC/Shakir Asgerally Lukmanjee	569,867	0.28
10 Mrs. Vasudevan Saraswathi & Mr. S. Vasudevan	554,118	0.27
11 Mr. Mark Lawrence Ajit Benedict	534,427	0.26
12 Unimo Enterprises Ltd	521,885	0.26
13 Mr. Subramaniam Vasudevan & Mrs. V. Saraswathi	520,000	0.26
14 Mr. Amarakoon Mudiyansele Weerasinghe	500,000	0.25
15 Bank of Ceylon A/C NDB Wealth Growth Fund	492,081	0.24
16 A E C Properties (Pvt) Ltd.	440,000	0.22
17 Hatton National Bank PLC/Arunasalam Sithampalam	420,944	0.21
18 Mr. Murtaza Ali Abidhussen Hassanaly Esufally	385,000	0.19
19 Mr. Ram Pritamdas, Mr. D. Pritamdas & Miss. L.P. Hathiramani	380,623	0.19
20 Mr. Loku Narangodage Sarath Kumara Samarasinghe	355,000	0.18
	178,055,082	88.11
Others	24,018,993	11.89
	202,074,075	100.00

Name	31st March 2019	
	No of Shares	%
1 Singer (Sri Lanka) PLC	161,513,035	79.93
2 Employees Trust Fund Board	3,440,878	1.70
3 Associated Electrical Corporation Ltd	2,947,500	1.46
4 Mr. Sujendra Ranjanan Mather	1,085,865	0.54
5 Mr. Atapattu Mudiyansele Chandrasoma Sunil Atapattu	1,039,449	0.51
6 Mr. Sandun Thushara Hettige Don	711,000	0.35
7 Mrs. Hemalatha Gracelin Elizabeth Arumugampillai	684,500	0.34
8 Seylan Bank PLC/Dr. Thirugnanasambandar Senthilverl	682,436	0.34
9 United Motors Lanka PLC	679,224	0.34
10 Mr. Dilan Andrew Stefan De Abrew Abeyesinhe	602,865	0.30
11 Hatton National Bank PLC/Shakir Asgerally Lukmanjee	569,867	0.28
12 Unimo Enterprises Ltd	521,885	0.26
13 Bank of Ceylon A/C NDB Wealth Growth Fund	516,841	0.26
14 A E C Properties (Pvt) Ltd.	440,000	0.22
15 Mr. Chelliah Ramachandran & Miss. E. Ramachandran	432,700	0.21
16 Hatton National Bank PLC/Arunasalam Sithampalam	420,944	0.21
17 People's Leasing & Finance PLC/Hi Line Trading (Pvt) Ltd	410,198	0.20
18 Mercantile Investments and Finance PLC	400,000	0.20
19 Mr. Murtaza Ali Abidhussen Hassanaly Esufally	385,000	0.19
20 Mr. Loku Narangodage Sarath Kumara Samarasinghe	355,000	0.17
	177,839,187	88.01
Others	24,234,888	11.99
	202,074,075	100.00

Public Holdings

Public holding as at **31st March 2020** is **20.04%** (31st March 2019 is 20.04%)

No. of Shareholders representing public holding- **6,836**

Float Adjusted Market Capitalization as at **31st March 2020** is **Rs.348,262,543.82**

The Company complies with option 5 of the Listing Rule 7.13.1 (a) - which requires a minimum public Holding of 20% for a Company having a float adjusted market capitalisation of less than Rs. 2.5Bn .

10. Share Trading

For the Year Ended 31st March	2020	2019
Number of Transactions	4,816	3,226
Number of Shares Traded	9,858,064	8,531,462
Value of Shares Traded (Rs.)	127,601,982	122,744,305

11. Record of Scrip Issues

Year Ended 31 st March	Issue	Basis	No.of shares	Share Capital Rs.000
2011	Prior to Public Issue	-	80,000,000	400,000
2011	Initial Public Issue	-	106,666,667	800,000
2012	Rights Issue (at Rs.11.20)	1 : 0.55	165,333,334	1,445,333
2018	Rights Issue (at Rs.15.00)	1 : 0.22	202,074,075	1,996,444

12. Listed Debentures

Details regarding the listed debentures are as follows:	Interest rate of Comparable Government Securities as at Issue Date (%)
Fixed rate 9.95% debentures secured redeemable on 16th June 2020	8.35
Fixed rate 12% debentures secured redeemable on 06th April 2020	13.00

Interest rate of Comparable Government Securities as at **31st March 2020** is **9.27%**

The Listed Debentures were not traded during the period 01st April 2019 to 31st March 2020. Therefore, Highest Traded price, Lowest Traded Price, Last Traded Price as at 31st March 2020, Interest Yield and Yield to Maturity of trade were not available.

