

# SINGER FINANCE (LANKA) PLC

| STATEMENT OF PROFIT OR LOSS                               |   |   |               |
|---|---|---|---------------|
|   | Year Ended<br>31 March 2018<br>Rs.'000<br>(Audited) | Year Ended<br>31 March 2017<br>Rs.'000<br>(Audited) | Change<br>%   |
| Interest Income   | 3,014,718   | 2,418,122   | 25%           |
| Less: Interest Expense                                    | 1,287,378   | 978,996   | (31%)         |
| <b>Net Interest Income</b>                                | <b>1,727,340</b>                                    | <b>1,439,126</b>                                    | <b>20%</b>    |
| Fee and Commission Income                                 | 176,666   | 123,611   | 43%           |
| Trading Income  | 903   | 558   | 62%           |
| Other Operating Income                                    | 85,283  | 68,007  | 25%           |
| <b>Total Operating Income</b>                             | <b>1,990,192</b>                                    | <b>1,631,302</b>                                    | <b>22%</b>    |
| <b>Less: Impairment charges for Loan and Other Losses</b> | <b>177,669</b>                                      | <b>70,541</b>                                       | <b>(152%)</b> |
| <b>Net Operating Income</b>                               | <b>1,812,523</b>                                    | <b>1,560,761</b>                                    | <b>16%</b>    |
| <b>Less : Expenses</b>                                    |   |   |               |
| Personnel Cost  | 366,151   | 353,894   | (3%)          |
| Depreciation and Amortization                             | 33,334  | 58,930  | 43%           |
| Other Administration and Selling Expenses                 | 562,013   | 470,407   | (19%)         |
| <b>Operating Profit Before Value Added Tax</b>            | <b>851,025</b>                                      | <b>677,530</b>                                      | <b>26%</b>    |
| Less : Value Added Tax on Financial Services              | 150,727   | 109,316   | (38%)         |
| <b>Profit Before Income Tax</b>                           | <b>700,298</b>                                      | <b>568,214</b>                                      | <b>23%</b>    |
| Less : Income Tax Expense                                 | 257,153   | 198,384   | (30%)         |
| <b>Profit for the Year</b>                                | <b>443,145</b>                                      | <b>369,830</b>                                      | <b>20%</b>    |
| Earnings Per Share  | 2.52  | 2.24  |               |
| Dividend Per Share  | 0.97  | 1.06  |               |

| STATEMENT OF OTHER COMPREHENSIVE INCOME                        |   |   |               |
|--|---|---|---------------|
|  | Year Ended<br>31 March 2018<br>Rs.'000<br>(Audited) | Year Ended<br>31 March 2017<br>Rs.'000<br>(Audited) | Change<br>%   |
| <b>Profit for the Year</b>                                     | <b>443,145</b>                                      | <b>369,830</b>                                      | <b>20%</b>    |
| <b>Other Comprehensive Income</b>                              |   |   |               |
| <b>Items that will never be Classified to Profit or Loss</b>   |   |   |               |
| Employee Benefit Plan Actuarial (Loss)/Gain                    | (9,036)   | 1,609   | (662%)        |
| Related Tax  | 2,530   | (451)   | (661%)        |
| <b>Total Other Comprehensive (Expense)/Income for the Year</b> | <b>(6,506)</b>                                      | <b>1,158</b>  | <b>(662%)</b> |
| <b>Total Comprehensive Income for the Year</b>                 | <b>436,639</b>                                      | <b>370,988</b>                                      | <b>18%</b>    |

