

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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STATEMENT OF PROFIT OR LOSS			
	Year Ended 31 March 2019 Rs.'000 (Audited)	Year Ended 31 March 2018 Rs.'000 (Audited)	Change %
Interest Income	3,818,504	3,014,718	27%
Less: Interest Expense	1,645,624	1,287,378	(28%)
Net Interest Income	2,172,880	1,727,340	26%
Fee and Commission Income	237,077	176,666	34%
Trading Income	1,516	903	68%
Other Operating Income	72,748	85,283	(15%)
Total Operating Income	2,484,221	1,990,192	25%
Less: Allowances for Impairment charges for Loan and Other Losses	281,988	177,669	(59%)
Net Operating Income	2,202,233	1,812,523	22%
Less : Expenses			
Personnel Cost	480,023	366,150	(31%)
Depreciation and Amortization	40,240	33,334	(21%)
Other Administration and Selling Expenses	698,110	541,678	(29%)
Operating Profit Before Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services	983,860	871,361	13%
Less : VAT, NBT & DRL on Financial Services	260,956	171,063	(53%)
Profit Before Income Tax	722,904	700,298	3%
Less : Income Tax Expense	181,170	257,153	30%
Profit for the Year	541,734	443,145	22%
Earnings Per Share	2.68	2.52	
Dividend Per Share	1.10	0.97	

STATEMENT OF OTHER COMPREHENSIVE INCOME			
	Year Ended 31 March 2019 Rs.'000 (Audited)	Year Ended 31 March 2018 Rs.'000 (Audited)	Change %
Profit for the Year	541,734	443,145	22%
Other Comprehensive Income			
Items that will never be Classified to Profit or Loss			
Add: Employee Benefit Plan Actuarial Gain / (Loss)	(1,792)	(9,037)	(80%)
Add: Deferred Tax on Actuarial (Gain) / Losses on Defined Benefit Obligation	502	2,530	(80%)
Total Other Comprehensive Expenses for the Year	(1,290)	(6,507)	(80%)
Total Comprehensive Income for the Year	540,444	436,638	24%

STATEMENT OF FINANCIAL POSITION			
	As At 31 March 2019 Rs. '000 (Audited)	As At 31 March 2018 Rs. '000 (Audited)	
ASSETS			
Cash and Cash Equivalents	317,309	295,703	
Placements with Banks	83,324	81,504	
Financial assets at amortized cost-Hire Purchase Receivables	14,585	82,845	
Financial assets at amortized cost - Finance Lease Receivables	13,950,248	11,383,225	
Financial assets at amortized cost -Loans and Advances	3,883,300	2,900,363	
Financial assets measured at fair value through other comprehensive income/ Financial Instruments - Available-for-Sale	41	41	
Financial assets at amortised cost-Debt and other financial instruments / Financial Instruments - Held-to-Maturity	623,372	671,383	
Due from Related Companies	92,444	336,269	
Other Debtors and Prepayments	290,636	210,265	
Deferred Tax Assets	15,632	-	
Intangible Assets	46,293	49,420	
Property, Plant & Equipment	221,885	120,587	
Total Assets	19,539,096	16,131,605	
LIABILITIES & EQUITY			
LIABILITIES			
Other Financial Liabilities Due to Customers	6,095,816	5,356,078	
Financial liabilities at amortised cost-Interest Bearing Loans and Borrowings	6,631,192	4,313,602	
Trade and Other Payables	848,021	764,415	
Due to Related Companies	1,001,570	1,465,346	
Bank Overdraft	1,134,836	676,917	
Current Tax Liabilities	220,581	10,047	
Deferred Tax Liabilities	-	154,876	
Retirement Benefit Obligations	63,118	55,213	
Total Liabilities	15,995,134	12,796,494	
EQUITY			
Stated Capital	1,996,444	1,996,444	
Statutory Reserves	163,096	136,009	
Retained Earnings	1,384,395	1,202,658	
Total Equity	3,543,935	3,335,111	
Total Liabilities & Equity	19,539,096	16,131,605	