Debt/Equity Ratio, Interest Cover and Quick Asset Ratio are given in Financial Highlights on Page 5 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.

Amortised Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Accrual Gain/(Loss)

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Amortization

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

Available For Sale - Financial Instruments

All assets not in any of the three categories namely held to maturity, fair value through profit or loss and loan and receivables. It is a residual category does not mean that the entity stand ready to sell these all the time.

Borrowings

All interest bearing liabilities.

Capital Adequacy Ratio

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international best practices on maintenance of capital for financial Institutions, to suit the local requirements.

Capital Employed

Total assets less interest free liabilities, deferred income and provisions.

Cash Equivalents

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

Capital Reserves

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

Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commitment

Credit facilities approved but not yet utilised by the clients as at the reporting date and the Operating Lease Commitments.

Cost/Income Ratio

Personnel cost, Administration and selling expenses, Depreciation and Amortization as percentage of total operating Income.

Contingent Liabilities

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

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and other.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Debt

Total liabilities, excluding deferred income.

Deferred Taxation

The net tax effect on items which have been included in the income statement, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover

Profit attributable to ordinary shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Earnings per share(EPS)

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

Effective Tax Rate

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Expected Credit Losses

ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Equity

Shareholders' fund.

Fair Value

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

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Finance Lease

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

Gross Dividend

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

Gross Non Performing Advances

A loan placed on a cash basis (i.e, Interest Income is only recognized when cash is actually collected) after when six instalments or more are overdue, as there is reasonable doubt regarding the collectability of its instalments of capital and interest.

Held To Maturity Investments (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount

Impairment Allowances

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Interest Cover

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

Loans and Receivable

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available-for-sale on initial recognition.

Liquid Assets Ratio

Assets that are held in cash or in a form that can be converted to cash readily (as prescribed by the Central Bank of Sri Lanka) divided by the total deposits.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obliger default.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Glossary of Financial Terms

Net Assets Per Share

Shareholders fund divided by total number of ordinary shares in issue. A basis of share valuation.

Net Interest Income (NII)

The difference between the amount a Company earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and bank borrowings.

Net Interest Margin (NIM)

The margin is expressed as net interest income divided by average interest earning assets.

Parent

A parent is an entity which has one or more subsidiaries.

Price Earnings Ratio

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

Related Parties

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

Return On Average Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)

Attributable profits divided by average shareholders' funds.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Segment

Constituent business units grouped in terms of similarity of operations and location.

Supplementary Capital

Supplementary capital that consist of revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments that combine characteristics of equity and debt.

Working Capital

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

ABBREVIATIONS

ED - Executive Director

IND - Independent Director

INED - Independent Non-Executive Director

NED - Non-Executive Director

Senior INED - Senior Independent Non - Executive Director

NBFI - Non Banking Financial Institutions

Notice of Annual General Meeting

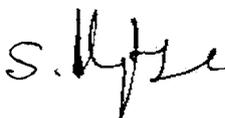
SINGER FINANCE (LANKA) PLC
[Company Registration No. PB 813 PQ]

NOTICE is hereby given that the Thirteenth Annual General Meeting of Singer Finance (Lanka) PLC will be held on Tuesday, 21 July 2020, at the Conference Room of Hayleys PLC, No. 400, Deans Road, Colombo 10, Sri Lanka at 2.00 p.m.

AGENDA

1. To receive, consider and adopt the Annual Report of the Board of Directors and the Audited Financial Statements for the year ended 31st March 2020 with the Report of the Auditors thereon.
2. To re-elect Mr. M.P.A Salgado who retires by rotation at the Annual General Meeting in terms of Articles 24(4) of the Articles of Association of the Company.
3. To re-elect Mr. J. Perera who retires by rotation at the Annual General Meeting in terms of Articles 24(4) of the Articles of Association of the Company.
4. To Authorise Directors to determine contribution to charities for the year 2020/2021.
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



Hayleys Group Services (Pvt) Ltd
Secretaries for
Singer Finance (Lanka) PLC

Colombo
30th June 2020

Notes:

1. The Transfer Books of the Company will be kept open.
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to sinfinagm@secretarial.hayleys.com not less than forty eight (48) hours before the time fixed for the Meeting.
3. Please refer the "Circular to Shareholders" dated 25th June 2020 and follow the instructions to join the meeting physically or virtually.