| STATEMENT OF FINANCIAL POSITION              |  |  |  |
|--|--|--|--|
|  | As At<br>31 March 2018<br>Rs.'000<br>(Audited) | As At<br>31 March 2017<br>Rs.'000<br>(Audited) |  |
| <b>ASSETS</b>                                |  |  |  |
| Cash and Cash Equivalents                    | 295,703  | 166,811  |  |
| Placements with Banks                        | 81,504   | 81,128   |  |
| Hire Purchase Receivables                    | 82,845   | 320,896  |  |
| Lease Rental Receivable                      | 11,383,225                                     | 9,305,471                                      |  |
| Loans and Advances                           | 2,900,363                                      | 1,926,094                                      |  |
| Financial Instruments - Available-for-sale   | 41   | 41   |  |
| Financial Instruments - Held-to-Maturity     | 671,383  | 549,256  |  |
| Due from Related Companies                   | 336,269  | 201,865  |  |
| Other Debtors and Prepayments                | 210,265  | 192,113  |  |
| Intangible Assets                            | 49,420   | 32,011   |  |
| Property, Plant & Equipment                  | 120,587  | 124,658  |  |
| <b>Total Assets</b>                          | <b>16,131,605</b>                              | <b>12,900,344</b>                              |  |
| <b>LIABILITIES &amp; EQUITY</b>              |  |  |  |
| <b>LIABILITIES</b>                           |  |  |  |
| Other Financial Liabilities Due to Customers | 5,356,078                                      | 3,210,548                                      |  |
| Interest Bearing Loans and Borrowings        | 4,313,601                                      | 5,015,163                                      |  |
| Trade and Other Payables                     | 764,415  | 539,819  |  |
| Due to Related Companies                     | 1,465,346                                      | 771,235  |  |
| Bank Overdraft                               | 676,917  | 478,181  |  |
| Current Tax Liabilities                      | 10,047   | 87,998   |  |
| Deferred Tax Liabilities                     | 154,876  | 39,942   |  |
| Retirement Benefit Obligations               | 55,213   | 36,842   |  |
| <b>Total Liabilities</b>                     | <b>12,796,493</b>                              | <b>10,179,728</b>                              |  |
| <b>EQUITY</b>                                |  |  |  |
| Stated Capital                               | 1,996,444                                      | 1,445,333                                      |  |
| Statutory Reserves                           | 136,009  | 113,852  |  |
| Retained Earnings                            | 1,202,659                                      | 1,161,431                                      |  |
| <b>Total Equity</b>                          | <b>3,335,112</b>                               | <b>2,720,616</b>                               |  |
| <b>Total Liabilities &amp; Equity</b>        | <b>16,131,605</b>                              | <b>12,900,344</b>                              |  |

| STATEMENT OF CHANGES IN EQUITY                                 |   |                            |                                 |                  |
|--|---|----------------------------|---------------------------------|------------------|
|  | Attributable to Equity Holders of the Company |                            |                                 |                  |
|  | Stated<br>Capital<br>Rs.'000                  | Reserve<br>Fund<br>Rs.'000 | Retained<br>Earnings<br>Rs.'000 | Total<br>Rs.'000 |
| <b>Balance as at 1st April 2016</b>                            | 1,445,333                                     | 95,361                     | 1,056,934                       | 2,597,628        |
| <b>Total Comprehensive Income for the Year</b>                 | -   | -                          | 369,830                         | 369,830          |
| Profit for the Year  | -   | -                          | 369,830                         | 369,830          |
| <b>Other Comprehensive Income</b>                              |   |                            |                                 |                  |
| Employee Benefit Plan Actuarial Gain                           | -   | -                          | 1,609                           | 1,609            |
| Related tax  | -   | -                          | (451)                           | (451)            |
| <b>Total Comprehensive Income for the Year</b>                 | <b>-</b>                                      | <b>-</b>                   | <b>370,988</b>                  | <b>370,988</b>   |
| <b>Transactions with Owners, Recognized Directly in Equity</b> |   |                            |                                 |                  |
| <b>Distribution to Owners of the Company</b>                   |   |                            |                                 |                  |
| Transferred to/(from) during the year                          | -   | 18,491                     | (18,491)                        | -                |
| Dividends  | -   | -                          | (248,000)                       | (248,000)        |
| <b>Total Transactions with Equity Owners</b>                   | <b>-</b>                                      | <b>18,491</b>              | <b>(266,491)</b>                | <b>(248,000)</b> |
| <b>Balance as at 31st March 2017</b>                           | <b>1,445,333</b>                              | <b>113,852</b>             | <b>1,161,431</b>                | <b>2,720,616</b> |
| <b>Total Comprehensive Income for the year</b>                 |   |                            |                                 |                  |
| Profit for the Year  | -   | -                          | 443,145                         | 443,145          |
| <b>Other Comprehensive Income</b>                              |   |                            |                                 |                  |
| Employee Benefit Plan Actuarial Loss                           | -   | -                          | (9,036)                         | (9,036)          |
| Related tax  | -   | -                          | 2,530                           | 2,530            |
| <b>Total Comprehensive Income for the Year</b>                 | <b>-</b>                                      | <b>-</b>                   | <b>436,639</b>                  | <b>436,639</b>   |
| <b>Transactions with Owners, Recognized Directly in Equity</b> |   |                            |                                 |                  |
| Right Issue of Shares  | 551,111                                       | -                          | -                               | 551,111          |
| Direct Cost on Right Issue                                     | -   | -                          | (1,989)                         | (1,989)          |
| <b>Distribution to Owners of the Company</b>                   |   |                            |                                 |                  |
| Transferred to/(from) during the year                          | -   | 22,157                     | (22,157)                        | -                |
| Dividends  | -   | -                          | (371,265)                       | (371,265)        |
| <b>Total Transactions with Equity Owners</b>                   | <b>551,111</b>                                | <b>22,157</b>              | <b>(395,411)</b>                | <b>(177,857)</b> |
| <b>Balance as at 31st March 2018</b>                           | <b>1,996,444</b>                              | <b>136,009</b>             | <b>1,202,659</b>                | <b>3,335,112</b> |

