

SINGER FINANCE (LANKA) PLC

STATEMENT OF PROFIT OR LOSS			
	Year Ended 31 March 2020 Rs.'000 (Audited)	Year Ended 31 March 2019 Rs.'000 (Audited)	Change %
Interest Income	4,310,449	3,818,504	13%
Less: Interest Expense	1,991,392	1,645,624	(21%)
Net Interest Income	2,319,057	2,172,880	7%
Fee and Commission Income	215,531	237,077	(9%)
Other Operating Income	72,431	74,177	(2%)
Total Operating Income	2,607,019	2,484,135	5%
Less: Allowances for Impairment charges for Loan and Other Losses	358,386	281,988	(27%)
Net Operating Income	2,248,633	2,202,147	2%
Less : Expenses			
Personnel Cost	546,204	480,023	(14%)
Depreciation and Amortization	128,598	40,240	(220%)
Other Administration and Selling Expenses	683,655	698,025	2%
Operating Profit Before Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services	890,176	983,860	(10%)
Less : VAT, NBT & DRL on Financial Services	259,867	260,956	0%
Profit Before Tax	630,309	722,904	(13%)
Less : Income Tax Expense	241,269	181,170	(33%)
Profit for the Year	389,040	541,734	(28%)
Earnings Per Share	1.93	2.68	
Dividend Per Share	-	1.10	

STATEMENT OF OTHER COMPREHENSIVE INCOME			
	Year Ended 31 March 2020 Rs.'000 (Audited)	Year Ended 31 March 2019 Rs.'000 (Audited)	Change %
Profit for the Year	389,040	541,734	(28%)
Other Comprehensive Income			
Items that will never be Classified to Profit or Loss			
Actuarial (Loss)/Gain on Retirement Benefit Obligation	1,347	(1,792)	(175%)
Deferred Tax on Actuarial Losses on Defined Benefit Obligation	(377)	502	(175%)
Total Other Comprehensive Expenses for the Period	970	(1,290)	(175%)
Total Comprehensive Income for the Period	390,010	540,444	(28%)

STATEMENT OF FINANCIAL POSITION			
	As At 31 March 2020 Rs.'000 (Audited)	As At 31 March 2019 Rs.'000 (Audited)	
ASSETS			
Cash and Cash Equivalents	214,376	317,309	
Placements with Banks	101,394	83,324	
Financial assets at amortised cost - Hire Purchase Receivables	3,910	14,585	
Financial assets at amortised cost - Finance Lease Receivables	14,958,657	13,950,248	
Financial assets at amortised cost - Loans and Advances	5,195,000	3,883,300	
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	789,889	623,372	
Due from Related Companies	185,521	92,444	
Other Debtor and Prepayments	260,166	290,636	
Deferred Tax Assets	-	15,632	
Intangible Assets	42,277	46,293	
Property, Plant & Equipment	327,720	221,885	
Right-of-use Assets/ Lease Assets	468,490	-	
Total Assets	22,547,442	19,539,068	
LIABILITIES & EQUITY			
LIABILITIES			
Other Financial Liabilities Due to Customers	7,175,552	6,095,816	
Financial liabilities at amortised cost-Interest Bearing Loans and Borrowings	9,228,199	6,631,190	
Lease Liabilities	476,002	-	
Due to Related Companies	404,512	1,001,570	
Trade and Other Payables	467,552	848,021	
Bank Overdraft	618,330	1,134,836	
Current Tax Liabilities	117,351	220,581	
Deferred Tax Liabilities	77,364	-	
Retirement Benefit Obligations	73,397	63,118	
Total Liabilities	18,638,259	15,995,134	
EQUITY			
Stated Capital	1,996,444	1,996,444	
Reserve Fund	182,548	163,096	
Retained Earnings	1,730,188	1,384,395	
Total Equity	3,909,182	3,543,935	
Total Liabilities & Equity	22,547,442	19,539,068	