STATEMENT OF CHANGES IN EQUITY				
	Attributable to Equity Holders of the Company (Audited)			
	Stated Capital Rs. '000	Reserve Fund Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Balance as at 01st April 2017	1,445,333	113,852	1,161,431	2,720,616
Total Comprehensive Income for the Year	-	-	443,146	443,146
Profit for the Year	-	-	443,146	443,146
Other Comprehensive Income				
Employee Benefit Plan Actuarial Loss	-	-	(9,037)	(9,037)
Tax on Other Comprehensive Income	-	-	2,530	2,530
Total Other Comprehensive Income for the Year	-	-	(6,506)	(6,506)
Total Comprehensive Income for the Year	-	-	436,639	436,639
Transactions with Owners, Recognized Directly in Equity				
Issue of Shares	551,111	-	-	551,111
Direct Cost on Right Issue	-	-	(1,990)	(1,990)
Distribution to Owners of the Company				
Transferred to/ (from) during the year	-	22,157	(22,157)	-
Dividends	-	-	(371,265)	(371,265)
Total Transactions with Equity Owners	551,111	22,157	(395,412)	177,856
Balance as at 31st March 2018	1,996,444	136,009	1,202,658	3,335,111
Impact of Adjusting SLFRS-09	-	-	(109,339)	(109,339)
Impact of Deferred Tax Adjustment on Provisioning	-	-	-	-
Balance as at 1st April 2018	1,996,444	136,009	1,093,319	3,225,772
Total Comprehensive Income for the year				
Profit for the Year	-	-	541,734	541,734
Other Comprehensive Income				
Employee Benefit Plan Actuarial Loss	-	-	(1,792)	(1,792)
Deferred tax on Actuarial Losses on Defined Benefit Obligation	-	-	502	502
Total Comprehensive Income for the Year	-	-	540,444	540,444
Transactions with Owners, Recognized Directly in Equity				
Distribution to owners of the company				
Transferred to/ (from) during the year	-	27,087	(27,087)	-
Dividends	-	-	(222,281)	(222,281)
Total Transactions with Equity Owners	-	27,087	(249,368)	(222,281)
Balance as at 31st March 2019	1,996,444	163,096	1,384,395	3,543,935

SELECTED PERFORMANCE INDICATORS		
Indicator	As At 31 March 2019 (Audited)	As At 31 March 2018 (Audited)
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital), Rs. Mn	3,470	3,096
Total Capital Base, Rs. Mn	3,470	3,096
Core Capital to Risk Weighted Assets Ratio (Minimum 5%)	14.08%	16.25%
Total Capital to Risk Weighted Assets Ratio (Minimum 10%)	14.08%	16.25%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	58.14%	62.27%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Accommodations Rs. '000'	564,454	359,855
Gross Non-Performing Accommodations Ratio, %	3.10%	2.46%
Net-Non Performing Accommodations Ratio, %	-0.09%	0.37%
Profitability (%)		
Net Interest Margin	12.91%	12.65%
Return on Assets (Before Tax)	3.04%	3.05%
Return on Equity (After Tax)	15.75%	14.64%
Regulatory Liquidity (Rs.'000')		
Required Minimum Amount of Liquid Assets	723,867	698,094
Available Amount of Liquid Assets	806,930	791,830
Required Minimum Amount of Government Securities	413,967	330,969
Available Amount of Government Securities	630,167	580,089
Memorandum Information		
Number of Employees	518	389
Number of Branches	28	24
Number of Service Centers	16	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.) T.A. Amarasinghe
Director/Chief Executive Officer
29/06/2019

(Sgd.) B.S.E.T. Fernando
Chief Financial Officer
29/06/2019

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 accompanying financial statements of Singer Finance (Lanka) PLC ("the Company"), which comprise the statement of financial position as at March 31, 2019, 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 210 to 277 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, 2019, and of its financial performance and 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 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.

Risk Description

Impairment allowance for loans and advances, finance lease receivables and hire purchases including transition to SLFRS 9

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 judgment is involved in the selection of those parameters and the application of assumptions.

At 31 March 2019 91% of its total assets of the Company consisted of loans and advances, finance lease receivables and hire purchases totaling to Rs. 17.8 Bn., net of impairment allowance of Rs. 580 Mn. Included in the impairment allowance the day one impact on transition to SLFRS 9 has been quantified as Rs.109Mn.

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

Refer to note 5 and note 18 to the financial statements and the accounting policies in the note 3.25.

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.

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 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 on 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 06 May 2019

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

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne FCA
R.M.D.B. Rajapaksa FCA

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

Principals - S.R.I. Perera FCA(MAUK), LLB, Attorney-at-Law, H.S. Goonerawardene ACA

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.