| SELECTED PERFORMANCE INDICATORS                                |                        |                        |
|--|------------------------|------------------------|
| Indicator  | As At<br>31 March 2018 | As At<br>31 March 2017 |
| <b>Regulatory Capital Adequacy</b>                             |                        |                        |
| Core Capital (Tier I Capital), Rs.'000                         | 3,096                  | 2,350                  |
| Total Capital Base, Rs.'000                                    | 3,096                  | 2,350                  |
| Core Capital To Risk Weighted Assets Ratio (Minimum 5%)        | 19.52%                 | 19.00%                 |
| Total Capital To Risk Weighted Assets Ratio (Minimum 10%)      | 19.52%                 | 19.00%                 |
| Capital Funds To Total Deposit Liabilities Ratio (Minimum 10%) | 62.27%                 | 84.74%                 |
| <b>Assets Quality (Quality of Loan Portfolio)</b>              |                        |                        |
| Gross Non-Performing Accommodations, Rs.'000                   | 405,818                | 239,919                |
| Gross Non-Performing Accommodations Ratio, %                   | 2.46%                  | 2.05%                  |
| Net-Non Performing Accommodations Ratio, %                     | 0.37%                  | 0.40%                  |
| <b>Profitability (%)</b>                                       |                        |                        |
| Net Interest Margin  | 12.31%                 | 12.45%                 |
| Return on Assets (Before Tax)                                  | 4.82%                  | 4.75%                  |
| Return on Equity (After Tax)                                   | 14.64%                 | 13.91%                 |
| <b>Regulatory Liquidity (Rs.'000)</b>                          |                        |                        |
| Required Minimum Amount of Liquid Assets                       | 698,094                | 476,415                |
| Available Amount of Liquid Assets                              | 791,830                | 589,832                |
| Required Minimum Amount of Government Securities               | 330,969                | 332,100                |
| Available Amount of Government Securities                      | 580,089                | 458,226                |
| <b>Memorandum Information</b>                                  |                        |                        |
| Number of Employees  | 389                    | 317                    |
| Number of Branches   | 24                     | 23                     |
| Number of Service Centers                                      | 17                     | 17                     |
| Number of Pawning Centers                                      | -                      | -                      |

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

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;
- the information contained in these statements have been extracted from the audited financial statements of the Singer Finance (Lanka) PLC.

(Sgd.) **R.S. Wijewera**  
Director/Chief Executive Officer  
29/06/2018

(Sgd.) **B.S.E.T. Fernando**  
Chief Financial Officer  
29/06/2018

## INDEPENDENT AUDITORS' REPORT



**KPMG**  
(Chartered Accountants)  
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### To the Shareholders of Singer Finance (Lanka) PLC Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Singer Finance (Lanka) PLC ("the Company"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at March 31, 2018, 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 judgment, were of most significance in our audit of the Company financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Recoverability of loans and advances

#### Risk Description

Singer Finance (Lanka) PLC, has recognized Impairment of loans and advances amounting to LKR 177.6 million. Refer note 10.1 to the financial statements.

Impairment allowances represent management's best estimate of the losses incurred within the loan portfolios at the balance sheet date. They are calculated on a collective basis for portfolios of loans of a similar nature.

The calculation of collective impairment allowances is inherently judgmental for any financial institution.

Collective impairment allowances are calculated using statistical models concurrent with the past settlement pattern which approximate the impact of current economic and credit conditions on large portfolios of loans. The inputs to these models are subject to management judgment and model overlays are often required.

The audit was focused on impairment due to the materiality of the balances and the subjective nature of the calculation.

#### 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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 3272 (FCA).

CHARTERED ACCOUNTANTS  
Colombo

16<sup>th</sup> May 2018

# SINGER FINANCE (LANKA) PLC

A subsidiary of Singer (Sri Lanka) PLC, Licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.  
Date of Incorporation 19th April 2004. Rated BBB(lka) by Fitch Ratings. Co Reg No. PB 813 PQ

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

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Ms. B.K.D.T.N. Rodrigo FCA  
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Principals - S.R.I. Perera FCA(ULK), LLB, Attorney-at-Law, H.S. Goonewardene ACA