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 31 st March 2018	1,996,444	136,009	1,202,658	3,335,112
Impact of Adopting SLFRS 09	-	-	(109,339)	(109,339)
Balance as at 1st April 2018	1,996,444	136,009	1,093,319	3,225,773
Total Comprehensive Income				
Profit for the Year	-	-	541,734	541,734
Other Comprehensive Income				
Actuarial Loss on Retirement Benefit Obligation	-	-	(1,792)	(1,792)
Deferred Tax on Other Comprehensive Income	-	-	502	502
Total Other Comprehensive Income for the Year	-	-	(1,290)	(1,290)
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)	(222,281)
Total Transactions with Equity Owners	-	27,087	(249,368)	(222,281)
Balance as at 31 st March 2019	1,996,444	163,096	1,384,395	3,543,935
Impact of Adopting SLFRS 16	-	-	(34,395)	(34,395)
Deferred Tax Impact on Adopting SLFRS-16	-	-	9,630	9,630
Balance as at 01 st April 2019	1,996,444	163,096	1,359,630	3,519,170
Total Comprehensive Income				
Profit for the Year	-	-	389,041	389,041
Other Comprehensive Income				
Actuarial Gain on Retirement Benefit Obligation	-	-	1,347	1,347
Deferred Tax on Other Comprehensive Income	-	-	(377)	(377)
Total Other Comprehensive Income for the Year	-	-	970	970
Total Comprehensive Income for the Year	-	-	390,011	390,011
Transactions with Owners, Recognized Directly in Equity				
Distribution to Owners of the Company				
Transferred to/(from) During the Year	-	19,452	(19,452)	-
Total Transactions with Equity Owners	-	19,452	(19,452)	-
Balance as at 31 st March 2020	1,996,444	182,548	1,730,190	3,909,182

SELECTED PERFORMANCE INDICATORS		
Indicator	As At 31 March 2020 (Audited)	As At 31 March 2019 (Audited)
Regulatory Capital Adequacy		
Core Capital (Tier I Capital), Rs.'000	3,866,905	3,470,555
Total Capital Base, Rs.'000	3,866,905	3,470,555
Core Capital To Risk Weighted Assets Ratio (Minimum 5%)	13.87%	14.08%
Total Capital To Risk Weighted Assets Ratio (Minimum 10%)	13.87%	14.08%
Capital Funds To Total Deposit Liabilities Ratio (Minimum 10%)	54.48%	58.14%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Accommodations, Rs.'000	1,043,150	564,454
Gross Non-Performing Accommodations Ratio, %	5.01%	3.10%
Net-Non Performing Accommodations Ratio, %	1.40%	(0.09%)
Profitability (%)		
Net Interest Margin	11.17%	12.65%
Return on Assets (Before Tax)	3.00%	3.04%
Return on Equity (After Tax)	10.44%	15.75%
Regulatory Liquidity (Rs.'000)		
Required Minimum Amount of Liquid Assets	834,234	723,867
Available Amount of Liquid Assets	911,082	806,930
Required Minimum Amount of Government Securities	413,967	413,967
Available Amount of Government Securities	701,282	630,167
Memorandum Information		
Number of Employees	624	518
Number of Branches	36	28
Number of Service Centers	11	16
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. Amarasingha
Director/Chief Executive Officer
30/06/2020

(Sgd.) B.S.E.T. Fernando
Chief Financial Officer
30/06/2020

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(Ika)'; Outlook Stable by Fitch Ratings. Co Reg No. PB 813 PQ

No 498, R A De Mel Mawatha, Colombo 03. Tel: 0112316416, 0112303717, 0112100110 Fax: 0112303715 E-Mail: financecompany@singersl.com Web: www.singerfinance.com

INDEPENDENT AUDITORS' REPORT



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

Tel : +94 - 11 542 6428
Fax : +94 - 11 244 5872
+94 - 11 244 6256
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 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 (SLAuS). 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 its 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.

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 to the financial statements and the accounting policies in the note 3.25.

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 41 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 41 to the financial statements and the accounting policies in the note 1.28.

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 SLAuS 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 SLAuS, 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

14th May 2020

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. Mubashir FCA
T.S. Rajaguru FCA
Ms. E.M.B. Jayasundera ACA
G.A.U. Jayasinghe FCA
R.H. Rajan FCA
A.M.A.P. Jayasinghe ACA
P.N.P. Jayasinghe ACA
P.V.S. Perera FCA
W.V.C. Perera FCA
W.G.C. Jayasinghe FCA
M.N.B. Jayasinghe FCA
M.C.T.K.N. Perera ACA
C.P. Jayasinghe FCA
Ms. S. Joseph FCA
S.T.D. Perera FCA
Ms. B.K.D.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
M.S. P.M.K. Sumanadasa FCA