Form of Proxy

I/We*

(full name of shareholder**) NIC No./Reg. No. of Shareholder (**)

of.....

being Shareholder/Shareholders* of SINGER FINANCE (LANKA) PLC hereby appoint:

(1)

(full name of proxyholder**) NIC No. of Proxyholder (**)

ofor, failing him/them

(2) MAHAWADUGE YASALAL ARAVINDA PERERA (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf at the Thirteenth Annual General Meeting of the Company to be held on Tuesday, 21 July 2020 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		For	Against
1.	To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2020 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-elect Mr. M.P.A. Salgado who retires by rotation at the Annual General Meeting in terms of Articles 24(4) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect Mr. J. Perera who retires by rotation at the Annual General Meeting in terms of Articles 24(4) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4.	To authorise the Directors to determine contributions to charities for the financial year 2020/2021.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To reappoint Messrs KPMG as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

(***) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due notice has been given.

As witness my/our* hands this day of2020.

Witness : Signature :

Name :

Address : Signature of Shareholder

NIC No :

Notes: (a) * Please delete the inappropriate words.

(b) A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.

** Full name of Shareholder/Proxy holder and their NIC Nos. and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.

(c) A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.

(d) Instructions are noted on the reverse hereof.

(e) This Form of Proxy is in terms of the Articles of Association of the Company.

(f) Please refer the 'Circular to Shareholders' dated 25th June 2020 and follow the instructions to join the meeting physically or virtually.

INSTRUCTIONS AS TO COMPLETION:

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to sinfinagm@secretarial.hayleys.com not less than forty eight (48) hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy at his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the Case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.

In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

Shareholder Feedback Form

It is the endeavour of the Singer Finance (Lanka) PLC to ensure maximum satisfaction of its shareholders. In order to enable us to continually improve upon the quality of services provided, we try to seek your feedback on the level of satisfaction derived by you on the basis of your interaction with us. Your feedback will help us in further improvement of our services to match your expectations.

Please direct all feedback to the Company Secretary by filling this form:

Company Secretaries,
Hayleys Group Services (Pvt) Ltd
No 400, Deans Road,
Colombo 10

Kindly rate our services on various parameters by ticking any one box in each row:

Timely receipt of:

Annual Reports	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Dividend	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Other documents/ correspondence	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor

Quality and Contents of Annual report:

Report on Corporate Governance	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Management Discussion and Analysis	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Balance Sheet, Profit and Loss Account and other financial statements.	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor

Dissemination of information about the Company:

Through shareholder communication	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Through Annual Reports	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Through newspapers / Press	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Through our website (www.lankaioc.com)	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor
Through e-mails (if we have your e- mail ID)	<input type="checkbox"/> Outstanding	<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Poor

Overall quality

Outstanding Very Good Good Poor Needs Improvement

Corporate Information

Name of the Company

Singer Finance (Lanka) PLC

Legal Form

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

Approved Credit Agency

Under Mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Accounting Year

31st March

Registered Office

No. 498, R.A De Mel Mawatha,
Colombo 03.
Telephone : 94-11-2400400
Fax : 94-11-2303715
E-mail : financecompany@singersl.com

Company registration Number

Old – N (PBS) 1171
New – PB 813 PQ

Tax Payer Identification Number

134011718

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Muslim Commercial Bank
Cargills Bank
People's Bank

Auditors

KPMG
Chartered Accountants
No.32A, Sir Mahamed Macan Markar
Mawatha,
P.O.Box 186,
Colombo 03.

Registrars

Hayleys Group Services (Pvt) Ltd
No. 400, Deans Road
Colombo 10

Secretaries

Hayleys Group Services (Pvt) Ltd
No. 400, Deans Road
Colombo 10.

Lawyers

Neelakandan & Neelakandan
Attorneys-at-Law & Notaries Public
M&N Building (Level 5),
No.02, Deal Place,
Colombo 03.

Directorate

Mr. Aravinda Perera-Chairman/NED
Mr. Jayendran Setukavalar-Senior INED
Mr. Priyath Salgado - INED
Mr. Jayanth Perera - INED
Mr. Thushan Amarasuriya
Ms. Darshini Talpahewa - NED
Mr. M. Wijewardena - NED
Mr. Sadeep Perera - NED
Mr. Lalith Yatiwella
(Alternate Director to Ms. Darshini Talpahewa)

Senior Management

Mr. Thushan Amarasuriya
Chief Executive Officer
Mr. Iman Perera
Chief Operating Officer
Ms. Chandrika Alwis
Consultant to the Chairman
Mr. Eraj Fernando
Head of Finance
Mr. Ruwan Jayasuriya
Chief Credit and Recoveries Officer
Mr. Thilan Rupasinghe
Head of Treasury and Digital Transformation
Mr. Jeevaka Jayawardena
Senior Manager-Credit
Mr. Joe Wijeyagoonewardene
Head of Deposits
Mr. Suranga Jayaweera
Senior Manager-Compliance
Mr. Rajindra Gamage
Business Development Manager-North Region
Ms. Harshani Mapatuna
Head of Legal

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